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Table of Contents

Distribution of Credit Risk among Providers of Mortgages to Lower-Income and Minority Homebuyers

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The financial institutions that bear the credit risk in mortgage lending are critical because without such participants, mortgages cannot be made. Once an institution agrees to assume the risk that a borrower will not repay a loan as scheduled, the other participants in the mortgage process—originators, funders, and purchasers—are readily available. The bearing of credit risk is an ongoing concern of the mortgage market and the government, and a variety of institutions have evolved for that purpose. The performance of these institutions in taking on credit risk has important public policy implications because home ownership, particularly within lower-income and minority communities, is a well-established national goal and is of intense public interest.

Assessing the performance of mortgage market participants in accepting credit risk is not straightforward for several reasons—lack of data, uncertainties about the most appropriate criteria for assessing performance, and the influence of government subsidies and regulations. The diversity of the participants' goals and strategies also complicates the task: The government mortgage insurers that account for most of the risk-bearing activity in the *government mortgage system* are nonprofit and accept nearly all the credit risk of the mortgages they insure; the mortgage originators, insurers, and purchasers that make up the *conventional mortgage system* are profit-seeking and generally act to spread the risk throughout the system.

In an earlier study we assessed the performance of the major participants in the market for home purchase mortgages by examining the distribution of the mortgage credit risk borne by these institutions.[1] For that analysis we combined 1994 data on mortgages collected pursuant to the Home Mortgage Disclosure Act (HMDA) with 1994 data on private mortgage insurance (PMI) activity made available by private mortgage insurers. With that unique database we obtained rough measures of the amount of credit risk that the major participants bore and the distribution of that risk across institutions by the income and racial or ethnic characteristics of the borrowers and their neighborhoods. We found that the largest government insurer, the FHA, was the most involved with lower-income and minority homebuyers, as measured by both *portfolio share* (the proportion of an institution's own mortgage portfolio extended to these groups) and *market share* (the proportion of all mortgages extended to these groups for which an institution bears the credit risk). Depository institutions generally had higher portfolio and market shares than the two for-profit government-sponsored enterprises that are active in the secondary market, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

In this article we revisit the issue of who bears the credit risk associated with mortgage lending using 1995 data and refined estimates of the amount of mortgage credit risk borne by market participants.[2] In our earlier analysis we measured credit risk in terms of the number of mortgages held or insured; here we go beyond looking at numbers or simple dollar amounts of mortgages held or insured and instead measure risk in terms of the dollar losses that could be expected on the basis of historical experience.

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1. 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.

2. Unless otherwise noted, the focus of this article is mortgages approved during the first ten months of 1995 for the purchase of owner-occupied, single-family homes located in metropolitan statistical areas. Mortgages originated in the final two months of 1995 were excluded from analysis because the lenders that originated those loans may not have had the opportunity to sell them by year-end, when HMDA data must be reported. Because of the public-interest focus on lower-income and minority borrowers and neighborhoods, we present results for only FHA-eligible mortgages (that is, mortgages within the size limits for FHA-backed single-family loans).

Institutions' expected dollar losses are determined primarily by the distribution of loan-to-value ratios within their mortgage portfolios: Higher ratios are associated with higher mortgage default probabilities and loss severity rates. Data on these aspects of mortgage lending are not reported under HMDA and are not readily available elsewhere; we obtained the information in a variety of ways, including discussions with industry participants and modeling based on preliminary data from the Federal Reserve's 1995 Survey of Consumer Finances.

Who bears the credit risk for mortgage lending to lower-income borrowers, black or Hispanic borrowers, lower-income neighborhoods, and minority neighborhoods, and how is that risk distributed? The findings based on our refined estimates of credit risk are in accord with our earlier results: In terms of market share, the FHA, the largest institution in the government mortgage system, outperforms all other institutions or types of institutions. It is the major bearer of credit risk for these groups. For example, the FHA backed about one-third of the dollar amount of mortgages extended in 1995 to lower-income borrowers but assumed *nearly two-thirds* of the credit risk associated with lending to that group.

The market shares of the conventional mortgage system are not only small relative to the amount borne by government institutions; they are also broadly distributed across the major types of institutions in the system. No single institution or set of institutions stands out as a principal bearer of credit risk for the conventional mortgages extended to these borrowers.

The FHA also has a high portfolio share for lending to lower-income or minority borrowers and neighborhoods relative to the participants in the conventional mortgage system. However, some profit-seeking portfolio lenders devote a large share of their portfolio risk to lower-income borrowers and neighborhoods. These lenders—commercial banks, savings associations, and mortgage banks—have low-income portfolio shares similar to the FHA's, although their market shares are only slightly larger than those of others in the conventional mortgage system.

THE MANAGEMENT OF MORTGAGE CREDIT RISK

The credit risk associated with mortgage lending is managed in a variety of ways, mainly by the use of underwriting standards and the sharing of risk among participants in the mortgage market, including borrowers. Because different groups of borrowers have different credit characteristics, the risk-management approach taken may affect the distribution of mortgage borrowers across income groups, race and ethnic categories, and neighborhoods.

Requiring borrowers to meet certain underwriting standards is the most important step lenders take to manage mortgage credit risk. In assessing the possibility that a prospective borrower may default on a mortgage, lenders evaluate both ability and willingness to repay the loan. They look at sources of income, debt-payment-to-income ratios, assets, employment history, and prospects for income growth. They also review the applicant's credit history and estimate the value of the property for which the mortgage is being sought.

Varying the price of credit by charging riskier borrowers higher interest rates is another means of managing credit risk. Lenders know, for example, that the probability of default, as well as the extent of the loss resulting from default, is strongly related to the loan-to-value ratio of the mortgage: The higher the ratio, the greater the likelihood of default and the larger the potential loss.[3] To compensate for greater risk, lenders may require a borrower who takes out a mortgage having a high loan-to-value ratio to pay a higher interest rate (or, more often, to purchase mortgage insurance, which raises the effective interest rate). They may also price the mortgage according to other characteristics that may influence its riskiness; for example, they may charge higher interest rates on longer-term loans.

The sharing of credit risk is common within the home mortgage industry. First and foremost, lenders share risk with the borrower by requiring the borrower to make a down payment toward the purchase of the home. The larger the borrower's equity stake, the more the value of the home exceeds the loan balance, providing the lender with a greater cushion in case of default.

Credit risk is also shared among institutional participants in the mortgage market. For example, lenders usually require a borrower to purchase mortgage insurance from a public or private mortgage insurer if the down payment is less than 20 percent of the

3. Robert B. Avery, Raphael W. Bostic, Paul S. Calem, and Glenn B. Canner, "Credit Risk, Credit Scoring, and the Performance of Home Mortgages," *Federal Reserve Bulletin*, vol. 82 (July 1996), pp. 621–48.

home's appraised value.[4] Lenders also often sell mortgages in the secondary market under terms that relieve themselves of the credit risk associated with the mortgage (that is, the secondary-market institution has no recourse to the seller in the event of default).

Credit risk can also be managed by influencing the probability of default and the extent of losses associated with default. Lenders use a variety of risk-management techniques to encourage timely repayment. For example, they may require a prospective borrower to receive credit counseling or homebuyer education before taking out a mortgage and may work more aggressively with a borrower who becomes delinquent. To lower the losses associated with default, lenders may encourage a seriously delinquent borrower to sell the home before foreclosure (a so-called short sale), thereby avoiding the legal expenses and other costs associated with the often-lengthy foreclosure process. Other methods of loss management include allowing delinquent borrowers to defer payments until their financial circumstances improve and modifying loan agreements.[5]

The Major Participants in the Mortgage Market

During the past sixty years, the Congress has created public institutions—and has both granted advantages to and imposed restrictions on private institutions—to influence underwriting standards and other aspects of mortgage lending and, thus, the level and composition of mortgage activity. In recent years, congressional actions have focused on encouraging the provision of mortgage credit to lower-income and minority homebuyers and to those seeking to purchase homes in lower-income neighborhoods and central cities. These actions influence the distribution of credit risk among the participants in the mortgage market.

The Nonprofit Government Mortgage System

The Congress has established nonprofit government institutions to promote home ownership among specific groups and in the population at large. Of the nonprofit government institutions, the FHA and the VA have by far the largest home loan programs. Their missions are to promote home ownership by insuring mortgages extended, respectively, to lower- and moderate-income homebuyers and to veterans.[6] Subsidization by the federal government helps these agencies achieve their goals.[7] The FHA plays a larger role in the mortgage market than the VA.

The FHA's activity is limited by the Congress in several ways: by size limits on the mortgages that it can insure, by restrictions on its ability to change insurance premiums, and by limits on the aggregate amount of insurance that it may write each year. The FHA relies on the insurance premiums paid by lower-risk borrowers to cross-subsidize the costs imposed by higher-risk borrowers.[8] Consequently, because private mortgage insurance may cost less, lower-risk borrowers who qualify for privately insured loans tend not to use FHA programs.[9]

A higher proportion of lower-income borrowers than of higher-income borrowers choose mortgages insured by the FHA or the VA. Under these programs, prospective borrowers can qualify for credit with more debt relative to income, with smaller down payments, and with weaker credit histories because the underwriting standards of the FHA and the VA are generally less strict than those used by private mortgage insurers. Many families with lower incomes need the more relaxed underwriting guidelines to qualify for mortgages because they tend to carry relatively higher loads of nonhousing debt, to have fewer assets to draw on when making down payments

4. Some lenders extend low-down-payment mortgages without insurance but charge higher interest rates or have the borrower take out a second mortgage (usually equal to 10 percent of the home's appraised value) at a higher interest rate than the first mortgage (usually equal to 80 percent of the home's value), thus effectively providing the mortgage insurance themselves. In addition, some lenders provide low-down-payment mortgages without requiring mortgage insurance as part of their efforts to comply with the Community Reinvestment Act.

5. For a discussion of alternatives to foreclosure, see U.S. Department of Housing and Urban Development, "Providing Alternatives to Mortgage Foreclosure: A Report to Congress," March 1996; and Brent W. Ambrose and Charles A. Capone, Jr., "Cost-Benefit Analysis of Single-Family Foreclosure Alternatives," *The Journal of Real Estate Finance and Economics*, vol. 13 (September 1996), pp. 105-20. Also see the 1995 annual reports of Fannie Mae and Freddie Mac.

6. For a discussion of the FHA and its influence in the housing market, see U.S. Department of Housing and Urban Development, Office of Policy Development and Research, "An Analysis of FHA's Single-Family Insurance Program," October 1995; and General Accounting Office, "Homeownership: FHA's Role in Helping People Obtain Home Mortgages" (GAO/RCED-96-123), August 13, 1996.

7. With respect to its largest single-family mortgage insurance program, the FHA's subsidy primarily takes the form of relief from the need to earn a private market rate of return for shareholders rather than a direct government appropriation.

8. A question arises as to why private mortgage insurers do not "cherry pick" more of the FHA's least risky borrowers, who pay higher premiums than should, in principle, be available in the private market. Among the possible explanations are state regulations limiting the ability of PMI companies to insure mortgages having loan-to-value ratios above 97 percent, the specialization of some mortgage lenders in FHA loans, and borrowers' preferences to finance their home purchases with government-backed loans.

9. See General Accounting Office, "Homeownership: FHA's Role in Helping People Obtain Home Mortgages."

and paying closing costs, and to have histories of credit problems or no credit histories at all. At the same time, upper-income borrowers tend to seek mortgages that exceed the limits on the size of mortgages eligible for FHA insurance or that receive proportionally less backing from the VA, thus reducing their participation in these programs.

Like lower-income borrowers, black and Hispanic borrowers tend to use FHA and VA mortgages relatively often. On average, borrowers in the latter group, compared with their white or Asian counterparts, have lower incomes, less wealth, weaker credit histories, and less-stable employment, and they purchase homes with lower values. In addition, black and Hispanic borrowers are more likely than equally qualified white and Asian borrowers to choose FHA-backed mortgages.[10]

A third nonprofit government institution, the Government National Mortgage Association (Ginnie Mae), is active in the secondary mortgage market; it was created by the Congress to provide liquidity solely for federal housing initiatives. In contrast to other secondary-market institutions, which buy mortgages and sell securities backed by mortgages, Ginnie Mae does not purchase mortgages. Instead, Ginnie Mae guarantees the timely payment of interest and principal for privately issued securities backed by mortgages insured by the FHA or the VA. In our analysis we do not identify Ginnie Mae as a bearer of credit risk; instead, we assume that the entire risk of FHA mortgages is borne by the FHA and that the risk of VA mortgages is borne mainly by the VA. In practice, however, Ginnie Mae bears a small amount of credit risk if, for example, a lender servicing a security backed by FHA and VA loans is unable to make timely payments.

The Profit-Seeking Conventional Mortgage System

The conventional mortgage system is made up of numerous institutions whose profit-seeking drives them to spread the credit risk of conventional mortgages (that is, mortgages that are not insured by the federal government).[11] These institutions are a diverse group: Some are government-sponsored and others are privately sponsored; some have the capacity to hold mortgages in their portfolios whereas others only insure mortgages; and some are strongly encouraged by government to help meet the credit needs of lower-income homebuyers and neighborhoods whereas others are given no such direction. The three main types of institution in the conventional mortgage system are private mortgage insurers, government-sponsored enterprises, and portfolio lenders.

Private Mortgage Insurers

Private mortgage insurers are profit-seeking institutions that insure, but do not originate or purchase, conventional mortgages. They are not subject to federal laws that encourage the provision of credit to lower-income borrowers or in lower-income neighborhoods, such as the Community Reinvestment Act.

Private mortgage insurance reduces a lender's credit risk by insuring against losses associated with default up to a contractually established percentage of the claim amount.[12] In deciding whether to insure a particular mortgage, a PMI company acts as a review underwriter, evaluating both the creditworthiness of the prospective borrower and the adequacy of the collateral offered as security on the loan. Like the FHA and the VA, PMI companies deny insurance to prospective borrowers who are judged to pose undue credit risk; lenders are free to extend credit to such borrowers, but they must do so without the protection of private mortgage insurance. (See appendix A for data on the disposition of applications for private mortgage insurance in 1995.)

Private mortgage insurers focus on mortgages that have high loan-to-value ratios—a type of mortgage often used by lower-income borrowers. However, they neither receive government support nor have a government mandate to serve lower-income borrowers. Hence, PMI companies serve lower-income borrowers to the extent that it is profitable to do so. To some extent, PMI companies compete directly with the FHA and the VA to insure mortgages that have high loan-to-value ratios.

10. Glenn B. Canner, Stuart A. Gabriel, and J. Michael Woolley, "Race, Default Risk and Mortgage Lending: A Study of the FHA and Conventional Loan Markets," *Southern Economic Journal*, vol. 58 (July 1991), pp. 249–62.

11. One group of *nonprofit* institutions, credit unions, is also part of the conventional mortgage system. Because they account for a very small portion of the mortgage market, credit unions are not discussed in the text; however, they are included in the tables for completeness.

12. The claim amount on a defaulted loan generally includes the outstanding balance on the loan, delinquent interest payments, expenses incurred during foreclosure, costs to maintain the property, and advances the lender made to pay taxes and hazard insurance on the property. For more information on private mortgage insurers, see Glenn B. Canner, Wayne Passmore, and Monisha Mittal, "Private Mortgage Insurance," *Federal Reserve Bulletin*, vol. 80 (October 1994), pp. 883–99.

For homebuyers, private mortgage insurance can differ markedly from FHA or VA insurance.[13] Private mortgage insurance is generally less expensive for borrowers who do not need the underwriting flexibility offered by the FHA or the VA, and it is more available for borrowers seeking larger mortgages. However, many homebuyers, particularly lower-income and minority homebuyers, need the FHA's and VA's more liberal underwriting standards, lower down payments, and lower cash requirements at closing to qualify for a mortgage.

Government-Sponsored Enterprises

Government-sponsored enterprises (GSEs) are privately owned institutions that blend the characteristics of public and private institutions; they receive certain benefits from their government sponsorship and in exchange are expected to advance certain public policy goals.[14] The GSEs most prominent in the mortgage market, Fannie Mae and Freddie Mac, are, together with Ginnie Mae, the major players in the secondary mortgage market.[15] In contrast to Ginnie Mae, which focuses on government-backed mortgages, Fannie Mae and Freddie Mac purchase conventional mortgages almost exclusively, accepting all or part of the credit risk of the mortgages they purchase. Many of these mortgages are securitized, while others are held directly in their portfolios.

Because Fannie Mae and Freddie Mac are profit-seeking, they may not be able to bear the same degree of credit risk as the FHA or the VA. At the same time, they do not have as much latitude as purely private entities: They have in their charters a congressionally mandated affirmative obligation to promote home ownership among lower-income households. They also have annual affordable housing goals, established by the Department of Housing and Urban Development (HUD), for the purchase of mortgages to lower-income households and in targeted communities.

Even while Fannie Mae and Freddie Mac are encouraged to promote lending to lower-income households, their charters may also create barriers to such lending by limiting the risk they may bear: The mortgages they purchase, unless they carry private mortgage insurance or some other form of credit enhancement (for example, recourse to the lender), must have loan-to-value ratios of 80 percent or less. Therefore, Fannie Mae and Freddie Mac generally bear the entire credit risk only for mortgages that have relatively large down payments—the type of mortgage that may be used less often by lower-income households that have limited savings (some lower-income households, such as retirees, may have substantial financial assets).

Portfolio Lenders

Portfolio lenders are privately sponsored institutions that are capable of holding mortgages in their own portfolios; among these institutions are commercial banks, savings associations, and some mortgage banks. Portfolio lenders determine their own underwriting standards for the mortgages they hold, thereby controlling the credit risk of their portfolios.

The vast majority of portfolio lenders are depository institutions. However, a diverse group of nondepository portfolio lenders—mortgage bankers, pension funds, insurance companies, and others—also fund mortgages and bear mortgage credit risk. Depository institutions are subject to federal laws and regulations that require them to help meet the credit needs of lower-income households and neighborhoods, but nondepository portfolio lenders are not subject to such rules.

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13. From a lender's perspective, the insurance provided by private mortgage insurers and that provided by the FHA and the VA differ in the level of protection against credit losses. Whereas PMI companies typically limit coverage to 20 percent to 35 percent of the claim amount on a defaulted loan, the FHA covers 100 percent of the unpaid balance of the mortgage as well as most costs associated with the foreclosure and sale of the property. The VA provides loan guarantees, with the guaranteed proportion tied to the size of the mortgage; the guaranteed proportion may not cover all the lender's losses under all circumstances, particularly when property values are falling. For marginally qualified borrowers, some lenders may prefer the added protection afforded by FHA or VA insurance and may encourage these borrowers to apply for such mortgages.

14. For general descriptions of two GSEs—Fannie Mae and Freddie Mac—including the benefits they derive from government sponsorship and their affirmative obligations to promote home ownership among lower-income households, see Congressional Budget Office, "Assessing the Public Costs and Benefits of Fannie Mae and Freddie Mac," May 1996; General Accounting Office, "Housing Enterprises: Potential Impacts of Severing Government Sponsorship," May 1996; U.S. Department of Housing and Urban Development, "Privatization of Fannie Mae and Freddie Mac: Desirability and Feasibility," July 1996; and U.S. Department of the Treasury, "Government Sponsorship of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation," July 11, 1996.

15. For 1995, these three institutions accounted for 58 percent of all mortgage purchases reported under HMDA (see Special Tables, table 4.41, *Federal Reserve Bulletin*, vol. 82 (September 1996), pp. A74–A75). While these institutions dominate secondary market activity, others—including commercial banks, savings associations, insurance companies, and pension funds—are also active purchasers of mortgages. These other institutions buy the same types of loans purchased by Fannie Mae and Freddie Mac, but they also provide a market for lenders that originate nonconforming loans, such as jumbo loans (loans larger than the maximum single-family mortgage that may be purchased by Fannie Mae and Freddie Mac), mobile home loans, loans with lower credit quality, and certain types of adjustable-rate mortgages.

Depository Institutions Subject to CRA. Depository institutions benefit from federal deposit insurance and from other services available exclusively to depository institutions. In exchange, they are subject to many regulations not imposed on other portfolio lenders. Among these regulations is the Community Reinvestment Act (CRA), which requires commercial banks and savings associations (but not credit unions) to help meet the credit needs of their communities.[16]

Opposing influences act on depository institutions to affect the extent of their lending to lower-income and minority borrowers and the extent to which they keep these mortgages in their portfolios. On one hand, CRA requirements may lead some depositories to hold mortgages underwritten with greater flexibility than those insured by private mortgage insurers or sold into the secondary market—the type of mortgages often sought by lower-income and minority homebuyers. Moreover, because they may find it difficult to originate and fund traditional thirty-year fixed-rate mortgages profitably, depositories may seek out market niches, collecting better information about a particular group of mortgage borrowers, or may develop products that meet special credit needs.[17] Under these circumstances, they may hold relatively high proportions of nontraditional mortgages, including those extended to lower-income and minority borrowers.

On the other hand, because extending mortgages using more flexible underwriting standards may involve more risk-taking, depository institutions may be tempted to assume the risk of only the least risky mortgages and to pass that of higher-risk mortgages to other institutions, either by selling the loans or by obtaining insurance on them from a third party.[18] They may find it difficult to sell such mortgages, however, because purchasers and insurers guard against accepting the risk of higher-risk mortgages by setting stricter underwriting standards than they would if they had full information about the mortgages' riskiness and by monitoring closely the adherence of mortgage originators to those standards. Risk-adjusted capital requirements also discourage depository institutions from holding some types of nonconforming loans: For mortgages having a loan-to-value ratio of more than 80 percent and no private mortgage insurance, they must hold more capital to guard against losses.

Nondepository Portfolio Lenders. Independent mortgage bankers and private nondepository mortgage purchasers, such as life insurance companies and pension funds, are among the other profit-seeking portfolio lenders that hold credit risk associated with mortgages. These institutions often focus on particular portions of the mortgage market, such as jumbo loans, mobile home loans, some types of adjustable-rate loans, and loans to borrowers who have poor credit histories or other credit characteristics that make their loans nontraditional.

Nondepository portfolio lenders are not subject to the CRA or to other laws intended to encourage lending to lower-income households and neighborhoods. However, like other participants in the mortgage market, they are subject to fair lending laws and to community pressures to be sensitive to the credit needs of lower-income and minority borrowers and neighborhoods. These institutions may also be subject to regulations and other influences that affect their propensity to hold particular types of mortgages in portfolio. For example, life insurance companies are subject to risk-adjusted capital requirements that impose higher capital requirements on mortgages held directly rather than in the form of a mortgage-backed security.

The Measurement of Performance in Lending to Lower-Income and Minority Homebuyers

Several government reports, and extensive debates surrounding the recent rewriting of the CRA regulations, point to continued public interest in the performance of the major mortgage market participants in serving the mortgage credit needs of lower-income households. During the past year, four congressionally mandated government reports reviewed the role of Fannie Mae and Freddie Mac in mortgage markets and discussed their performance in serving the credit needs of lower-income homebuyers.[19] Generally,

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16. In our analysis we combined the lending activities of commercial banks and savings associations with those of their mortgage banking subsidiaries and affiliates. The CRA regulations allow banks and savings associations to include the lending activities of these institutions when CRA performance is evaluated.

17. See Joseph Blalock, "Successful Fixed-Rate Lending," *Savings and Community Banker* (February 1994), p. 38; and Wayne Passmore, "Can Retail Depositories Fund Mortgages Profitably?" *Journal of Housing Research*, vol. 3, no. 2 (1992), pp. 305–40.

18. For a discussion of this behavior, see Wayne Passmore and Roger Sparks, "Putting the Squeeze on a Market for Lemons: Government-Sponsored Mortgage Securitization," *Journal of Real Estate Finance and Economics*, vol. 13 (July 1996), pp. 27–43.

19. These reports, cited in footnote 14, were required by the Federal Housing Enterprises Financial Safety and Soundness Act of 1992.

these discussions supported our earlier finding that Fannie Mae and Freddie Mac finance a smaller portion of loans to lower-income homebuyers than do the FHA, the VA, or depository institutions. However, two of the reports emphasized that it is premature to judge these GSEs' performance in encouraging lending to lower-income households because their affordable housing goals set by HUD have been in place only a short period.

The findings of another recent government report, which compared the FHA's performance in financing loans to lower-income and minority households with that of other major institutions in the mortgage market, are also consistent with our previous research. It concluded that "FHA serves disproportionate fractions of lower-income households, blacks and Hispanics, first-time homebuyers, borrowers making low down payments, and households living in underserved neighborhoods when compared with private mortgages insurers, the government-sponsored enterprises, and conventional lenders."[20]

Left unanswered is the larger question of whether the performance of one institution relative to another is the appropriate measure of how well the two institutions are meeting these needs. One institution or type of institution may be performing poorly compared with another, but it may be performing well given the other standards and expectations of the Congress, regulators, and shareholders. While the Congress has focused a variety of institutions toward meeting the needs of lower-income homebuyers—the FHA, depository institutions under CRA, and the GSEs with their affordable-housing goals—it has not specified how performance is to be measured; criteria for measuring performance have therefore been set by regulators.

Shareholders expect their firms to earn a competitive rate of return on their equity. The extent to which profit-seeking institutions subject to regulations encouraging lending to lower-income households should be expected to forgo profits in pursuit of such lending is unclear. To date, the Congress has allowed that these institutions are not expected to significantly diminish their profitability or to endanger their safety and soundness.[21] Hence, one limitation of directly comparing performance across institutions is that such comparisons may not take into consideration other public and private goals. Recognizing this limitation is particularly important when nonprofit government organizations, such as the FHA and the VA, are compared with profit-seeking institutions.

Moreover, comparing performance on the basis of the bearing of credit risk, as we do, does not take into account efforts to encourage lending to lower-income households and neighborhoods. Almost all institutions in the mortgage market are making special efforts to extend home ownership to borrowers and communities that have traditionally received relatively small proportions of mortgage credit. For example, depository institutions, mortgage bankers, Fannie Mae and Freddie Mac, and the private mortgage insurers have worked together to introduce a host of new programs targeted at lower-income households; prominent among these are Fannie Mae's Community Home Buyers program and Freddie Mac's Affordable Gold program, both of which allow more flexible underwriting standards for the loans these institutions purchase. Recently, these institutions and others have jointly established the American Homeowner Education and Counseling Institute to improve both the education of individuals who counsel potential and current homebuyers and the effectiveness of that counseling.[22]

As important as these programs are—and despite concerns about comparing performance and the lack of perfect measurement criteria—the fact remains that the acceptance of credit risk is at the heart of mortgage lending. Without an institution willing to bear the credit risk of mortgage lending to lower-income and minority households and neighborhoods, such mortgages cannot be made. Originators, funders, and purchasers of mortgages are numerous once an institution agrees to bear the credit risk of lending. The bearer of credit risk is therefore the crucial participant in the mortgage lending process.

THE COMPOSITION OF MORTGAGE ACTIVITY IN 1995

To identify which institutions bore the credit risk for mortgage lending to lower-income and minority borrowers and neighborhoods in 1995, we first looked at mortgages extended by size, by borrower and neighborhood characteristics, and by mortgage holder.

20. See HUD, "An Analysis of FHA's Single-Family Insurance Program," p. ES-1.

21. There is little evidence that profits have been significantly diminished by such lending. See Glenn B. Canner and Wayne Passmore, "The Relative Profitability of Commercial Banks Active in Lower-Income Neighborhoods and to Lower Income Borrowers," in *Proceedings of the 32nd Annual Conference on Bank Structure and Competition* (Federal Reserve Bank of Chicago, 1996), pp. 531–55.

22. Press release, "American Homeowner Education and Counseling Institute to be Established; Will Lead Industry-wide Effort to Improve Homeowner Education and Counseling Efforts Nationwide," Fannie Mae, May 29, 1996.

Mortgage Borrowers and Loan Size

We began by assigning each mortgage for the purchase of an owner-occupied home extended during the first ten months of 1995 to one of three loan-size categories: (1) FHA-eligible, (2) GSE-eligible only (GSEO-eligible), and (3) jumbo. The first category was based on size restrictions on FHA loans for the purchase of single-family homes. In 1995, the legislated limit in most areas of the country was $77,197; it ranged up to $152,362 for areas with high housing prices and even higher for Alaska and Hawaii. About 71 percent of all mortgages extended in 1995 for the purchase of owner-occupied homes were FHA-eligible (table 1, memo item). Even higher proportions of loans to lower-income borrowers (98 percent) and black or Hispanic borrowers (84 percent) were FHA-eligible.

The GSEO-eligible category covered mortgages that exceeded the FHA's single-family mortgage size limits but not the limits on mortgages that Fannie Mae and Freddie Mac may purchase ($203,150 in 1995, with higher limits for Alaska and Hawaii). About 23 percent of all mortgages extended in 1995 for the purchase of owner-occupied homes were GSEO-eligible. Fewer than 2 percent of loans to lower-income borrowers, and just over 13 percent of loans to black or Hispanic borrowers, were in this category.

The jumbo category was for mortgages exceeding $203,150. About 7 percent of all mortgages extended in 1995 for the purchase of owner-occupied homes were in this category. Almost none of the loans to lower-income borrowers, and fewer than 3 percent of loans to black or Hispanic borrowers, were jumbo mortgages.

1. Mortgage loans extended in 1995, grouped by size and distributed by the characteristics of the borrowers and of the census tracts in which the properties are located

Characteristic	FHA-eligible			GSEO-eligible			Jumbo			All		
	Number	Percent	MEMO: As a percentage of characteristic	Number	Percent	MEMO: As a percentage of characteristic	Number	Percent	MEMO: As a percentage of characteristic	Number	Percent	MEMO: As a percentage of characteristic
BORROWER												
Income[1]												
Lower	563,846	38.0	98.1	10,257	2.2	1.8	605	.4	.1	574,708	27.4	100
Middle	535,320	36.1	84.9	91,192	19.2	14.5	3,769	1.7	.6	630,281	30.0	100
Upper	384,059	25.9	43.0	373,866	78.7	41.8	136,073	96.9	15.2	893,998	42.6	100
Total	1,483,225	100	70.7	475,315	100	22.6	140,447	100	6.7	2,098,987	100	100
Racial or ethnic identity												
Asian, Pacific Islander, or white	1,154,635	77.8	68.9	400,559	84.3	23.9	121,160	86.3	7.2	1,676,354	79.9	100
Black or Hispanic	247,411	16.7	84.3	38,602	8.1	13.2	7,313	5.2	2.5	293,326	14.0	100
Other[2]	81,179	5.5	62.8	36,154	7.6	28.0	11,974	8.5	9.3	129,307	6.2	100
Total	1,483,225	100	70.7	475,315	100	22.6	140,447	100	6.7	2,098,987	100	100
CENSUS TRACT												
Income[3]												
Lower	229,214	15.5	91.3	18,248	3.8	7.3	3,652	2.6	1.5	251,114	12.0	100
Middle	856,660	57.8	79.7	187,410	39.4	17.4	31,031	22.1	2.9	1,075,101	51.2	100
Upper	397,351	26.8	51.4	269,657	56.7	34.9	105,764	75.3	13.7	772,772	36.8	100
Total	1,483,225	100	70.7	475,315	100	22.6	140,447	100	6.7	2,098,987	100	100
Minorities (as a percentage of population)												
Less than 10	743,583	50.1	68.0	278,431	58.6	25.5	71,804	51.1	6.6	1,093,818	52.1	100
10–49	592,271	39.9	71.4	174,504	36.7	21.0	63,283	45.1	7.6	830,058	39.5	100
50–100	147,371	9.9	84.2	22,380	4.7	12.8	5,360	3.8	3.1	175,111	8.3	100
Total	1,483,225	100	70.7	475,315	100	22.6	140,447	100	6.7	2,098,987	100	100
Total	**1,483,225**	...	**70.7**	**475,315**	...	**22.6**	**140,447**	...	**6.7**	**2,098,987**	...	**100**

NOTE. Includes only owner-occupied home purchase mortgages originated in 1995 for which action on the application was taken before November 1, 1995, and for which the property securing the mortgage was located in a metropolitan statistical area (MSA).

FHA-eligible: Loans that fell within the FHA mortgage size limits for single-family homes in 1995. Some FHA mortgages are larger than the mortgage limits used for the FHA-eligible category because the FHA establishes higher mortgage limits for two-, three-, and four-family properties. *GSEO-eligible*: Loans that exceeded the FHA single-family mortgage limits but not the maximum single-family loan size that could be purchased by Fannie Mae or Freddie Mac in 1995. *Jumbo*: Loans that exceeded the Fannie Mae and Freddie Mac limits.

1. *Lower*: Less than 80 percent of the median family income of the MSA in which the property related to the loan is located. *Middle*: 80 percent to 120 percent. *Upper*: 120 percent or more.

2. Includes American Indian or Alaskan native, other minorities, and joint (white and minority co-borrowers) as well as borrowers for whom racial or ethnic identity was not reported.

3. *Lower*: Median family income for census tract less than 80 percent of the median family income of the MSA in which the census tract is located. *Middle*: 80 percent to 120 percent. *Upper*: 120 percent or more.

. . . Not applicable.

SOURCE. 1995 HMDA data.

Unadjusted Distribution of Mortgage Lending

The allocation of credit risk across mortgage holders, insurers, and purchasers depends on underlying assumptions about risk-mitigation activities, business relationships, loan-to-value ratio distributions, default rates, and loss severity rates. Because views about the appropriate assumptions may differ, we provide information about the number and dollar amount of mortgages *before* adjusting the data to create our measure of credit risk.

Measuring the overall distribution of mortgage lending in 1995 in terms of the number of home purchase loans extended, before adjustments to account for private mortgage insurance coverage, indicates that commercial banks and savings associations held or purchased about 37 percent of the mortgages originated (total column in table 2).[23]

23. This number is the sum of the three rows labeled "Depository institutions subject to CRA" in table 2. Other numbers given in this paragraph similarly are sums across categories. The mortgages insured by the FHA are not included in any other categories because the FHA is assumed to bear all of the credit risk for the loans they insure. For this portion of the discussion, mortgages backed by the VA and by private mortgage insurers are assigned to the originator or purchaser that shares the credit risk with these institutions; later, we allocate the risk of these mortgages among the originators, purchasers, and insurers.

2. Mortgages extended in 1995, grouped by size and distributed by mortgage system and type of holder

Percent

Mortgage system and type of holder	FHA-eligible		GSEO-eligible		Jumbo		Total	
	By number	By dollar amount	By number	By dollar amount	By number	By dollar amount	By number	By dollar amount
GOVERNMENT MORTGAGE SYSTEM: LOANS WITH GOVERNMENT INSURANCE								
FHA	24.3	26.0	3.4	3.0	.2	.2	18.0	13.7
VA[1]	6.8	7.6	8.9	8.6	*	*	6.8	6.4
Depository institutions subject to CRA[2]	3.9	4.2	4.7	4.4	*	*	3.8	3.4
Independent mortgage companies[3]	2.8	3.3	4.1	4.1	*	*	2.9	2.9
Credit unions	.1	.1	.1	.1	*	*	.1	.1
CONVENTIONAL MORTGAGE SYSTEM: LOANS WITH PRIVATE MORTGAGE INSURANCE[4]								
Depository institutions subject to CRA[2]	5.8	6.3	8.0	7.7	9.7	8.1	6.6	7.1
Fannie Mae and Freddie Mac	9.2	10.3	13.1	12.8	.6	.4	9.5	9.1
Independent mortgage companies[3]	.5	.6	.8	.7	.6	.5	.6	.6
Other[5]	2.1	2.4	3.3	3.2	3.5	2.8	2.4	2.7
Credit unions	.2	.2	.2	.2	.1	*	.2	.2
Total	17.8	19.8	25.4	24.6	14.5	11.8	19.3	19.7
CONVENTIONAL MORTGAGE SYSTEM: LOANS WITHOUT PRIVATE MORTGAGE INSURANCE[4]								
Government-sponsored enterprises (Fannie Mae or Freddie Mac)	16.4	18.0	27.3	28.2	2.3	2.0	17.9	18.1
Portfolio lenders								
Depository institutions subject to CRA[2]	23.6	19.5	24.4	24.7	59.2	62.5	26.2	29.5
Independent mortgage companies[3]	2.3	2.0	2.2	2.2	6.2	6.0	2.6	2.9
Other[5]	7.9	6.5	7.7	7.9	17.1	16.7	8.4	8.9
Credit unions	1.0	.8	.8	.8	.6	.6	.9	.7
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
MEMO:								
Number of loans (and percentage distribution)	1,483,225 (70.7)	...	475,315 (22.6)	...	140,447 (6.7)	...	2,098,987 (100.0)	...
Amount of loans, in millions of dollars (and percentage distribution)	...	110,370 (49.1)	...	70,423 (31.3)	...	44,035 (19.6)	...	224,827 (100.0)

NOTE. Distributions are based on unadjusted dollars (see text). Also see general note to table 1.

1. Data reported by originator of mortgage.

2. Includes mortgages originated and held in portfolio by commercial banks and savings associations and their mortgage company affiliates and mortgages sold to commercial banks or savings associations.

3. Includes mortgages originated and held in portfolio by independent mortgage companies and mortgages sold to affiliates by independent mortgage companies.

4. Data reported by holder of mortgage.

5. Includes mortgages sold to life insurance companies, pension funds, and other private-sector purchasers.

* Less than 0.05 percent.

... Not applicable.

SOURCE. 1995 HMDA and PMI data.

Fannie Mae and Freddie Mac purchased about 27 percent, and the FHA backed 18 percent. The remaining 18 percent were held by privately sponsored nondepository institutions, such as independent mortgage companies or their affiliates, or by credit unions.

For the smallest loan-size category, market shares differed somewhat. The FHA backed about 24 percent of FHA-eligible mortgages measured by number of loans. Commercial banks and savings associations held or purchased 33 percent (again summing across loans backed and not backed by private mortgage insurance or the VA), somewhat lower than that group's share of mortgages of all sizes, while the share purchased by Fannie Mae and Freddie Mac was only slightly lower.

When the overall distribution of mortgage lending is measured in terms of dollar amount rather than number of loans, the relative proportions held by institutions change in a way that reflects their specialization by loan size. The proportion of mortgages originated and held by or purchased by commercial banks and savings associations rises to 40 percent, reflecting the relatively large presence of these institutions in the jumbo mortgage market. Similarly, the FHA's proportion falls to 14 percent, reflecting the limits on the size of mortgages it may insure.

Matching HMDA and PMI Records

To determine which mortgages were covered by private mortgage insurance, we compared individual home mortgage records for 1995 submitted under HMDA with individual records for that year submitted by private mortgage insurers. Mortgages were identified as privately insured if records in the two files "matched" on the following characteristics: purpose of loan, location of the property securing the loan (same state, metropolitan statistical area, county, and census tract), borrower race or ethnic status, loan size, and borrower income. To be considered matches, the records had to list the same loan purpose and property location; race or ethnic status had to be the same unless that information was missing from the PMI record, in which case the records were considered to match if all other criteria were satisfied.

To check for matches on loan size and borrower income, we did two iterations. In the first, we considered the records to match if loan size or borrower income, or both, differed by no more than $5,000. Of these matches, more than 75 percent did not differ on loan size and more than 50 percent did not differ on borrower income. In the second iteration, which considered only PMI and HMDA records that had not been matched in the first iteration, loan size had to be within $1,000 but income could differ by as much as $10,000.[1] This second iteration resulted in an additional 19,400 matches, bringing to 404,073 the total number of conventional mortgages we identified as privately insured (25.6 percent of the 1,579,681 conventional mortgages for home purchase in our database).

1. In an earlier analysis we considered records to match only if they were nearly identical on all characteristics. Here we allowed loan size and borrower income to differ somewhat more because it seemed that changes in borrower circumstances and measurement error might cause a borrower's HMDA and PMI records to differ on these criteria.

Estimation of PMI Coverage

A complete picture of how credit risk is distributed requires knowledge of which conventional mortgages were backed by private mortgage insurance. Coverage by FHA or VA insurance is reported in the HMDA data, but information on coverage of conventional mortgages by private mortgage insurance is not readily available. Therefore, we estimated PMI coverage by matching the individual mortgage records reported under HMDA with individual records on loans insured by private mortgage insurers (see box "Matching HMDA and PMI Records"). *The matching techniques used here differ from those used in our study of mortgage lending in 1994, and comparisons across years are not appropriate.*[24]

From our matching process, we estimated that roughly 20 percent of the conventional mortgages that were originated and retained by or purchased by depository institutions or their subsidiaries (measured by number of loans) were backed by private mortgage insurance (derived from table 2). That most of these conventional mortgages were not backed by private mortgage insurance implies that depository institutions bear the entire credit risk for most of the conventional mortgages they hold.

24. In our previous study we used statistical matching with replacement to match PMI and HMDA records (when a PMI record matched a HMDA record, the PMI record was retained for possible additional matches); here we use statistical matching without replacement (the PMI record was dropped once it matched a HMDA record). Earlier we allocated all of the credit risk of a PMI-insured mortgage to the insurer and therefore did not need to know which institution originated or purchased the mortgage; here we allocate the credit risk for a given mortgage among institutions and therefore had to know the identity of the originator or purchaser—information that is available only from the HMDA record that actually matches the PMI record.

In the matching process for the current study we made several additions to the process used earlier (see box). We added matches on dates of loan approval and PMI approval to better identify matches, randomized the order of HMDA records before matching to remove any potential for bias resulting from the ordering of HMDA data in the Federal Financial Institution Examination Council databases, and changed the matching criteria to allow greater differences in loan size and income. The net result of these changes was more matches, which increased the calculated market share for private mortgage insurers.

By the same process, we estimated that 35 percent of the mortgages purchased by Fannie Mae and Freddie Mac were backed by private mortgage insurance. In contrast to our estimates, industry sources indicated that nearly half of the home purchase mortgages bought in 1995 by Fannie Mae and Freddie Mac were insured by private mortgage insurance. The difference between that figure and our estimate may be a consequence of the large number of PMI records (31 percent) and HMDA records (23 percent) for which detailed geographic information was not reported. (As noted in the box describing the matching process, our procedure required that "matching" records match on the location of the property being financed.) The lack of geographic information on PMI records is unlikely to be related to the type of mortgage holder or purchaser, however, and therefore the extent of PMI coverage is probably understated for other institutions as well. As described in appendix B, we accounted for these differences in our estimates of risk-bearing.

The Holders of Credit Risk on Mortgages Extended in 1995

To estimate credit risk, we converted data on the dollar amount of mortgages extended or insured ("unadjusted dollars") to *risk dollars*—the long-term dollar losses that could be expected on the basis of historical experience. This conversion process involved using loan-to-value ratio (LTV) distributions for each type of institution; estimating the extent of PMI use across institutions; applying historical default and loss severity rates by loan-to-value ratio for each type of institution; and reallocating these risk dollars across institutions to account for risk-sharing arrangements between insurers and other institutions. (Details of the conversion process are given in appendix B.) Because of the public-interest focus on lower-income and minority borrowers and on lower-income and predominantly minority neighborhoods, *we present results only for FHA-eligible mortgages.*[25]

We measured the amount of credit risk borne by each type of institution in two ways: the share of the institution's portfolio extended to a particular group of borrowers (*portfolio share*) and the share of the total dollars extended by an institution to a particular group relative to the total dollars extended by all lenders to that group (*market share*). The portfolio and market shares are calculated using both unadjusted dollars and risk dollars. Dollar amounts unadjusted for credit risk are reported to provide a point of reference; however, risk dollars are a better measure of risk-bearing and are at the heart of our analysis.

Portfolio Shares

Of the major participants in the home mortgage market, the FHA had the highest proportion of its risk dollars extended to lower-income and black or Hispanic borrowers and in lower-income and predominantly minority neighborhoods (table 3). This finding is not surprising because the FHA is government-backed and government-subsidized and thus is able to use more-flexible underwriting standards than many of the other major participants in the mortgage market. The other government agency that directly backs mortgages, the VA, also had a relatively large proportion of its risk dollars in lending to lower-income and black or Hispanic borrowers. However, the VA was not among the higher-ranking institutions for lending in lower-income and predominantly minority neighborhoods.

Among the profit-oriented institutions in the conventional mortgage system, portfolio lenders had relatively large proportions of their risk dollars in lending to lower-income borrowers and in lower-income neighborhoods. This finding may partly reflect the ability of these institutions to profitably underwrite and hold the credit risk of nonconforming mortgages. It may also partly be a function of the rapid expansion of the secondary market for nonconforming mortgages, which has provided opportunities for purchasers such as pension funds and life insurance companies to become involved in nontraditional mortgage lending, such as purchasing loans to borrowers with weak credit histories or unusually high debt-payment-to-income ratios.

The portfolio shares of depository institutions subject to CRA requirements did not differ substantially from those of other portfolio lenders, possibly because both types of institutions are actively involved in nonconforming mortgage markets. The relatively high portfolio shares of conventional mortgages held by nondepository institutions may reflect that group's traditional orientation toward nonconforming mortgages, such as mortgages for mobile

25. Many households that purchase homes with mortgages larger than the FHA-eligible category limit are not lower income or are lower income but have substantial wealth. Affordable housing initiatives are not intended for these households, although some of them may benefit from these efforts. See Glenn B. Canner and Wayne Passmore, "Implementing CRA: What is the Target?" in *Proceedings of the 31st Annual Conference on Bank Structure and Competition* (Federal Reserve Bank of Chicago, 1995), pp. 171–91.

homes, as well as the extensive use of FHA programs by some nondepositories. Both pursuits may provide opportunities for greater involvement with lower-income and minority borrowers. Similarly, CRA-related programs often generate nonconforming mortgages, perhaps accounting for the high portfolio shares of depository institutions.

The shares of the other major participants in the conventional mortgage market were generally similar to or somewhat smaller than those held by portfolio lenders. There were no striking differences among these institutions; the portfolio shares of Fannie Mae and Freddie Mac and those of private mortgage insurers were similar across all borrower and neighborhood categories.

Market Shares

An institution's underwriting standards and business strategy, along with its charter restrictions and regulatory environment, influence the institution's presence in a particular market. An institution that aggressively encourages mortgage applications from lower-income and minority households may have a larger market share but a smaller portfolio share than one that makes only a few such mortgages.

The FHA dominated all other lenders in the aggregate amount of risk dollars extended to lower-income and black or Hispanic borrowers and for properties in lower-income and minority neighborhoods (table 4). About two-thirds of the risk dollars extended to these borrowers and neighborhoods were extended by the FHA. This finding reflects the large (unadjusted) dollar amount of mortgages extended to lower-income and black or Hispanic borrowers, and in lower-income neighborhoods and minority neighborhoods, that were insured by the FHA. In addition, the FHA insured a relatively large proportion of mortgages having very high loan-to-value ratios—mortgages that tend to have relatively high default and loss severity rates. Moreover, the mortgage default and loss severity rates for the FHA's single-family mortgage portfolio are higher than those experienced by other mortgage lenders or insurers (table B.1).

None of the other institutions had a large market share relative to the FHA's share. The VA, the second largest holder of risk dollars, held only about one-sixth as many risk dollars as the FHA. As with the FHA, the VA's portfolio included a high proportion of loans with high loan-to-value ratios, and these loans had higher default rates than conventional mortgages with similar LTVs, resulting in a relatively large market share.

The institutions in the conventional mortgage system all had market shares of 10 percent or less within any given borrower or neighborhood group. None of

3. Share of institutions' portfolios of FHA-eligible mortgages extended in 1995 to lower-income or black or Hispanic borrowers or in lower-income or predominantly minority census tracts, by mortgage system and type of holder

Percent

Mortgage system and type of holder	Borrower characteristic				Census tract characteristic			
	Lower income		Black or Hispanic		Lower income		Predominantly minority	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
GOVERNMENT MORTGAGE SYSTEM								
FHA	37	38	27	24	16	15	13	13
VA	33	34	20	18	13	11	8	8
CONVENTIONAL MORTGAGE SYSTEM								
Private mortgage insurers[1]	25	26	15	13	12	10	9	9
Government-sponsored enterprises (Fannie Mae or Freddie Mac)	24	26	9	14	9	10	8	9
Portfolio lenders								
Depository institutions subject to CRA[2]	32	33	11	15	13	14	8	8
Independent mortgage companies[3]	28	32	17	19	14	13	13	10
Other[4]	31	31	12	16	13	13	9	9
Credit unions	22	24	7	9	10	11	5	5
All holders	30	35	16	20	13	14	10	11

NOTE. Unadjusted shares are based on dollar amounts of mortgages extended; adjusted shares are based on *risk dollars*.

1. Mortgages backed by private mortgage insurers.

2. Includes mortgages originated and held in portfolio by commercial banks and savings associations and their mortgage company affiliates and mortgages sold to commercial banks and savings associations.

3. Includes mortgages originated and held in portfolio by independent mortgage companies and mortgages sold to affiliates by independent mortgage companies.

4. Includes mortgages sold to life insurance companies, pension funds, and other private-sector purchasers.

SOURCE. Derived from 1995 HMDA and PMI data.

4. Share of market for FHA-eligible mortgages extended in 1995 to lower-income or black or Hispanic borrowers or in lower-income or predominantly minority census tracts, by mortgage system and type of holder

Percent

Mortgage system and type of holder	Borrower characteristic				Census tract characteristic				Total	
	Lower income		Black or Hispanic		Lower income		Predominantly minority			
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
GOVERNMENT MORTGAGE SYSTEM										
FHA	32	63	42	67	33	63	35	67	26	57
VA	8	12	9	11	7	10	7	9	8	12
CONVENTIONAL MORTGAGE SYSTEM										
Private mortgage insurers[1]	17	7	18	6	18	7	18	8	20	10
Government-sponsored enterprises (Fannie Mae or Freddie Mac)	14	4	10	4	13	4	14	5	18	6
Portfolio lenders										
Depository institutions subject to CRA[2]	20	9	13	7	20	10	17	7	19	10
Independent mortgage companies[3]	2	2	2	2	2	2	3	2	2	2
Other[4]	7	2	5	2	6	3	6	2	6	3
Credit unions	1	*	*	*	1	*	*	*	1	*
All holders	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

NOTE. Unadjusted shares are based on dollar amounts of mortgages extended; adjusted shares are based on *risk dollars*.

1. Mortgages backed by private mortgage insurers.

2. Includes mortgages originated and held in portfolio by commercial banks and savings associations and their mortgage company affiliates and mortgages sold to commercial banks and savings associations.

3. Includes mortgages originated and held in portfolio by independent mortgage companies and mortgages sold to affiliates by independent mortgage companies.

4. Includes mortgages sold to life insurance companies, pension funds, and other private-sector purchasers.

* Less than 0.5 percent.

SOURCE. Derived from 1995 HMDA and PMI data.

these institutions seems to play a dominant role in the bearing of credit risk within this system. To some extent, profit-seeking drives institutions within this system to diversify risk across institutions: Institutions specialize in a part of the mortgage process or within certain market niches, and they often seek to share the risks they incur outside their specialization or niche. Regulatory or legislative constraints, such as the charter requirements restricting the bearing of credit risk of high-LTV mortgages by Fannie Mae and Freddie Mac and risk-adjusted capital requirements for depository institutions, also play a role.

Our calculations of market shares are subject to some uncertainty. We tried many different permutations of the underlying determinants of mortgage credit risk (loan-to-value distributions, default rates, loss severity rates, and risk-sharing arrangements) and found our results to be robust to reasonable changes in these determinants. For example, we calculated market and portfolio shares using alternative LTV distributions for portfolio lenders (appendix B). The primary effect was to alter the market share of depository institutions subject to CRA, reducing or raising the group's market share 2 to 3 percentage points. The gain or loss in market share was almost all accounted for by an offsetting change in the FHA's market share. The market shares of other institutions were mostly unaffected by this change.

CONCLUSION

We have revisited the question of who bears the credit risk of home purchase lending to lower-income and black or Hispanic borrowers and in lower-income and minority neighborhoods. In an earlier analysis we measured credit risk rather crudely and found that the FHA was a major bearer of credit risk for mortgage lending to these groups. Here we refine our measure of credit risk, making significant improvements in the way risk is allocated across institutions. *To a much greater extent than before, we find that the FHA is the primary bearer of credit risk for home purchase loans to lower-income and black or Hispanic borrowers and in lower-income and minority neighborhoods.*

The FHA dominates all other institutions in market share, holding about two-thirds of the total credit risk borne by all institutions for FHA-eligible mortgages extended in 1995 to lower-income and black or Hispanic borrowers and in lower-income and minority neighborhoods. The other major nonprofit government mortgage insurer, the VA, accounted for roughly one-tenth of the market. The FHA also had the greatest proportion of its credit risk portfolio in mortgages to lower-income and minority borrowers and neighborhoods.

In contrast, the conventional mortgage system bore only about one-fourth of the credit risk associated with FHA-eligible mortgages extended in 1995 to lower-income and black or Hispanic borrowers and in lower-income and minority neighborhoods. All of the institutions in this system had small market shares relative to the FHA's, and no single institution or set of institutions seems to have dominated the others. However, some of the participants in the conventional mortgage system, particularly portfolio lenders such as commercial banks, savings associations, and mortgage banks, had larger proportions of their credit risk portfolios in mortgages to lower-income borrowers and neighborhoods than did the other institutions in this system.

APPENDIX A: PRIVATE MORTGAGE INSURANCE IN 1995

In 1993, the Mortgage Insurance Companies of America (MICA) asked the Federal Financial Institutions Examination Council (FFIEC) to process data from private mortgage insurance companies on applications for mortgage insurance and to produce public disclosure reports based on the data.[26] The MICA request was a response to public and congressional interest in the activities of PMI companies as they relate to issues of fair lending, affordable housing, and community development.

PMI companies record data on each application for private mortgage insurance they act on during a given period. The data include the action taken on the application (approved, denied, withdrawn, or file closed because information was incomplete); the purpose of the mortgage for which insurance was sought (home purchase or refinance); the race or ethnic group, sex, and annual income of the applicant(s); the amount of the mortgage; and the geographic location of the property securing the mortgage.

The FFIEC summarizes the information in disclosure statements similar to those created for financial institutions covered by the Home Mortgage Disclosure Act (HMDA). Disclosure statements for each PMI company are publicly available at the company's corporate headquarters and at a central depository in each metropolitan statistical area (MSA) in which HMDA data are held. The central depository also holds aggregate data for all the PMI companies active in that MSA. In addition, the PMI data are available from the Federal Reserve Board through its HMDA Assistance Line (202-452-2016).

This appendix summarizes the PMI data for calendar year 1995.[27] Beginning with the release of the 1996 PMI data, summary tables of the types presented in this appendix will appear each year in the Financial and Business Statistics section of the September issue of the *Federal Reserve Bulletin*. The September *Bulletin* currently contains, in the same section, summary tables for the HMDA data for the preceding calendar year.

Summary of the 1995 Data

For 1995, the eight PMI companies that are actively writing home mortgage insurance submitted data to the FFIEC through MICA. In total, these companies acted on 1,236,237 applications for insurance: 1,108,512 to insure home purchase mortgages on single-family properties and 127,725 to insure mortgages for refinancing existing mortgages (table A.1).

The total number of policies written in 1995 (that is, the total number of loans privately insured) was down about 15 percent from 1994, primarily because of a sharp decline in requests for PMI coverage for refinancings. The decline in applications to insure refinancings reflects a general decline in refinancings: From 1994 to 1995 the number of applications for conventional home refinancings reported in the HMDA data fell 35 percent whereas the number of applications for conventional home purchase loans declined only about 2 percent (data not shown in tables).

The two largest PMI companies, Mortgage Guaranty Insurance Corporation and GE Capital Mortgage Insurance Corporation, in 1995 accounted for about half of all applications for private mortgage insurance and half of all policies written, a drop from 1994, when the two companies accounted for 55 percent of all policies written (table A.2, 1994 data not shown). The decline in share is due entirely to a decline in activity by GE Capital. Two smaller companies, Amerin Guaranty and Commonwealth Mortgage Assurance, saw fairly sizable increases in their shares of the overall market.

The large share of PMI activity accounted for by Mortgage Guaranty and GE Capital extended across

26. Founded in 1973, MICA is the trade association for the PMI industry. The costs to the FFIEC for processing the data, preparing disclosure statements and other reports, and disseminating the data are covered by the PMI companies through MICA.

27. For analyses of the 1993 and 1994 data, see, respectively, Canner, Passmore, and Mittal, "Private Mortgage Insurance," and Canner and Passmore, "Credit Risk and the Provision of Mortgages to Lower-Income and Minority Homebuyers."

A.1. PMI applications received and policies written, grouped by purpose of loan and distributed by insurance company, 1995
Percent

Company	Home purchase		Home refinance		Total	
	Applications	Policies written	Applications	Policies written	Applications	Policies written
Amerin Guaranty	3.8	4.8	4.5	6.1	3.9	4.9
Commonwealth Mortgage Assurance	10.1	9.6	12.2	11.2	10.3	9.8
GE Capital Mortgage Insurance	23.2	23.0	19.4	19.0	22.8	22.6
Mortgage Guaranty Insurance	26.8	27.3	27.2	27.9	26.8	27.3
PMI Mortgage Insurance	12.7	12.1	13.7	13.0	12.8	12.2
Republic Mortgage Insurance	9.6	9.6	9.5	9.3	9.6	9.6
Triad Guaranty Insurance	1.5	1.5	1.4	1.4	1.5	1.5
United Guaranty	12.2	12.1	12.0	12.0	12.2	12.1
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
MEMO						
Number of applications or policies	1,108,512	884,745	127,725	94,244	1,236,237	978,989

SOURCE. Federal Financial Institutions Examination Council.

all regions of the country, although GE Capital's market share was relatively smaller in the West and Mortgage Guaranty's share was relatively large in the Midwest (table A.2, upper panel). Smaller firms generally had a more regional orientation, with Amerin Guaranty more active in the West and Triad Guaranty Insurance Corporation and Republic Mortgage Insurance more active in the South (table A.2, lower panel).

Most loans backed by private mortgage insurance in 1995 were for amounts of less than $150,000 (table A.3). More than 90 percent of all mortgages backed by private mortgage insurance were at or below the loan size limits established for Fannie Mae and Freddie Mac (memo, size conformance items). The average size of the home purchase mortgages backed by private mortgage insurance was $112,546 and that of the refinancings was $128,027.

A.2. PMI policies written for home purchase and refinance loans, distributed by insurance company and by region of the country, 1995
Percent

Company	West	Midwest	South	Northeast	All[1]
	Distribution by company				
Amerin Guaranty	8.5	3.8	4.0	4.6	5.1
Commonwealth Mortgage Assurance	12.0	5.0	11.7	12.3	10.0
GE Capital Mortgage Insurance	16.8	27.1	21.6	26.5	22.8
Mortgage Guaranty Insurance	26.6	33.5	22.9	25.1	27.1
PMI Mortgage Insurance	15.7	8.8	12.0	14.1	12.3
Republic Mortgage Insurance	8.6	8.5	13.0	4.3	9.3
Triad Guaranty Insurance	.3	1.6	2.4	.8	1.5
United Guaranty	11.5	11.7	12.4	12.3	12.0
All companies	**100**	**100**	**100**	**100**	**100**
MEMO					
Largest two companies[2]	43.4	60.6	44.5	51.6	49.9
Largest four companies[3]	70.6	81.1	68.9	78.0	74.2
	Distribution by region				
Amerin Guaranty	38.2	21.4	26.1	14.3	100
Commonwealth Mortgage Assurance	27.7	14.2	38.8	19.4	100
GE Capital Mortgage Insurance	16.9	33.6	31.3	18.2	100
Mortgage Guaranty Insurance	22.5	35.0	28.0	14.5	100
PMI Mortgage Insurance	29.3	20.2	32.5	18.0	100
Republic Mortgage Insurance	21.2	25.6	46.0	7.1	100
Triad Guaranty Insurance	4.5	31.8	55.0	8.8	100
United Guaranty	22.0	27.6	34.3	16.2	100
All companies	**22.9**	**28.3**	**33.1**	**15.7**	**100**

NOTE. Regions are defined by the Bureau of the Census and contain only whole states; see U.S. Department of Commerce, *Statistical Abstract of the United States: 1995* (Government Printing Office, 1995), map on inside front cover.

1. Row totals differ from those shown in table A.1 because information on region was not available for all PMI policies.

2. Mortgage Guaranty Insurance and GE Capital Mortgage Insurance.

3. Mortgage Guaranty Insurance, GE Capital Mortgage Insurance, PMI Mortgage Insurance, and United Guaranty.

SOURCE. Federal Financial Institutions Examination Council.

A.3. PMI-insured loans, grouped by purpose of loan and distributed by size of loan, 1995

Size of loan (dollars)	Home purchase			Home refinance		
	Privately insured		MEMO: All[1] (percent)	Privately insured		MEMO: All[1] (percent)
	Number	Percent		Number	Percent	
Less than 50,000	84,372	9.5	25.9	4,122	4.4	30.9
50,000–74,999	161,517	18.3	17.3	14,502	15.4	19.7
75,000–99,999	174,314	19.7	14.9	16,890	17.9	14.1
100,000–149,999	277,400	31.4	22.5	31,168	33.1	17.5
150,000–199,999	119,686	13.5	10.2	16,466	17.5	8.4
200,000 or more	67,456	7.6	9.2	11,096	11.8	9.3
Total	**884,745**	**100.0**	**100.0**	**94,244**	**100.0**	**100.0**
MEMO						
Size conformance[2]						
Conforming	830,398	93.9	92.6	85,218	90.4	92.4
Nonconforming	54,347	6.1	7.4	9,026	9.6	7.6
Size statistic (dollars)[3]						
Mean	112,546		102,591	128,027		98,600
Median	103,000		85,000	117,000		73,000

1. Based on all conventional home mortgages reported in 1995 HMDA data.
2. Loans of up to and including $203,000 conform with size limits imposed on Fannie Mae and Freddie Mac.
3. For loans for which loan size was reported.
SOURCE. Federal Financial Institutions Examination Council.

Compared with all conventional home mortgages in 1995 (table A.3, memo, size statistic items), conventional mortgages involving private mortgage insurance were, on average, larger for both home purchase loans and refinancings. In particular, PMI companies insured a much smaller proportion of mortgages under $50,000, partly because this size category includes loans for mobile homes, which are covered in the conventional home mortgage data reported under HMDA but are rarely insured by the PMI industry.

Characteristics of Applicants for Private Mortgage Insurance

In 1995, well over half of all applicants for private mortgage insurance had incomes at or above the median for the MSA in which the property securing the loan was located (table A.4). The distributions of PMI applicants by income differed between those seeking insurance for loans to purchase homes and those applying for insurance to refinance an existing loan. In particular, the proportion of insurance applicants for refinancings who were in the highest income grouping (income 120 percent or more of their MSA median family income) was significantly larger (59 percent) than the comparable proportion of insurance applicants for home purchase mortgages (49 percent). This difference likely reflects the higher proportion of first-time, and perhaps younger, homebuyers in the home purchase category.

Like the distribution of applicants for conventional home purchase loans and refinancings observed in the 1995 HMDA data, most of the applicants for loans backed by PMI were white (about 80 percent) and about half of the applicants were seeking insurance for mortgages to be secured by properties located in predominantly white neighborhoods (neighborhoods with a minority population of less than 10 percent). Overall, about 60 percent of the applicants were seeking insurance to help buy a home or to refinance a mortgage on a property located in the non–central city portion of MSAs.

The distribution of applications to individual PMI companies by applicant income and race or ethnic group generally reflects the aggregate industry distribution (compare table A.4 with table A.5). The differences among the companies were small in most cases and may, in part, reflect differences in regional focus or business orientation from company to company.

Disposition of Applications for Private Mortgage Insurance

PMI companies approved most of the insurance applications on which they acted during 1995—roughly 87 percent of applications to back home purchase loans and 85 percent for refinancings (table A.6). Of the applications for insurance on home purchase loans, 9.3 percent were denied by a PMI company and 2.6 percent were withdrawn by the lender; in a relatively small percentage of cases, the application file was closed after additional information needed by a PMI company to make a decision was not provided. For home refinancing applications, the denial rate was 11.5 percent and the withdrawal rate was 3.2 percent. The denial rate for applications to insure mortgages for home purchases was little changed from 1994, while the denial rate for refinancings increased, from 8.5 percent to 11.5 percent.

High approval rates for PMI applications are not surprising: Lenders know the prospective borrowers' credit circumstances and the credit underwriting guidelines used by the PMI companies and, therefore, submit only those applications they expect to be approved.[28] However, the evaluation of disposition patterns for mortgage insurance applications is complicated because lenders may submit an application for insurance to more than one PMI company at a time. Multiple applications are potentially more common for private mortgage insurance than for mortgages because PMI companies do not charge for PMI applications whereas lenders generally charge for mortgage applications.

Overall, nearly 6 percent of the applications in the 1995 data appear to have involved multiple applications (see box "Multiple Applications"). Analysis suggests that it was mainly the applications of marginally qualified applicants that were submitted to more than one PMI company. For example, among the multiple applications, the denial rate was roughly 40 percent for insurance for home purchase mortgages, compared with 7 percent for all home purchase applications excluding the multiple applications (the denial rate for all home purchase applications, 9.3 percent, is shown in table A.6).

28. Also, PMI companies are increasingly delegating decisions about applications to the lending institutions. In such cases, the PMI company becomes aware of an application for insurance only when a lender has selected it as the insurance provider. In fact, nearly all of the business of one PMI company, Amerin Guaranty Corporation, is based on decisions delegated to lenders.

A.4. PMI applications, grouped by purpose of loan and distributed by characteristics of applicant and of census tract in which property is located, 1995

Characteristic	Home purchase		Home refinance	
	Number	Percent	Number	Percent
APPLICANT				
Race or ethnic group				
American Indian or Alaskan native	3,102	.3	399	.4
Asian or Pacific Islander	28,881	3.1	4,159	3.9
Black	67,261	7.2	7,248	6.8
Hispanic	72,406	7.8	6,645	6.2
White	733,187	78.6	85,293	79.5
Other	6,364	.7	1,009	.9
Joint (white and minority)	22,189	2.4	2,478	2.3
Total	**933,390**	**100.0**	**107,231**	**100.0**
Income (percentage of MSA median)[1]				
Less than 80	148,557	20.4	11,291	11.8
80–99	114,329	15.7	12,982	13.5
100–119	112,316	15.4	14,873	15.5
120 or more	353,964	48.5	56,724	59.2
Total	**729,166**	**100.0**	**95,870**	**100.0**
CENSUS TRACT				
Racial composition (minorities as percentage of population)				
Less than 10	371,013	49.6	41,234	42.8
10–19	164,676	22.0	21,962	22.8
20–49	136,585	18.3	21,090	21.9
50–79	46,649	6.2	7,292	7.6
80–100	28,776	3.8	4,651	4.8
Total	**747,699**	**100.0**	**96,229**	**100.0**
Income[2]				
Lower	89,662	12.0	10,389	10.8
Middle	371,199	49.7	49,752	51.8
Upper	286,223	38.3	35,996	37.4
Total	**747,084**	**100.0**	**96,137**	**100.0**
Location[3]				
Central city	305,980	40.9	34,316	35.7
Non-central city	441,749	59.1	61,914	64.3
Total	**747,729**	**100.0**	**96,230**	**100.0**

NOTE. Not all characteristics were reported for all loans.

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

2. *Lower:* median family income for census tract less than 80 percent of median family income for MSA. *Middle:* 80 percent to 120 percent. *Upper:* 120 percent or more.

3. For census tracts located in MSAs.

SOURCE. Federal Financial Institutions Examination Council.

A.5. PMI applications, grouped by insurance company and purpose of loan and distributed by characteristics of applicant and census tract in which property is located, 1995

Percent

Characteristic	Amerin Guaranty		Commonwealth Mortgage Assurance		GE Capital Mortgage Insurance		Mortgage Guaranty Insurance	
	Purchase	Refinance	Purchase	Refinance	Purchase	Refinance	Purchase	Refinance
APPLICANT								
Race or ethnic group								
American Indian or Alaskan native	.3	.3	.4	.3	.4	.6	.3	.3
Asian or Pacific Islander	3.4	5.0	3.5	4.3	2.6	3.3	3.1	3.4
Black	4.6	4.8	8.7	8.1	8.3	7.7	6.1	5.8
Hispanic	7.1	6.9	10.3	8.9	7.2	4.5	6.9	5.5
White	80.1	77.0	73.5	74.9	79.7	82.3	80.5	81.4
Other	1.7	3.0	1.2	1.2	.0	.0	.8	.9
Joint (white and minority)	2.8	3.0	2.5	2.3	1.7	1.6	2.4	2.6
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Income (percentage of MSA median)[1]								
Less than 80	15.3	10.3	21.4	13.2	22.5	12.0	20.2	11.7
80–99	14.8	13.3	15.8	14.3	16.3	13.4	15.8	13.6
100–119	16.9	15.1	15.0	16.1	14.7	15.1	15.6	15.4
120 or more	53.1	61.3	47.8	56.4	46.5	59.5	48.4	59.3
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
CENSUS TRACT								
Racial composition (minorities as percentage of population)								
Less than 10	49.2	39.0	43.3	37.3	51.5	49.0	52.5	45.1
10–19	23.1	24.5	23.3	22.6	21.0	21.5	21.6	22.4
20–49	18.6	24.9	20.6	23.6	17.3	18.7	16.9	20.8
50–79	6.2	7.8	7.5	9.6	6.0	6.3	5.6	7.2
80–100	2.8	3.9	5.4	6.9	4.2	4.4	3.2	4.4
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Income[2]								
Low or moderate	9.7	10.6	13.2	13.2	12.9	10.5	11.8	10.5
Middle	49.5	51.3	49.7	53.7	50.0	51.6	50.3	51.5
Upper	40.8	38.0	37.1	33.1	37.1	37.9	37.9	38.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Although most 1995 applications for private mortgage insurance were approved, there were substantial differences across metropolitan areas. In particular, applications for insurance for home purchase mortgages secured by properties located in nearly all California MSAs and in a number of Florida MSAs had relatively high denial rates. These elevated denial rates continue the pattern first observed in the 1993 PMI data. In California, weak housing markets combined with the aggressive pursuit of customers by mortgage originators may have led to higher proportions of marginally qualified applicants for mortgage insurance in these markets. The explanations for high denial rates in Florida are less certain; possibilities include a high proportion of relatively risky types of property (condominiums and second homes) and a local economy that is prone to greater volatility in housing prices. In contrast, many MSAs in the Midwest and some in the South had denial rates well below the 8.2 percent national average for MSAs (for example, Raleigh–Durham, 2.6 percent; Minneapolis–St. Paul, 3.3 percent; Kansas City, 3.5 percent; Indianapolis, 4.5 percent; Richmond, 4.5 percent; and St. Louis, 4.5 percent).

Disposition by Applicant Characteristics

In general, the amount, source, and stability of income can be expected to affect an applicant's ability to qualify for mortgage insurance, although these aspects of income are usually considered in relation to the applicant's existing and proposed debt burden rather than as absolute measures of creditworthiness. Other factors considered in evaluating creditworthiness include the amount of assets available to meet down payment and closing cost requirements, employment experience, and credit history. On average, lower-income households have fewer assets and lower net worth and experience more frequent employment disruptions than do higher-income households; this combination of factors often results in denial of an application.

A.5. Continued

Characteristic	PMI Mortgage Insurance		Republic Mortgage Insurance		Triad Guaranty Insurance		United Guaranty	
	Purchase	Refinance	Purchase	Refinance	Purchase	Refinance	Purchase	Refinance
APPLICANT								
Race or ethnic group								
American Indian or Alaskan native	.3	.3	.3	.5	.3	.4	.2	.2
Asian or Pacific Islander	3.9	5.2	2.6	3.3	1.9	1.2	3.4	4.5
Black	7.2	7.0	6.9	6.8	6.4	6.9	7.5	6.6
Hispanic	9.5	8.1	7.9	5.9	3.7	2.6	7.3	6.2
White	75.8	75.8	77.9	80.2	85.2	87.0	78.4	78.9
Other	.8	1.0	.6	.7	.6	.4	.9	1.5
Joint (white and minority)	2.4	2.6	3.8	2.6	1.9	1.4	2.2	2.1
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Income (percentage of MSA median)[1]								
Less than 80	20.5	11.5	18.9	12.2	16.9	9.6	19.2	11.0
80–99	15.7	13.5	15.5	13.5	14.5	15.0	14.8	12.9
100–119	15.8	15.8	15.7	15.9	16.5	16.2	15.2	15.1
120 or more	48.0	59.2	49.9	58.4	52.1	59.2	50.7	60.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
CENSUS TRACT								
Racial composition (minorities as percentage of population)								
Less than 10	46.2	36.9	48.0	43.4	55.2	54.5	49.8	40.9
10–19	22.7	24.1	22.9	22.7	22.9	21.7	21.8	24.1
20–49	19.9	24.9	19.1	22.7	16.4	16.8	18.5	22.7
50–79	7.0	8.7	6.6	7.2	3.6	4.1	6.2	7.5
80–100	4.2	5.4	3.5	4.0	1.9	2.9	3.7	4.8
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Income[2]								
Low or moderate	12.5	11.3	11.0	9.9	8.6	8.8	11.0	9.7
Middle	50.1	52.3	48.6	52.6	48.7	49.4	48.2	49.6
Upper	37.4	36.3	40.3	37.4	42.7	41.8	40.8	40.6
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

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

2. *Low or moderate:* median family income for census tract less than 80 percent of median family income for MSA of tract. *Middle income:* 80 percent to 120 percent. *Upper income:* 120 percent or more.

SOURCE. Federal Financial Institutions Examination Council.

The 1995 data indicate that most applications for private mortgage insurance were approved but that the rates of approval and denial varied among applicants grouped by income (table A.6). For example, 90 percent of the applicants for insurance for home purchase loans whose incomes placed them in the highest income group were approved for insurance, compared with 83 percent in the lowest income group (income less than 80 percent of their MSA median). The same pattern was found for applications for insurance of refinancings.

Examination of the racial or ethnic characteristics of applicants indicates that greater proportions of Asian, black, and Hispanic applicants than of white applicants had their applications for private mortgage insurance denied in 1995; the denial rate for Native American applicants was about the same as that for white applicants. For example, for insurance for home purchase loans, 13.8 percent of Asian applicants, 19.3 percent of black applicants, 17.6 percent of Hispanic applicants, 10.5 percent of Native American applicants, and 8.5 percent of white applicants were denied. The rate of denial also generally increased as the proportion of minority and lower-income residents in a neighborhood increased.

Differences in PMI denial rates for applicants grouped by race or ethnicity reflect various factors, including the proportion of each group with relatively low incomes. In 1995, 19 percent of the white applicants who applied for insurance to back home purchase loans had incomes that were less than 80 percent of the median family income for their MSA (data not shown in tables). The figures for other groups of applicants in the same income category were roughly 40 percent for black, 35 percent for Hispanic, and 18 percent for Asian applicants. Differences in the distribution of applicants for insurance by income account for some of the differences in denial rates. However, within each income group, white applicants had lower rates of denial than Asian, black, or Hispanic applicants (table A.7).

Multiple Applications

Of the 1,108,512 applications for insurance for home purchase loans in 1995, 65,714 (5.9 percent) appear to have been multiple applications, and of the 127,725 applications for insurance to back refinancings that year, 7,313 (5.7 percent) appear to have been multiple applications.[1] Multiple applications were identified through a search of the data for applications showing identical census tracts, purposes of loan, and race or ethnic status and similar applicant incomes and loan sizes. (For applicant income and loan size, differences of $1,000 or less were allowed.) If two applications appeared to match but both were reported to have been backed by insurance, the applications were assumed not to be duplicates. Applications from Hispanic, black, and Asian applicants—and from applicants not in the highest income category—were more likely than applications from would-be borrowers in other racial or ethnic categories to be sent to more than one PMI company (compare table A.4 with the table below). In addition, denial rates were substantially higher for all categories of applicants with multiple application records (compare table A.6 with the table below).

1. Most matches were of two applications, indicating that a given application was typically not submitted to more than two PMI companies.

Distribution and denial rate for PMI applications sent to more than one company, by purpose of loan and characteristics of applicant and of census tract in which property is located, 1995

Percent

Characteristic	Home purchase		Home refinance	
	Distribution	Denial rate	Distribution	Denial rate
All applications sent to more than one company	100	40.2	100	47.1
Race or ethnic group of applicant				
American Indian or Alaskan Native	.2	48.8	.2	38.5
Asian or Pacific Islander	4.0	43.3	5.1	44.1
Black	13.0	52.8	10.8	60.6
Hispanic	13.9	47.5	10.2	50.7
White	66.4	38.9	70.8	46.6
Other	.5	50.9	.6	60.0
Joint (white and minority)	2.0	43.0	2.3	44.9
Total	100	...	100	...
Income of applicant (percentage of MSA median)[1]				
Less than 80	28.7	48.3	16.4	56.5
80–99	17.6	42.3	15.4	49.6
100–119	14.8	38.2	16.4	44.2
120 or more	38.9	35.8	51.7	44.4
Total	100	...	100	...
Racial composition of census tract (minorities as percentage of population)				
Less than 10	36.8	34.8	32.8	44.3
10–19	22.4	38.7	20.7	46.7
20–49	23.6	45.0	27.3	47.8
50–79	10.1	46.3	10.8	47.0
80–100	7.1	48.7	8.5	57.7
Total	100	...	100	...
Income of census tract[2]				
Lower	16.2	47.1	14.7	50.7
Middle	49.6	40.7	51.6	47.9
Upper	34.2	36.3	33.7	44.4
Total	100	...	100	...
Location of census tract[3]				
Central city	40.3	42.0	34.1	48.0
Non-central city	59.7	39.1	65.9	46.7
Total	100	...	100	...
MEMO				
Number of applications sent to more than one company	65,714		7,313	

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

2. *Lower:* median family income for census tract less than 80 percent of median family income for MSA. *Middle:* 80 percent to 119 percent. *Upper:* 120 percent or more.

3. For census tracts located in MSAs.

SOURCE. Federal Financial Institutions Examination Council.

Denial rates are also explained in part by differences across racial and ethnic groups in the frequency of multiple applications for insurance by the same applicants. Generally, applications by minorities are more likely to be submitted to more than one PMI company because minority applicants tend to have lower incomes or more complex credit circumstances. Excluding multiple applications submitted for the same individuals reduces denial rates 3 to 4 percentage points for minorities and less than 2 percentage points for whites.

The pattern of denial rates by race or ethnicity differs from the pattern in the HMDA data in one notable way: In the HMDA data, Asian applicants for home purchase loans have a lower denial rate than do white applicants.[29] The high proportion of Asian applicants in California may help account for their relatively high denial rate for private mortgage insurance. Among Asians applying for home purchase loans with insurance (where the MSA location of the property was reported), 39 percent were seeking to buy homes in California. In contrast, only 11 percent of all PMI applications were for loans to buy homes in California. Slightly more than 20 percent of the Asian applicants in California were denied private mortgage insurance, compared with only 8 percent of Asian applicants outside California (data not shown in tables).

The difference in PMI denial rates between white applicants and black and Hispanic applicants may lead some observers to conclude that race influences the disposition of applications. However, because PMI companies do not have direct contact with prospective borrowers, they would be aware of race or ethnic identities only from the application. Although these disparities raise questions, the extent of any

29. For example, according to the 1995 HDMA data, the denial rate for home purchase mortgages was 12.5 percent for Asian applicants and 20.6 percent for white applicants.

A.6. PMI applications, grouped by characteristics of applicant and of census tract in which property is located and distributed by purpose and disposition of application, 1995

Percent

Characteristic	Home purchase					Home refinance				
	Approved	Denied	Withdrawn	File closed	Total	Approved	Denied	Withdrawn	File closed	Total
Total	**87.4**	**9.3**	**2.6**	**.7**	**100**	**84.7**	**11.5**	**3.2**	**.6**	**100**
APPLICANT										
Race or ethnic group										
American Indian or Alaskan Native	84.7	10.5	3.6	1.1	100	86.5	9.8	3.3	.5	100
Asian or Pacific Islander	82.0	13.8	3.3	.9	100	79.1	15.8	4.4	.7	100
Black	75.7	19.3	3.9	1.1	100	75.3	19.7	4.0	1.0	100
Hispanic	77.6	17.6	3.8	1.1	100	75.6	19.3	4.3	.8	100
White	88.2	8.5	2.3	.7	100	85.4	10.9	3.2	.6	100
Other	84.1	12.6	2.4	.9	100	87.0	10.0	2.2	.8	100
Joint (white and minority)	85.6	11.0	2.7	.7	100	83.4	13.0	3.2	.4	100
Income (percentage of MSA median)[1]										
Less than 80	83.2	13.7	2.5	.6	100	78.2	18.0	3.3	.5	100
80–99	87.9	9.4	2.1	.6	100	83.8	12.6	3.1	.6	100
100–119	89.6	7.8	2.0	.5	100	85.4	11.1	2.9	.5	100
120 or more	90.3	7.0	2.2	.5	100	86.0	10.2	3.2	.5	100
CENSUS TRACT										
Racial composition (minorities as percentage of population)										
Less than 10	92.1	5.8	1.7	.4	100	88.2	8.8	2.6	.4	100
10–19	88.7	8.6	2.2	.5	100	85.2	11.1	3.3	.5	100
20–49	84.6	12.1	2.7	.6	100	82.1	13.6	3.6	.7	100
50–79	80.5	15.5	3.2	.8	100	78.6	16.8	4.0	.6	100
80–100	76.7	18.7	3.6	1.0	100	73.1	21.9	4.3	.7	100
Income[2]										
Lower	82.7	13.8	2.8	.7	100	79.8	16.2	3.5	.5	100
Middle	88.8	8.6	2.1	.5	100	84.8	11.6	3.1	.5	100
Upper	90.3	7.1	2.1	.5	100	85.9	10.3	3.2	.6	100
Location[3]										
Central city	88.1	9.2	2.2	.5	100	84.5	11.7	3.2	.5	100
Non-central city	89.0	8.3	2.1	.5	100	84.8	11.5	3.1	.5	100

NOTE. Not all characteristics were reported for all loans.

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

2. *Lower:* median family income for census tract less than 80 percent of median family income for MSA of tract. *Middle:* 80 percent to 120 percent. *Upper:* 120 percent or more.

3. For census tracts located in MSAs.

SOURCE. Federal Financial Institutions Examination Council.

A.7. PMI applications, grouped by purpose and disposition of application, 1995

Percent

Applicant's MSA-relative income and race or ethnic group[1]	Home purchase					Home refinance				
	Approved	Denied	Withdrawn	File closed	Total	Approved	Denied	Withdrawn	File closed	Total
Less than 80 percent										
American Indian or Alaskan native	84.7	12.2	2.7	.4	100	82.0	16.0	2.0	.0	100
Asian or Pacific Islander	80.4	16.2	2.8	.6	100	73.8	22.4	2.8	1.0	100
Black	73.5	22.2	3.5	.8	100	69.3	26.4	3.8	.4	100
Hispanic	76.9	19.3	3.1	.8	100	70.0	24.8	4.5	.8	100
White	85.3	11.9	2.3	.5	100	79.6	16.8	3.0	.6	100
Other	81.8	15.7	1.8	.6	100	81.9	14.9	3.2	.0	100
Joint (white and minority)	79.5	17.7	2.1	.7	100	72.3	25.2	2.5	.0	100
80–99 percent										
American Indian or Alaskan native	87.1	9.7	2.1	1.2	100	82.9	17.1	.0	.0	100
Asian or Pacific Islander	84.0	12.6	2.9	.5	100	77.8	17.6	4.3	.2	100
Black	78.4	17.3	3.5	.9	100	75.6	18.3	4.4	1.7	100
Hispanic	78.3	17.6	3.2	.9	100	76.1	19.3	4.2	.5	100
White	89.7	7.9	1.9	.5	100	84.9	11.8	2.8	.5	100
Other	84.2	14.0	1.4	.4	100	87.4	6.8	3.9	1.9	100
Joint (white and minority)	86.8	11.0	1.7	.5	100	79.6	16.9	3.0	.5	100
100–119 percent										
American Indian or Alaskan native	87.6	8.6	3.2	.6	100	88.6	6.8	2.3	2.3	100
Asian or Pacific Islander	83.8	12.8	2.7	.8	100	82.2	12.4	4.9	.5	100
Black	79.4	16.6	3.2	.7	100	75.4	19.3	3.7	1.5	100
Hispanic	79.3	16.1	3.6	1.0	100	76.7	17.6	4.5	1.1	100
White	91.2	6.5	1.8	.4	100	86.5	10.5	2.5	.5	100
Other	87.2	9.6	2.3	.8	100	89.1	9.4	.7	.7	100
Joint (white and minority)	87.6	9.9	2.0	.6	100	84.7	12.9	2.4	.0	100
120 or more percent										
American Indian or Alaskan native	87.1	8.5	3.4	1.0	100	86.6	7.5	5.3	.5	100
Asian or Pacific Islander	82.5	13.1	3.5	.9	100	78.7	15.7	4.8	.7	100
Black	81.2	14.8	3.2	.8	100	75.9	19.6	3.9	.6	100
Hispanic	81.4	14.1	3.5	1.0	100	77.1	17.8	4.1	.9	100
White	91.1	6.3	2.1	.5	100	86.7	9.7	3.1	.5	100
Other	86.7	10.1	2.5	.6	100	86.4	10.6	2.2	.8	100
Joint (white and minority)	88.3	8.7	2.5	.6	100	84.8	11.9	3.1	.2	100

1. Income percentages are the percentages of the median family income of the MSA in which the property related to the loan is located.

SOURCE. Federal Financial Institutions Examination Council.

discrimination cannot be determined from the data submitted by the PMI companies because the companies provide little information about the characteristics of the properties that applicants seek to purchase or refinance or of the financial circumstances of the applicants. For example, applicants' levels of debt, their credit histories, and their employment experiences are not disclosed. Without information about these circumstances and about the specific underwriting standards used by PMI companies, the fairness of the decision process cannot be assessed.

APPENDIX B: ADJUSTING THE COMPOSITION OF MORTGAGE ACTIVITY FOR CREDIT RISK

The process of converting dollar amounts of mortgages extended or insured ("unadjusted dollars") to *risk dollars*—the long-term expected loss for each mortgage extended—involved four steps: (1) the use of econometric and institutional information about loan-to-value ratio (LTV) distributions to create such distributions for each type of institution; (2) incorporation of our PMI matching procedure, modified by institutional information, to determine the extent of PMI use across institutions; (3) application of historical default rates and loss severity rates by loan-to-value ratio for each type of institution to calculate the estimated risk dollars held by each group of institutions; and (4) reallocation of these risk dollars across institutions to account for risk-sharing arrangements between private mortgage insurers and other institutions and between the VA and originators of VA mortgages.

Estimating Loan-to-Value Distributions

For most institutions, the distribution of loan-to-value ratios for their mortgage portfolios was not publicly available. Therefore, we developed a model for estimating LTVs for home purchase loans reported in the 1995 HMDA data using preliminary information from the Federal Reserve's 1995 Survey of Consumer Finances (details of this procedure are available upon request from the authors). For some of the institutions for which exact aggregate LTV distributions were available, we adjusted our estimates to reflect those figures.

Our estimates, together with institutional knowledge, suggest that there are essentially five different distributions of loan-to-value ratios across mortgage holders and insurers (table B.1). The FHA, the VA, Fannie Mae and Freddie Mac, and the PMI companies appear to have LTV distributions significantly different from each other. But the fifth group—depository institutions subject to the Community Reinvestment Act, mortgage bankers, other privately chartered nondepository institutions, and credit unions—appear to differ little from each other. We estimated econometrically that roughly 60 percent of the mortgages held by this latter group have loan-to-value ratios of 80 percent or less, 20 percent have ratios between 80 percent and 90 percent, and 20 percent have ratios greater than 90 percent.

Because data on LTV distributions for this fifth group of institutions were not available, we had no way of directly evaluating the validity of our estimates. However, aggregate data were available for insured and uninsured conventional home purchase mortgages originated by depository institutions and mortgage bankers as a group.[30] Those data suggest that our estimates underpredicted the proportion in the lowest LTV category but were close to correct for the highest LTV category (table B.2).

For insured mortgages, the distribution of LTVs varies by insurer. Generally, government-insured loans have very high concentrations of mortgages having loan-to-value ratios of 90 percent or higher; we estimated that 93 percent of the loans insured by the VA in 1995 were in this category. In contrast, privately insured mortgages were estimated to be

30. These data are gathered in the Mortgage Interest Rate Survey (MIRS), a monthly survey conducted by the Federal Housing Finance Board. The Finance Board provided us with annual data for 1995.

B.1. Estimated loan-to-value ratios, default rates, loss severity rates, and risk-sharing proportions used to derive expected losses on mortgages extended in 1995

Percent

Insurance status and type of risk holder	Estimated loan-to-value ratio (percent): 80 or less	81–90	91 or more: 91–95	91 or more: 96 or more	Total	Estimated default rate, by loan-to-value ratio[1]: 80 or less	81–90	91 or more: 91–95	91 or more: 96 or more	Estimated loss severity rate, by loan-to-value ratio[2]: 80 or less	81–90	91 or more: 91–95	91 or more: 96 or more	MEMO: Estimated expected cumulative dollar loss per $100 of mortgages extended by institution[3]
INSURED MORTGAGES														
FHA	6	27	31	36	100	5.2	10.6	12.4	15.5	45.8	44.9	46.8	56.6	6.38
VA	1	6	17	76	100	1.1	3.5	6.6	12.2	45.8	44.9	46.8	56.6	4.70
Private mortgage insurers[4]	2	48	47	3	100	.8	2.7	6.2	9.6	28.4	34.4	47.9	47.9	1.09
UNINSURED MORTGAGES														
Fannie Mae or Freddie Mac	96	2	2		100	.8	2.7	6.2		28.4	34.4	47.9		.59
Depositories subject to CRA[5]	61	19	20		100	.8	2.7	6.2		28.4	34.4	47.9		.94
Independent mortgage companies[6]	63	18	19		100	.8	2.7	6.2		28.4	34.4	47.9		1.04
Other[7]	61	19	20		100	.8	2.7	6.2		28.4	34.4	47.9		1.23
Credit unions	62	19	19		100	.8	2.7	6.2		28.4	34.4	47.9		.91
All risk holders	...	...	...		...	...	...	...	...	...	...	...	...	**2.90**
Proportion of risk borne by insurer under risk-sharing arrangements														
Private mortgage insurers	50	50	60		60	...	...	...	...	...	...	...	...	...
VA	80	80	80		80	...	...	...	...	...	...	...	...	...

1. Default rates show the percentage of mortgages originated in 1975–83 that had defaulted by the end of 1992.

2. Total loss before mortgage insurance payout resulting from foreclosure (if any) divided by original mortgage amount.

3. Covers both insured and uninsured mortgages. Derived by multiplying default rate by loss severity rate within each loan to value range and then summing across loan-to-value ranges weighted by the dollar proportion of an institution's mortgages in that category. Losses were then reallocated among institutions using risk-sharing rules. Losses are cumulative over ten to eighteen years, based on mortgages originated during 1975–83 and tracked through 1992.

4. Based on discussions with individuals at private mortgage insurance companies. The default rate for the LTV range "96 or more" was estimated using the relationship between default rates for FHA and VA loans in the two highest LTV ranges.

5. Includes mortgages originated and held in portfolio by commercial banks and savings associations and their mortgage company affiliates and mortgages sold to commercial banks and savings associations.

6. Includes mortgages originated and held in portfolio by independent mortgage companies and mortgages sold to affiliates by independent mortgage companies.

7. Includes mortgages sold to life insurance companies, pension funds, and other private-sector purchasers.

. . . Not applicable.

SOURCE. Federal Housing Administration, U.S. Department of Veterans Affairs, Freddie Mac, 1995 Survey of Consumer Finances, and discussions with individuals at private mortgage insurance companies.

more concentrated in the 80 percent to 90 percent LTV range.

For FHA- and VA-insured mortgages, our econometric estimates were close to the actual aggregate distributions (table B.2). We used our estimates for calculating risk dollars for FHA and VA loans because our model allows us to vary LTV by income and race or ethnic group in a consistent manner. For privately insured mortgages, discussions with industry representatives and information available from annual reports and the trade press indicated that our model significantly overpredicted the proportion of mortgages in the lowest LTV category and underpredicted the proportion in the higher categories. Instead of using the model's prediction, we imposed an LTV distribution based on our information about the industry. However, we applied the model to suggest the extent of variation in the LTV distribution across groups by income and race or ethnic status.

For mortgages purchased by Fannie Mae and Freddie Mac, the model significantly underpredicted the actual proportion of uninsured mortgages in the lowest LTV category (table B.2). This underprediction may not be surprising because the Survey of Consumer Finances does not distinguish between mortgages that are sold and those that the originator keeps in its portfolio, and thus the model cannot account for this type of variation across institutions.

As discussed earlier, Fannie Mae and Freddie Mac generally are not allowed to purchase mortgages with LTVs above 80 percent unless the mortgage is backed by private mortgage insurance or the buyer has recourse to the lender. Almost all of these high-LTV mortgages have private mortgage insurance, so only a small proportion of uninsured mortgages purchased by Fannie Mae and Freddie Mac have LTVs above 80 percent. For uninsured mortgages purchased by Fannie Mae and Freddie Mac, we used a distribution based on information from knowledgeable industry sources. As we did for the PMI industry, we used the model to vary Fannie Mae's and Freddie Mac's LTV distributions across groups by income or by race or ethnic status.

Adjusting for Private Mortgage Insurance

The second step in calculating risk dollars was to adjust our estimates of the extent of private mortgage insurance coverage among conventional home purchase mortgages. Our matching of PMI records to HMDA records probably significantly undercounted the number of mortgages with private mortgage insurance. The exact proportion of mortgages originated in a given year that are covered by private mortgage insurance is unknown. However, the extent of the undercount for mortgages purchased by Fannie Mae and Freddie Mac is known. Thus, for our estimates of the distribution of risk dollars across types of institutions, we increased the estimated number of mortgages backed by private insurance for all institutions in proportion to the known undercount for Fannie Mae's and Freddie Mac's 1995 home purchase mortgages.

Applying Default Rates and Loss Severity Rates

In the third step we converted dollars of mortgages extended into expected losses by applying average default and loss severity rates. The rates we used were for mortgages originated from 1975 through 1983, with performance measured through the end of 1992. The data came from three sources: Freddie Mac, the FHA, and the VA. Default and loss severity rates for Freddie Mac, which represent a large number of conventional home mortgages but not nonconforming mortgages, were used to calculate credit risk in the conventional mortgage system (table B.1).[31] The appropriateness of applying this single set of rates to all conventional mortgages is unknown; however, only Freddie Mac has made these data public. For the government mortgage system, the FHA and the VA, at our request, provided comparable information on mortgages backed by their insurance programs.

Incorporating Risk-Sharing Relationships

The final step in calculating risk dollars held by different institutions was to account for risk-sharing arrangements. For privately insured mortgages, we estimated that losses are divided 50–50 between the insurer and the insuree if the loan-to-value ratio is

31. Information on default and loss severity rates at Freddie Mac was drawn from 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. Their default and loss severity rates are estimated through 1992; discussions with the authors as well as the FHA and the VA indicate that estimated default and loss severity rates have fallen since 1992 and that the difference between the default rate for high-LTV loans relative to that for lower-LTV loans is currently less than presented in their study. Because all market participants are affected in the same manner by these trends, we have not attempted to update those estimates.

B.2. Actual and predicted distributions of loan-to-value ratios for mortgages extended in 1995
Percent

Loan-to-value range (percent)	FHA mortgages		VA mortgages		Fannie Mae and Freddie Mac mortgages				MIRS mortgages[1]	
					Insured		*Uninsured*			
	Actual	Predicted	Actual	Predicted	Actual	Predicted	Actual	Predicted	Actual	Predicted
80 or less	3	6	2	1	0	20	96	59	54	49
81–90	12	27	4	6	43	45	2	20	18	26
91 or more	...	...	...	...	57	35	2	21	27	25
91–95	34	31	7	17	...	...	...	...	...	...
96 or more	51	36	88	76	...	...	...	...	...	...
All	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

1. Data for insured and uninsured conventional home purchase mortgages originated by depository institutions and mortgage bankers as a group. From the Mortgage Interest Rate Survey conducted by the Federal Housing Finance Board.

SOURCE. Federal Housing Administration, Department of Veterans Affairs, and industry sources.

90 percent or less and 60–40 if the loan-to-value ratio is greater than 90 percent.[32]

The VA, like private mortgage insurance companies, provides guarantees that may not cover all the losses associated with mortgage defaults. When a borrower with a VA mortgage defaults, the VA has the option to "put back" the home to the mortgage holder if it calculates that such a "put back" is the least costly means (to the VA) of implementing its guarantee. In recent years the VA has rarely exercised this option, but it was used for roughly one-fifth of VA defaults (measured by the number of loans) during the late 1980s, when home values in some regions of the country declined sharply. Thus, estimates of the long-term credit risk of a VA mortgage must provide for this risk-sharing; we estimated that 80 percent of the losses are borne by the VA and 20 percent by the mortgage originator regardless of loan-to-value ratio.

Commercial banks, savings associations, and mortgage companies are the most frequent users of VA guarantees and thus share risk with the VA to a limited extent. Typically, a VA loan is securitized by Ginnie Mae. For Ginnie Mae–backed securities, the institutions that service the mortgages underlying the securities (that is, collect the mortgage payments and distribute them to the holders of the securities) are usually the institutions that hold the mortgages and thus partly bear the cost of default. However, in some cases the originator of a mortgage (who may or may not be the current servicer) may retain some of the credit risk of that mortgage. Because we lacked information about which institutions service VA loans, we assumed that the type of institution that originated a VA mortgage, as reported in the HMDA data, was the current servicer of the mortgage and hence bore that portion of the credit risk that was not borne by the VA.

32. Our estimated sharing rule between PMI companies and other institutions is based on conversations with industry participants and on comparing the PMI coverage rates used by Fannie Mae and Freddie Mac with the historic estimated loss severity rates for mortgages with different LTVs.

Testing the Robustness of Our Analysis

We reviewed the effects of varying some of the assumptions and parameters used in our analysis. For example, we varied the LTV distribution for mortgages held by portfolio lenders because we were uncertain about the actual distribution. On one hand, the 1995 Survey of Consumer Finances indicates that 39 percent of the uninsured mortgages had LTVs higher than 80 percent. As Fannie Mae and Freddie Mac purchased very few of these loans, the Survey of Consumer Finances data suggest that an even greater proportion of the uninsured mortgages held by portfolio lenders had an LTV higher than 80 percent.

On the other hand, depository institutions have a strong incentive to hold only mortgages that have an LTV of 80 percent or less or that are covered by private mortgage insurance, because capital requirements for such mortgages are lower. Moreover, data from the Office of Thrift Supervision, the regulator of the savings association industry, indicate that only about 5 percent of the stock of all mortgages held by these institutions had an LTV higher than 80 percent and no private mortgage insurance. Reasonable adjustments to these data indicate that perhaps only as many as 12 percent of the home purchase originations might be in this category. As discussed in the main text, variations in this LTV distribution did not alter our conclusions.

We also changed the VA risk-sharing arrangement to allocate more risk to the VA and changed the loan-to-value distributions for the FHA and the VA to reflect their reported LTV distributions. These changes raised the FHA's share about 2 percentage points and the VA's share about 1 percentage point. All other institutions lost less than 1 percentage point of their market share. Thus, we conclude that our results are robust to reasonable changes in the assumptions and parameters that underlie our measures of credit risk. □

Treasury and Federal Reserve Foreign Exchange Operations

This quarterly report describes Treasury and System foreign exchange operations for the period from July through September 1996. It was presented by Peter R. Fisher, Executive Vice President, Federal Reserve Bank of New York, and Manager for Foreign Operations, System Open Market Account. Christine Hall was primarily responsible for preparation of the report.[1]

During the quarter the dollar appreciated 1.6 percent against the Japanese yen, 0.1 percent against the German mark, and 0.1 percent on a trade-weighted basis against other Group of Ten currencies. Over the quarter, the dollar was supported by expectations that the Federal Reserve would tighten monetary policy—in contrast to expectations for steady policy in Germany and Japan. In addition, sentiment for the prospect of broad participation in the European Monetary Union shifted from doubt early in the quarter to growing confidence late in the quarter, lending support to the dollar against the mark. The U.S. monetary authorities did not undertake any intervention operations in the foreign exchange market during the quarter. However, the U.S. Treasury's Exchange Stabilization Fund (ESF) received a $7 billion repayment from the United Mexican States related to draw-

1. The charts for the report are available on request from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551.

1. Foreign exchange holdings of U.S. monetary authorities, based on current exchange rates, 1996:Q3
Millions of dollars

Item	Balance, June 30, 1996	Quarterly changes in balances by source				Balance, Sept. 30, 1996
		Net purchases and sales[1]	Impact of sales[2]	Investment income	Currency valuation adjustments[3]	
FEDERAL RESERVE						
Deutsche marks	12,982.1	.0	.0	110.0	−53.2	13,038.9
Japanese yen	6,497.3	.0	.0	5.2	−125.7	6,376.8
Interest receivables[4]	74.0	...	...	...	...	72.0
Other cash flow from investments[5]	.5	...	...	...	...	−3.5
Total	**19,553.9**	...	...	...	...	**19,484.2**
U.S. TREASURY EXCHANGE STABILIZATION FUND						
Deutsche marks	6,571.2	.0	.0	55.4	−26.9	6,599.8
Japanese yen	9,523.3	.0	.0	6.0	−180.8	9,348.5
Mexican pesos[6]	10,500.0	−7,373.3	.0	373.3	.0[7]	3,500.0
Interest receivables[4]	277.3	...	...	...	...	39.1
Other cash flow from investments[5]	4.4	...	...	...	...	1.2
Total	**26,876.2**	...	...	...	...	**19,488.6**

NOTE. Figures may not sum to totals because of rounding.
1. Purchases and sales include foreign currency sales and purchases related to official activity, swap drawings and repayments, and warehousing.
2. Calculated using marked to market exchange rates; represents the difference between the sale exchange rate and the most recent revaluation exchange rate. Realized profits and losses on sales of foreign currencies computed as the difference between the historic cost-of-acquisition exchange rate and the sale exchange rate are shown in table 2.
3. Foreign currency balances are marked to market monthly at month-end exchange rates.
4. Interest receivables for the ESF are revalued at month-end exchange rates. Interest receivables for the Federal Reserve System are carried at average cost of acquisition and are not marked to market until interest is paid.
5. Cash flow differences from payment and collection of funds between quarters.
6. See table 4 for a breakdown of Mexican swap activities. Note that the investment income on Mexican swaps is sold back to the Bank of Mexico.
7. Valuation adjustments on peso balances do not affect profit and loss because the effect is offset by the unwinding of the forward contract at the repayment date. Although the ESF does not mark to market its peso holdings, Mexico is obligated to maintain in dollar terms the value of ESF peso holdings resulting from Mexican drawings under the Medium Term Stabilization Agreement.

ings by Mexico under the medium-term swap facility with the ESF. An additional $3.5 billion remained outstanding.

General Stability of Exchange Rates

For the period as a whole, foreign exchange markets were relatively stable. The average daily trading range of the dollar was substantially less than the ranges observed last year. On average the dollar traded in a daily range of 0.6 percent against both the mark and the yen. This compares with daily dollar ranges of 1.1 percent against the mark and 1.4 percent against the yen in the third quarter of 1995. Additionally, implied volatility on dollar–mark and dollar–yen one-month options generally maintained the low levels of the second quarter of this year.

However, the period was marked by a few brief episodes of sharp dollar movements. The dollar's largest one-day move occurred early in the quarter. On July 16, the dollar traded in a 3.1 percent range against the mark, implied volatility on one-month dollar–mark options spiked higher, and prices of risk reversals indicated a rise in the perceived risk of a further significant dollar decline.[2] As with other sharp dollar moves over the period, the dollar's trading ranges over subsequent days fell toward the period's average, implied volatility on dollar–mark options reverted toward record-low levels, and risk reversal prices moved closer to neutral.

Response of the Dollar to U.S. Interest Rate Expectations and Asset Market Performance

Expectations for a Federal Reserve tightening shifted throughout the period. Signs of strong U.S. economic growth and tightening labor markets, yet benign inflation data, made the near-term interest rate outlook uncertain.

Early in the quarter, the dollar reached a twenty-nine-month high against the yen of ¥111.19 while holding above DM 1.52 against the mark after the strong U.S. nonfarm payroll report for June, which led many market participants to anticipate an imminent Federal Reserve tightening. Subsequently, U.S. stock prices declined sharply and a liquidation of long dollar positions ensued. On July 16, the dollar depreciated from opening prices of DM 1.5145 and ¥110.22 to a low of DM 1.4695 and ¥108.27 before partially recovering to close the day at DM 1.4844 and ¥109.32.

Expectations of a near-term Federal Reserve tightening were scaled back after Chairman Greenspan's Humphrey–Hawkins testimony in July. Market participants appeared to focus on his comments about the potential for an economic slowdown in the second half of the year. Subsequent reports of benign inflation further diminished expectations for a tightening, and the August meeting of the Federal Open Market Committee ended with no announced change in policy.

In September, expectations began to build anew for a Federal Reserve tightening at the September 24 FOMC meeting. The August nonfarm payroll data continued to show robust employment growth. The dollar steadily recovered all of its losses against the mark and yen, supported by expectations of higher U.S. short-term interest rates as well as by ongoing strength in the U.S. stock market in September.

The FOMC's decision at the September 24 meeting to keep policy unchanged surprised many market participants. Although the dollar declined sharply on

2. A risk reversal is an option position consisting of a written put and a purchased call that mature on the same date and are equally out-of-the-money. The price of a risk reversal indicates whether the dollar call or the dollar put is more valuable. If the dollar call is at a premium, the market is willing to pay more to insure against the risk that the dollar will rise sharply. If the dollar put is at a premium, the market is willing to pay more to insure against the risk that the dollar will fall sharply.

2. Net profits or losses (–) on U.S. Treasury and Federal Reserve foreign exchange operations, based on historical cost-of-acquisition exchange rates, 1996:Q3

Millions of dollars

Period and item	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
Valuation profits and losses on outstanding assets and liabilities, June 30, 1996		
Deutsche marks	2,118.7	663.5
Japanese yen	1,337.5	1,968.3
Total	**3,456.1**	**2,631.7**
Realized profits and losses from foreign currency sales, June 30, 1996–Sept. 30, 1996		
Deutsche marks	.0	.0
Japanese yen	.0	.0
Total	**.0**	**.0**
Valuation profits and losses on outstanding assets and liabilities, Sept. 30, 1996[1]		
Deutsche marks	2,065.5	636.6
Japanese yen	1,211.2	1,783.0
Total	**3,276.8**	**2,419.6**

Note. Figures may not sum to totals because of rounding.

1. Valuation profits or losses are not affected by peso holdings, which are canceled by forward contracts.

the day of the announcement, it more than recovered its losses the following day. Despite the FOMC's decision to leave policy unchanged, some market expectation for a tightening by year-end remained.

Support of the Dollar against the Mark from Expectations for Steady or Lower German Rates

May data for German industrial production and orders, which were released early in the quarter, indicated a third consecutive month-to-month rise in each series. These data contributed to market perceptions that German economic recovery would preclude further Bundesbank interest rate cuts and that market rates would rise by year-end. The perception that German rates had bottomed contributed to the decline in the dollar against the mark in mid-July when declines in U.S. equity prices also weighed on the dollar. Subsequently, however, market expectations of Bundesbank policy gradually shifted as the mark appreciated against the dollar, growth in the Bundesbank's M3 monetary aggregate decelerated, and German business sentiment deteriorated. Also, Bundesbank officials made periodic comments that held open the possibility of further reductions in the Bundesbank's key repurchase rate. Long-term interest rate differentials between the United States and Germany widened further in favor of the dollar and contributed to the stabilization of the dollar after its sharp decline in mid-July.

On July 25, at its last meeting before the summer recess, the Bundesbank disappointed market expectations, leaving its repo rate unchanged at 3.3 percent, and the German mark rose sharply. The dollar fell from an opening price of DM 1.4905 to a low of DM 1.4723 on the announcement.

However, in a largely unanticipated move, at its August 22 meeting the Bundesbank cut its repo rate 30 basis points to 3 percent. The dollar appreciated after the Bundesbank's decision as interest rate differentials between the United States and Germany widened further in favor of the dollar. After the reduction market participants generally came to expect that monetary policy in Germany would remain stable through the early part of 1997. Reflecting that sentiment, implied yields on three-month Euromark futures contracts through March 1997 declined to levels only slightly above cash rates.

The Bundesbank's cut in the repo rate fostered an impression among many market participants that the Bundesbank was motivated, at least in part, to ease pressures on other European Union members to meet the economic convergence criteria of the Maastricht Treaty. In addition, the anticipated pressures on European currencies during the release of government budgets across Europe did not materialize. This led to sales of German marks against higher-yielding European currencies. In September, the dollar steadily climbed back above DM 1.52.

3. *Currency arrangements, September 30, 1996*
Millions of dollars

Institution	Amount of facility	Outstanding, Sept. 30, 1996
	Federal Reserve Reciprocal Currency Arrangements	
Austrian National Bank	250	0
National Bank of Belgium	1,000	
Bank of Canada	2,000	
National Bank of Denmark	250	
Bank of England	3,000	
Bank of France	2,000	
Deutsche Bundesbank	6,000	
Bank of Italy	3,000	
Bank of Japan	5,000	
Bank of Mexico[1]	3,000	
Netherlands Bank	500	
Bank of Norway	250	
Bank of Sweden	300	
Swiss National Bank	4,000	
Bank for International Settlements		
Dollars against Swiss francs	600	
Dollars against other authorized European currencies	1,250	
Total	**32,400**	**0**
	U.S. Treasury Exchange Stabilization Fund Currency Arrangements	
Deutsche Bundesbank	1,000	0
Bank of Mexico[1]		
Regular swaps	3,000	0
United Mexican States[1]		
Medium-term swaps	...	3,500
Total[1]	...	**3,500**

1. Facilities available to Mexico comprise short-term swaps between the Bank of Mexico and both the Federal Reserve and the ESF, as well as medium-term swaps and government guarantees between the government of Mexico and the ESF. The total amount available from both medium-term swaps and government guarantees is $20 billion, less any outstanding drawings on the short-term facilities.

Support for the Dollar against the Yen from Receding Expectations for a Tightening by the Bank of Japan

Early in the quarter, most market participants believed that a hike in Japanese interest rates would soon follow any tightening by the Federal Reserve. This assumption came into question, however, as official commentary and the Bank of Japan's quarterly outlook, released in late July, suggested that the economy had not achieved a "self-sustaining" recovery. A sharp decline in Japanese stock prices in late August further contributed to the belief that the Bank of Japan would not raise rates in the near term.

Additional evidence accumulated to suggest that Japan's economic recovery remained fragile. On August 28, a weak August *Tankan* report showed an unexpected deterioration in business confidence. In mid-September, the second-quarter report on gross domestic product showed an annualized quarter-on-quarter decline of 2.9 percent. On the last day of the quarter, the dollar reached a two-and-a-half year high of ¥111.68 against the yen, boosted by expectations that Japanese investors would increase their investments in higher-yielding foreign assets in the second half of the Japanese fiscal year.

The market's reaction to trade data released during the third quarter was mixed. Early in the period, declines in Japan's trade surplus, the U.S. trade deficit, and the U.S.-Japanese bilateral deficit, albeit all of which occurred at a slower pace than the rate of decline in previous quarters, supported the dollar. At the end of the quarter, U.S. trade data for July indicating a widening overall U.S. deficit as well as a larger bilateral deficit with Japan, prompted a sharp but temporary decline in the dollar.

Continuation of the Downward Trend of Interest Rates in Canada

Low inflation, a firming Canadian dollar, and steady U.S. monetary policy allowed interest rates to continue their downward trend in Canada. Over the period, the Bank of Canada reduced its overnight call money range 75 basis points. The midpoint of the target range ended the quarter at 4 percent, about 125 basis points below the federal funds rate. By the end of the period, positive yield spreads between Canadian government bonds and comparable U.S. Treasuries existed only beyond the five-year maturity sector. The spread between the benchmark ten-year Canadian government bond and the ten-year U.S. Treasury note narrowed from 99 to 43 basis points over the period.

4. Drawings/rollovers and repayments (−) by Mexican monetary authorities, 1996:Q3

Millions of dollars

Currency arrangements with the U.S. Treasury Exchange Stabilization Fund	Outstanding, June 30, 1996	July	Aug.	Sept.	Outstanding, Sept. 30, 1996
Bank of Mexico					
Regular	0	0	0	0	0
Medium-term	10,500	0	−7,000	0	3,500

NOTE. Data are on a value date basis.

Investor Optimism in Mexico

The peso strengthened over the quarter despite periodic concerns about a near-term interest rate hike in the United States. Market participants became optimistic about the strength of Mexico's economic recovery, after a 7.2 percent rise in its second-quarter GDP. Domestic interest rates fell, while Mexican Brady debt spreads over U.S. Treasuries fell from 669 to 510 basis points.

Mexico successfully raised funds in the international capital markets in four issues in the third quarter. In July, Mexico issued $6 billion in five-year, floating-rate notes at a spread of 200 basis points over London interbank offered rates, and in September, it placed a $1 billion twenty-year Eurobond issue at narrower-than-expected spreads over U.S. Treasuries. On August 5, Mexico repaid in advance $7 billion of the $10.5 billion outstanding under the U.S. Treasury's ESF medium-term swap facility. Of this amount, $5 billion was used to repay the two swaps that had been drawn in April and May of 1995, and $2 billion was used to pay down 80 percent of the July 1995 drawing. The repayments reduced the amount outstanding from these swaps to $3.5 billion.

Treasury and Federal Reserve Foreign Exchange Reserves

At the end of the quarter, the foreign currency reserve holdings of the Federal Reserve System and the ESF were valued at $19.4 billion and $15.9 billion, respectively and consisted of German marks and Japanese yen.

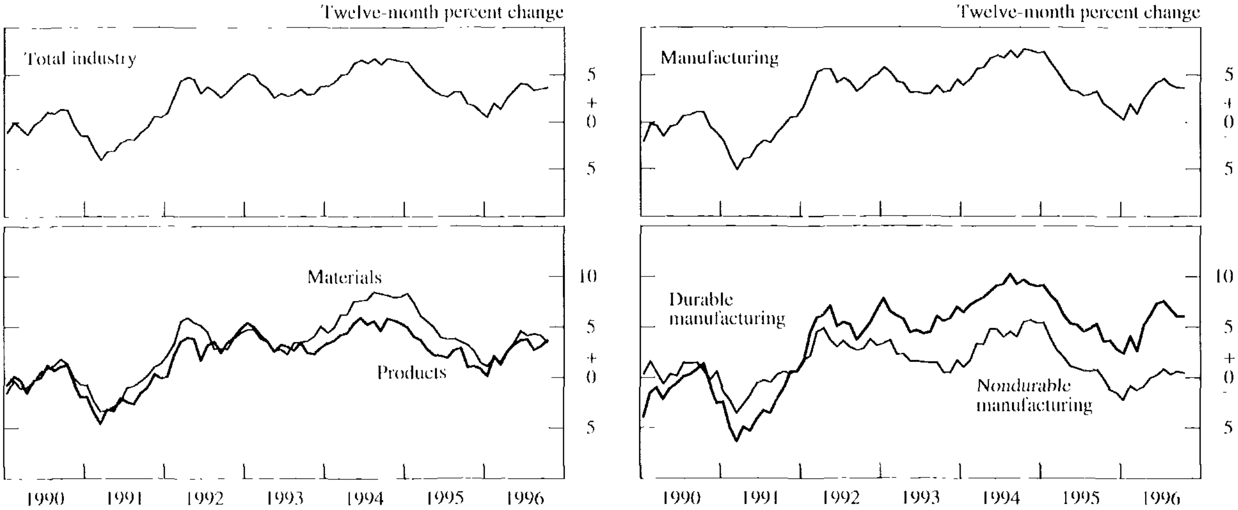
The U.S. monetary authorities invest all their foreign currency balances in a variety of instruments that yield market-related rates of return and have a high degree of liquidity and credit quality. A significant portion of these balances is invested in German and Japanese government securities that are held either directly or under repurchase agreement. As of September 30, outright holdings of government securities by U.S. monetary authorities totaled $6.4 billion and included investments in Japanese treasury bills and German government securities. Japanese and German government securities held under repurchase agreement are arranged either through transactions executed directly in the market or through agreements with official institutions. Government securities held under repurchase agreements by the U.S. monetary authorities totaled $11.0 billion at the end of the quarter. Foreign currency reserves are also invested in deposits at the Bank for International Settlements and in facilities at other official institutions. □

Industrial Production and Capacity Utilization for October 1996

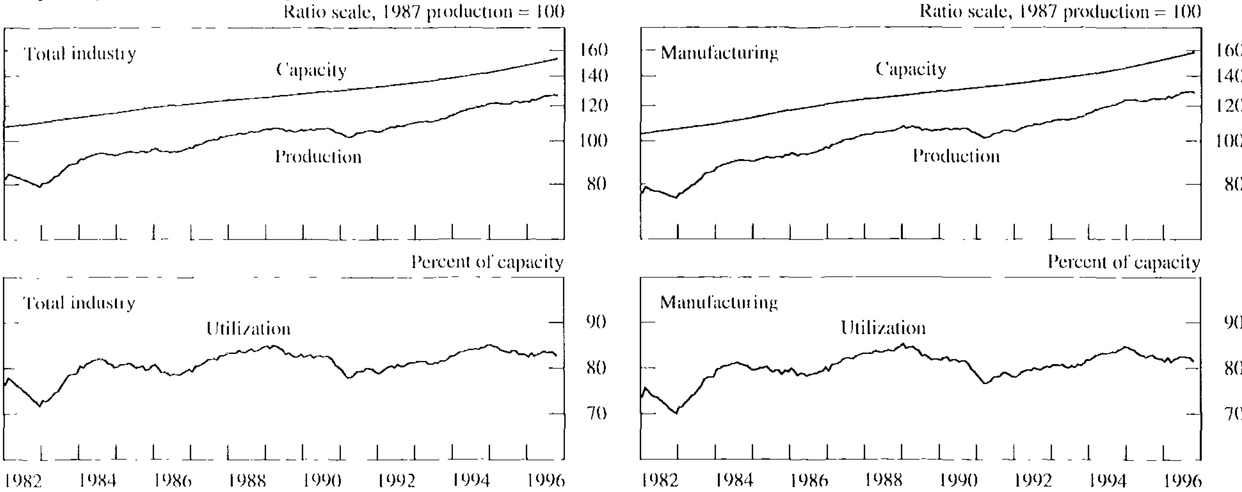
Released for publication November 15

Industrial production decreased 0.5 percent in October after a revised gain of 0.3 percent in September. Sharp drops in the production of motor vehicles and in the output of related parts and materials accounted for the decrease in the overall index. Motor vehicle assemblies dropped more than 7 percent from their September level; this falloff resulted largely from shortages of parts made at strike-affected plants in Canada and from a strike that had shut down some domestic assembly plants late in the month. Manufacturing output fell 0.5 percent, and mining output dropped 1.0 percent; output at utilities was unchanged. At 126.6 percent of its 1987 average, total industrial production in October was 3.6 percent

Industrial production indexes



Capacity and industrial production



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

Industrial production and capacity utilization, October 1996

Category	Industrial production, index, 1987 = 100								
	1996				Percentage change				
					1996[1]				Oct. 1995 to Oct. 1996
	July[r]	Aug.[r]	Sept.[r]	Oct.[p]	July[r]	Aug.[r]	Sept.[r]	Oct.[p]	
Total	**126.3**	**126.8**	**127.2**	**126.6**	**.0**	**.4**	**.3**	**.5**	**3.6**
Previous estimate	126.4	126.8	127.1	. . .	.0	.4	.2	. .	. .
Major market groups									
Products, total[2]	122.5	122.4	123.0	122.7	.2	.1	.5	.3	3.7
Consumer goods	117.3	116.4	116.6	115.8	.4	.8	.2	.7	.8
Business equipment	170.3	171.0	172.3	172.6	1.0	.4	.8	.2	10.3
Construction supplies	112.0	113.5	114.5	114.3	−1.7	1.3	1.0	.2	5.5
Materials	132.1	133.6	133.5	132.6	.4	1.1	.1	.7	3.5
Major industry groups									
Manufacturing	129.0	129.1	129.5	128.9	.3	.1	.3	−.5	3.6
Durable	141.5	142.2	142.6	141.6	.2	.6	.2	−.7	6.1
Nondurable	115.2	114.7	115.1	114.9	.5	−.5	.3	−.2	.5
Mining	100.9	103.5	103.4	102.4	1.8	2.5	.1	1.0	4.3
Utilities	122.6	124.9	125.3	125.3	−3.1	1.9	.3	.0	3.1

Category	Capacity utilization, percent								MEMO Capacity, percentage change, Oct. 1995 to Oct. 1996
	Average, 1967–95	Low, 1982	High, 1988–89	1995	1996				
				Oct.	July[r]	Aug.[r]	Sept.[r]	Oct.[p]	
Total	**82.1**	**71.8**	**84.9**	**83.0**	**83.4**	**83.4**	**83.4**	**82.7**	**4.0**
Previous estimate	. . .	. . .	. . .	. . .	83.4	83.4	83.3	. . .	. . .
Manufacturing	81.4	70.0	85.2	82.2	82.5	82.3	82.3	81.6	4.4
Advanced processing	80.7	71.4	83.5	80.5	80.8	80.6	80.5	79.8	5.2
Primary processing	82.6	66.8	89.0	86.1	86.6	86.6	86.5	86.0	2.5
Mining	87.4	80.6	86.5	87.8	90.3	92.6	92.5	91.6	.1
Utilities	86.9	76.2	92.6	89.8	89.6	91.1	91.3	91.3	1.4

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.

higher than it was in October 1995. The utilization of industrial capacity fell 0.7 percentage point, to 82.7 percent, its lowest level since March.

When analyzed by market group, the data show that the output of consumer goods dropped 0.7 percent in October, with the decline in motor vehicles accounting for much of the loss. The production of other consumer durables, however, also declined noticeably, in a continuation of the losses that have reduced output in this industry more than 4 percent since June. While all major segments of other consumer durables have weakened recently, the appliance segment has had the largest declines over the past few months. The production of consumer nondurables was flat, continuing the sluggishness that has persisted over the past year.

The overall output of business equipment, which had posted sizable monthly gains since May, edged up only 0.2 percent, restrained by the drop in motor vehicle assemblies. Excluding motor vehicles, production of business equipment rose 0.7 percent, led by another sharp increase in information processing equipment. The output of industrial equipment edged down and has changed little, on balance, in recent months. After several weak months, however, the output of other equipment rebounded strongly with a 1.2 percent gain attributable to a sharp increase in the production of farm equipment.

The output of construction and business supplies was little changed, but the aggregate output of industrial materials fell 0.7 percent. The production of durable goods materials fell 1.0 percent, largely because of a drop in parts and materials used primarily by the motor vehicle industry. The output of nondurable materials changed little over the past two months; although the output of both textile and paper materials increased, production in these sectors still remained below their levels in July. The production of energy materials retreated 0.6 percent, with declines in the production of coal and crude oil.

When analyzed by industry group, the data show that factory output decreased 0.5 percent in October after a 0.3 percent gain in September; the production of durable goods dropped 0.7 percent, while that of nondurable goods slipped 0.2 percent. The output of durable goods was held down not only by the big drop in motor vehicles and parts but also by decreases of 0.5 percent or more in the production of lumber, primary metals, fabricated metal products, electrical machinery, and miscellaneous manufactures.

The only substantial increases in durable goods production were in computer and office equipment and in instruments; small increases occurred in the output of furniture and of stone, clay, and glass products. Among nondurables, the indexes for textile mill products, paper, petroleum refining, and leather all posted gains of 0.5 percent or more; the production of foods and of printing and publishing also advanced. On the negative side, the output of apparel products and of rubber and plastics products fell more than 1 percent. The production of chemical products also declined.

The factory operating rate dropped 0.7 percentage point, to 81.6 percent. The rate for advanced-processing industries, which includes motor vehicles and parts, also decreased 0.7 percentage point, to 79.8 percent, and the rate for primary-processing industries declined 0.5 percentage point, to 86.0 percent. The operating rate in motor vehicles and parts declined 5.3 percentage points. In addition the operating rate in several of its supplying industries fell at least 1 percentage point; these include primary metals, fabricated metals products, electrical machinery, apparel products, and rubber and plastics products. The operating rate at mines fell 0.9 percentage point, to 91.6 percent, while the rate at utilities remained unchanged, at 91.3 percent.

This release and the history for all published series are available on the Board's World Wide Web site at http://www.bog.frb.fed.us.

1996 Revision Announcement

The Federal Reserve will publish revisions of its measures of industrial production (IP), capacity, capacity utilization, and industrial use of electric power on January 7, 1997. The revisions of IP, capacity, and capacity utilization will incorporate updated source data for recent years and will feature a change in the method of aggregating the indexes. From 1977 onward, the value-added proportions used to weight individual series will be updated annually rather than quinquennially. In addition, the IP indexes and the capacity measures will be rebased so that 1992 actual output equals 100. Capacity utilization, the ratio of IP to capacity, will be recomputed on the basis of revised IP and capacity measures.

The aggregate IP indexes will be constructed with a superlative index formula similar to that introduced by the Bureau of Economic Analysis as the featured measure of real output in its January 1996 comprehensive revision of the National Income and Product Accounts. At present, the aggregate IP indexes are computed as linked Laspeyres indexes, with the weights updated every five years. Because of the rapid fall in the relative price of computers and peripheral equipment, that periodic updating of weights is too infrequent to provide reliable estimates of current changes in output, capacity, and capacity utilization. With the publication of the revision, value-added proportions will be updated annually, and the new index number formula will be applied to all aggregates of IP, capacity, and gross value of product. For the most part, relative price movements among the 260 individual components of the IP index are likely to have little visible effect on total IP. However, the more frequent updating of the relative price of the output of the computer industry could lower overall IP growth in some years by as much as ½ percentage point; in other years, the updating of weights will have virtually no effect. Because the new index number formula will slow capacity growth as well as IP growth, the effect of the reaggregation on overall capacity utilization should be small.

The regular updating of source data for IP will include the introduction of annual data from the *1994 Annual Survey of Manufactures* and selected *1995 Current Industrial Reports* of the Bureau of the Census. Available annual data on mining for 1994 and 1995 from the Department of the Interior will also be introduced. Revisions to the monthly indicators for each industry (physical product data, production-worker hours, or electric power usage) and revised seasonal factors will be incorporated back to 1992. In addition, the benchmark index for semiconductor output will be revised back to 1977 to reflect a hedonic price index, similar in concept to what is used for the computer industry.

The statistics on the industrial use of electric power will be revised back to 1972. These revisions stem from three basic sources. First, the new figures incorporate more complete reports received from utilities for the past few years. Second, an updated panel of reporters on cogeneration will be fully integrated into our survey of electric power use. Third, the levels of the monthly electric power series for manufacturing industries will be benchmarked to indexes derived from data published in the Census Bureau's annual surveys and censuses of manufactures. These indexes will also be revised so that 1992 electric power usage equals 100.

More detail on the plans for this revision is available on the Internet at http://www.bog.frb.fed.us, the Board's World Wide Web site. Once the revision is published, the revised data will be available at that site and on diskettes from the Board of Governors of the Federal Reserve System, Publications Services, 202-452-3245. The revised data will also be available through the Economic Bulletin Board of the Department of Commerce; for information about the Bulletin Board, call 202-482-1986. In addition to the data currently provided, the time series of implicit prices necessary for a user to aggregate IP and capacity under the new methodology will be provided. For information on these revisions, call the Industrial Output Section of the Board of Governors at 202-452-3151. □

Announcements

Appointment of a Committee to Review the Federal Reserve's Participation in Payment Services

Federal Reserve Chairman Alan Greenspan has appointed a committee of senior Federal Reserve officials, headed by Board Vice Chair Alice M. Rivlin, to conduct a fundamental review of the Federal Reserve's participation in payment services to banks and other financial institutions.

The Federal Reserve provides payment services, including check clearing and electronic transfer of funds, to financial institutions and charges a price for the service. It provides similar services as agent for the U.S. Treasury and other federal agencies. Payment services are also performed by the private sector.

Formation of the special committee is the next step in the continuing review of Federal Reserve payment services discussed by Dr. Greenspan in testimony earlier this year before the Senate Banking Committee. In announcing on October 17, 1996, the formation of the committee he said: "Given the significant changes occurring in payment processing, this is an opportune time to assess the Fed's role in the payments systems of the twenty-first century."

Besides Dr. Rivlin, other members of the committee are Federal Reserve Governor Edward W. Kelley, Jr., William J. McDonough, President of the Federal Reserve Bank of New York, and Thomas C. Melzer, President of the Federal Reserve Bank of St. Louis.

The committee will consider a wide range of options and will solicit views from within the Federal Reserve System, financial institutions active in the payment system, and other users. The committee has the discretion to bring in outside specialists and consultants as part of its inquiry.

Work will begin immediately, but no time frame was established for the completion of the committee's task. Chairman Greenspan asked that the committee report to the Board of Governors on progress and results.

Results of an Independent Audit of the Los Angeles Branch

An independent outside audit has confirmed that the Los Angeles Branch of the Federal Reserve Bank of San Francisco maintains an "effective internal control structure" for financial reporting of its currency and coin holdings, the Federal Reserve Board announced on October 22, 1996. The audit by Coopers & Lybrand confirms the results of an examination by the Board's financial auditors as well as the Reserve Bank's internal auditors.

The General Accounting Office (GAO) had called into question the integrity of the Los Angeles Branch's internal controls in a recent report. The GAO's concern was based on errors made by the Branch in reports submitted to the Board rather than on an in-depth review of financial controls. These reports are used only for informational purposes and are distinct from financial accounting records.

The Board retained Coopers & Lybrand to conduct a comprehensive review of the Branch's financial controls to address GAO's concern. In its opinion, Coopers & Lybrand said: "In our opinion, management's assertion that the Los Angeles Branch maintained an effective internal control structure over financial reporting for its coin and currency as of August 31, 1996, is fairly stated, in all material respects. . . ."

As further confirmation of the Branch's internal controls, the Board last month ordered an unannounced count of all currency and coin holdings at the Branch. The results confirmed that the Branch's balance sheet accurately reflected its currency and coin holdings.

Approval of the Use of Certain Preferred Stock Instruments in Tier 1 Capital

The Federal Reserve Board on October 21, 1996, approved the use of certain cumulative preferred stock instruments in tier 1 capital for bank holding companies.

These instruments, which are marketed under a variety of proprietary names such as MIPS and TOPRS, are issued out of a special purpose subsidiary that is wholly owned by the parent company. The proceeds are lent to the parent in the form of a very long-term, deeply subordinated note.

Bank holding companies seeking to issue such securities should consult with their District Federal

Reserve Bank. Such arrangements, which give rise to minority interest upon consolidation of the subsidiary with the parent holding company, normally will be accorded tier 1 capital status. Minority interest in consolidated subsidiaries generally qualifies as tier 1 capital under the Board's current capital adequacy guidelines for bank holding companies.

To be eligible as tier 1 capital, such instruments must provide for a minimum deferral period of five consecutive years on distributions to preferred shareholders. In addition, the intercompany loan must be subordinated to all subordinated debt and have the longest feasible maturity.

The amount of these instruments, together with other cumulative preferred stock a bank holding company may include in tier 1 capital, is limited to 25 percent of tier 1. Like other preferred stock includable in capital, these instruments require Federal Reserve approval before they may be redeemed.

Amendments to Ease Firewall Restrictions on Section 20 Subsidiaries

The Federal Reserve Board announced on October 30, 1996, amendments to ease or eliminate three of the prudential limitations, or firewalls, imposed on the operations of section 20 subsidiaries of bank holding companies authorized to underwrite and deal in securities.

The amendments, which are effective January 7, 1997, will accomplish the following:

- Modify the prohibition on director, officer, and employee interlocks between a section 20 subsidiary and its affiliated banks or thrift institutions (the interlocks restriction)
- Eliminate the restriction on a bank or thrift institution acting as agent for, or engaging in marketing activities on behalf of, an affiliated section 20 subsidiary (the cross-marketing restriction)
- Ease the restriction on the purchase and sale of financial assets between a section 20 subsidiary and its affiliated bank or thrift institution (the financial assets restriction).

With respect to interlocks, the Board is (1) eliminating a blanket prohibition on employee interlocks, (2) replacing a blanket prohibition on director interlocks with one limited to a majority of the board of a section 20 subsidiary and an affiliated bank, and (3) replacing a blanket prohibition on officer interlocks with one limited to the chief executive officer of each company.

The Board is expanding an exception to the financial assets restriction for the purchase and sale of government securities to include any asset having a readily identifiable and publicly available market quotation and purchased at that quotation.

Approval of an Expansion of Fedwire Operating Hours

The Federal Reserve Board on October 30, 1996, approved a December 8, 1997, effective date to open the Fedwire funds transfer service at 12:30 a.m. Eastern Time (ET). The current operating hours of the Fedwire funds transfer service are 8:30 a.m. to 6:30 p.m. ET. The closing time of the Fedwire funds transfer service remains unchanged.

Previously, the Board determined that expansion of the Fedwire funds transfer service to eighteen hours a day could be a useful component of private-sector initiatives to reduce settlement risk in the foreign exchange markets and to eliminate an operational barrier to potentially important innovation in privately provided payment and settlement services. Participation in the earlier Fedwire operating hours is voluntary for depository institutions.

In conjunction with the expansion of Fedwire operating hours, the Board has also approved a modification to the daylight overdraft posting times to fix at 8:30 a.m. ET the posting time for certain nonwire transactions that are tied to the current opening time of the Fedwire funds transfer service.

Regulation Y: Interim Rule and Proposed Action

The Federal Reserve Board on October 24, 1996, announced an interim rule and requested comment on certain definitions in connection with easing provisions of Regulation Y (Bank Holding Companies) to eliminate the requirement that bank holding companies seek Board approval before engaging *de novo* in permissible nonbanking activities if the bank holding company is well-capitalized and meets other criteria specified in the new Economic Growth and Regulatory Paperwork Act.

The interim rule also implements provisions of the act to establish expedited procedures for well-capitalized bank holding companies that meet the criteria to obtain Board approval to acquire smaller companies that engage in any permissible nonbanking activities listed in Regulation Y as well as to engage in nonbanking activities that the Board has approved only by order. The interim rule is effective immediately.

Comment on the definitions noted in the following discussion is requested by December 2, 1996.

Because the statutory changes, which the Board recommended, are effective immediately, the Board will apply the procedures now to qualifying proposals. Proposed amendments to Regulation Y will be issued in the near future to implement the changes.

For purposes of determining the capital levels at which a bank holding company shall be considered "well-capitalized" under section 2208 of the act and Regulation Y, the Board has adopted, as an interim rule, risk-based capital thresholds that are the same levels as the levels set for determining that a state member bank is well-capitalized under the provisions established under section 38 of the Federal Deposit Insurance Act and a modified leverage ratio. This definition was effective October 23, on an interim basis. The Board invites public comment on this definition and will adjust the definition as appropriate in light of public comment. The Board also invites comment on how the statutory definitions in section 2208 should be applied to foreign banking organizations.

Availability of Revised Lists of Over-the-Counter Stocks and of Foreign Margin Stocks Subject to Margin Regulations

The Federal Reserve Board on October 25, 1996, published a revised list of over-the-counter (OTC) stocks that are subject to its margin regulations (OTC list). Also published was a revised list of foreign equity securities (foreign list) that meet the margin criteria in Regulation T (Credit by Brokers and Dealers).

The lists became effective November 12, 1996, and supersede the previous lists that were effective August 12, 1996. The next revision of the lists is scheduled to be effective in February 1997. These lists are published for the information of lenders and the general public.

The changes that have been made to the revised OTC list, which now contains 4,718 OTC stocks, are as follows:

- Two hundred sixty-two stocks have been included for the first time, 205 under National Market System (NMS) designation
- Thirty-nine stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing
- One hundred nineteen stocks have been removed for reasons such as listing on a national securities exchange or involvement in an acquisition.

The OTC list is composed of OTC stocks that have been determined by the Board to be subject to margin requirements in Regulations G (Securities Credit by Persons other than Banks, Brokers, or Dealers), T, and U (Credit by Banks for Purchasing or Carrying Margin Stocks). It includes OTC stocks qualifying under Board criteria and also includes all OTC stocks designated as NMS securities. Additional NMS securities may be added in the interim between quarterly Board publications; these securities are immediately marginable upon designation as NMS securities.

The foreign list is composed of foreign equity securities that are eligible for margin treatment at broker–dealers. Effective July 1, 1996, foreign stocks may be included on the foreign list by being deemed to have a "ready market" for purposes of the Securities and Exchange Commission's (SEC) net capital rule. The SEC effectively treats all stocks included on the Financial Times/Standard & Poor's Actuaries World Indices (FT/S&P-AW Indices) as having a ready market for capital purposes. The Board is adding thirty-six foreign stocks and deleting thirty-one, primarily based on changes to the FT/S&P-AW Indices. The revised foreign list now contains 1,965 securities displayed in country order. □

Legal Developments

FINAL RULE—AMENDMENTS TO REGULATIONS G, T, U, AND X

The Board of Governors is amending 12 C.F.R. Parts 207, 220, 221, and 224, its Regulations G, T, U, and X (Securities Credit Transactions; List of Marginable OTC Stocks; List of Foreign Margin Stocks). The List of Marginable OTC Stocks ("OTC List") is composed of stocks traded over-the-counter ("OTC") in the United States that have been determined by the Board of Governors of the Federal Reserve System to be subject to the margin requirements under certain Federal Reserve regulations. The List of Foreign Margin Stocks ("Foreign List") is composed of foreign equity securities that have met the Board's eligibility criteria under Regulation T. The OTC List and the Foreign List are published four times a year by the Board. This document sets forth additions to and deletions from the previous OTC List and the previous Foreign List.

Effective November 12, 1996, 12 C.F.R. Parts 207, 220, 221, and 224 are amended as follows. Accordingly, pursuant to the authority of sections 7 and 23 of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78g and 78w), and in accordance with 12 C.F.R. 207.2(k) and 207.6 (Regulation G), 12 C.F.R. 220.2 and 220.17 (Regulation T), and 12 C.F.R. 221.2(j) and 221.7 (Regulation U), there is set forth below a listing of deletions from and additions to the OTC List and the Foreign List.

Deletions From The List Of Marginable OTC Stocks

Stocks Removed For Failing Continued Listing Requirements

American White Cross, Inc.: $.01 par common
AW Computer Systems, Inc.: Class A, $.01 par common

Ben Franklin Retail Stores, Inc.: $.01 par common
Biosys, Inc.: No par common
BPI Packaging Technologies, Inc.: Class B, Warrants (expire 10-07-96)

Capstone Pharmacy Services, Inc.: Warrants (expire 08-23-96)
Cel-Sci Corporation: Warrants (expire 02-06-97)
Clothestime, Inc.: $.001 par common

Danskin, Inc.: $.01 par common
David White, Inc.: $3.00 par common
Diacrin Inc.: Units (expire 12-31-2000)

Ernst Home Center, Inc.: $.01 par common
EV Environmental, Inc.: $.01 par common
Exstar Financial Corporation: $.01 par common

First Charter Bank, N.A. (California): $2.56 par common
Forrest Oil Corporation: Warrants (expire 10-01-96)

Gametek, Inc.: $.01 par common
Gander Mountain, Inc.: $.01 par common

Independence Bancorp, Inc. (New Jersey): $1.00 par common
Interscience Computer Corporation: Warrants (expire 11-15-96)

Liposome Company, Inc., The: Depositary Shares

Maxus Energy Corporation: $4.00 par cumulative convertible preferred
Medmarco, Inc.: $.001 par common

New World Power Corporation: $.01 par common

People's Bank (Connecticut): 8.5% Series A, no par noncumulative convertible preferred

Rally's Hamburgers, Inc.: Rights (expire 09-20-96)
Republic Security Financial Corp.: Series A, 7.5% par cumulative convertible preferred

Seven Hills Financial Corporation: No par common
Syquest Technology, Inc.: $.001 par common

Tapistron International, Inc.: $.0004 par common; Warrants (expire 06-23-97)
Tinsley Laboratories, Inc.: No par common

U.S. Diagnostic Labs, Inc.: Class B, Warrants (expire 10-14-99)
U.S. Homecare Corporation: $.01 par common
Ultradata Systems, Inc.: Class A, Warrants (expire 02-01-98)
Urethane Technologies, Inc.: $.01 par common

Veterinary Centers of America, Inc.: Warrants (expire 10-10-96)

Watermarc Food Management Company: $.05 par common
Weitzer Homebuilders, Inc.: Class A, $.01 par common

Stocks Removed For Listing On A National Securities Exchange Or Being Involved In An Acquisition

AES Corporation, The: $.01 par common
Agrium Inc.: No par common
Alexander Energy Corporation: $.03 par common
Allegiance Banc Corporation: $1.00 par common
Ambar, Inc.: $.01 par common
America Online Inc.: $.01 par common
Amserv Healthcare Inc.: $.01 par common
Applied Bioscience International, Inc.: $.01 par common
Atria Software, Inc.: $.01 par common

Bailey Corporation: $.10 par common
BayBanks, Inc. (Massachusetts): $2.00 par common
Bayport Restaurant Group, Inc.: $.001 par common
Brenco, Inc.: $1.00 par common
Brooktree Corporation: No par common
Bugaboo Creek Steak House: $.01 par common
Builders Warehouse Association: $.008 par common
BW/IP, Inc.: Class A, $.01 par common

Canyon Resources Corporation: $.01 par common
CCB Financial Corporation: $5.00 par common
Cellular Communications International, Inc.: $.01 par common
CFB Bancorp (Florida): $2.00 par common
CFI Industries, Inc.: $1.00 par common
Charter Bancshares, Inc.: $1.00 par common
Chartwell RE Corporation: $.01 par common
Chromcraft Revington, Inc.: $.01 par common
Circle Financial Corporation: $1.00 par common
Citicasters Inc.: Class A, No par common
Citizens Security Group, Inc.: $.01 par common
Clinton Gas Systems Inc.: No par common
Commerce Bancorp, Inc. (New Jersey): $1.5625 par common
Computer Identics Corporation: $.10 par common
CTL Credit, Inc.: $.01 par common

Dairy Mart Convenience Stores: Class A, $.01 par common; Class B, $.01 par common
Davidson & Associates, Inc.: $10.00 par common
DNA Plant Technology Corporation: $.01 par common; $.01 par convertible exchangeable
Douglas & Lomason Company: $2.00 par common

Eaton Vance Corporation: Non-voting, $.125 par common
Equity Inns, Inc.: $.01 par common

Fahnestock Viner Holdings: Class A, No par common
Fairfax Bank & Trust Comp: $1.25 par common
Financial Security Corporation: $.01 par common
Financing for Science International Inc.: $.01 par common; Warrants (expire 05-19-99)
Firefox Communications, Inc.: $.001 par common
First Washington Realty Trust, Inc.: $.01 par common; Series A, cumulative convertible preferred

Fluorsocan Imaging System: $.0001 par common; Redeemable Warrants (expire 07-11-99)

Geriatric & Medical Companies, Inc.: $.10 par common
Golf Enterprises, Inc.: $.01 par common
Guest Supply, Inc.: No par common

Hometown Bancorporation Inc.: $1.00 par common
Hometown Buffet, Inc.: $.01 par common

Image Industries, Inc.: $.01 par common
Innkeepers USA Trust: $.01 par common
Interim Services Inc.: $.01 par common
International Jensen Inc.: $.01 par common
Interpoint Corporation: No par common

JLG Industries, Inc.: $.20 par common

Kahler Realty Corporation: $.10 par common
KFX Inc.: $.001 par common

Landmark Graphics Corporation: $.05 par common
Leader Financial Corporation: $1.00 par common
Loewen Group Inc., The: No par common
Lomak Petroleum, Inc.: $.01 par common

Maic Holdings, Inc.: $1.00 par common
Mark Twain Bancshares, Inc.: $1.25 par common
MDT Corporation: $1.25 par common
Mercury General Corporation: No par common
Microtek Medical, Inc.: $.01 par common
Midlantic Corporation: $3.00 par common
Mississippi Chemical Corp.: $.01 par common
Mountasia Entertainment, Inc.: No par common
MSB Bancorp, Inc. (New York): $.01 par common

N.S. Bancorp, Inc. (Illinois): $.01 par common
Netstar, Inc.: $.01 par common
Network Express, Inc.: No par common
NHS Financial, Inc.: No par common
NMR of America, Inc.: $.01 par common
NYCOR, Inc.: $1.00 par common; Class A, $1.00 par common

Orbit Semiconductor, Inc.: $.001 par common

Pacific Basin Bulk Shipping: $.7327 par common; Warrants (expire 09-30-99)
Parkway Properties, Inc.: $1.00 par common
Patlex Corporation: $.10 par common
PCI Services, Inc.: $.001 par common
Pediatrix Medical Group, Inc.: $.01 par common
Perpetual State Bank (North Carolina): $5.00 par common
Pet Practice, Inc., The: $.01 par common
Premier Financial Bancorp, Inc.: No par common
Professional Sports Care Management Inc.: $.01 par common

Quaker Chemical Corporation: $1.00 par common

Regional Acceptance Corp.: No par common
Renaissancere Holdings, Ltd.: $1.00 par common
RFS Hotel Investors, Inc.: $.01 par common
Roto-Rooter, Inc.: $1.00 par common

Scientific Games Holding Corp.: $.001 par common
Security Capital Bancorp (North Carolina): No par common
Shaw Group, Inc., The: $.01 par common
Sierra On-line, Inc.: $.01 par common
Station Casinos, Inc.: $.01 par common; 7% convertible preferred
Sunstone Hotel Investors, Inc.: $.01 par common
Sybron Chemicals Inc.: $.01 par common
Syratech Corporation: $.01 par common
Systemed, Inc.: $.001 par common

Third Financial Corporation: $.01 par common
Tucker Drilling Company, Inc.: $.01 par common

U. S. Healthcare, Inc.: $.005 par common
Uniroyal Chemical Corporation: $.01 par common
United Companies Financial: $2.00 par common; $2.00 par convertible preferred
Uunet Technologies, Inc.: $.001 par common

Varitronic Systems, Inc.: $.01 par common

Westcott Communications, Inc.: $.01 par common
WFS Bancorp, Inc. (Kansas): $.01 par common

Additions To The List Of Marginable OTC Stocks

Abacus Direct Corporation: $.001 par common
ABT Global Pharmaceutical Corporation: No par common
Accumed International, Inc.: No par common; Warrants (expire 10-14-97)
Ace*Comm Corporation: $.01 par common
Acrodyne Communications, Inc.: $.01 par common
Advance Paradigm, Inc.: $.01 par common
Advanced Deposition Technologies, Inc.: $.01 par common
Advanced Digital Information Corporation: No par common
Advanced Fibre Communications: $.01 par common
Advanced Health Corporation: $.01 par common
Afsala Bancorp, Inc. (New York): $.01 par common
Algos Pharmaceutical Corporation: $.01 par common
AMB Financial Corporation: $.01 par common
American Bankers Insurance Group: Series B, $1.00 par preferred
American Disposal Services, Inc.: $.01 par common
American Healthchoice, Inc.: $.001 par preferred
Anacomp, Inc.: $.01 par common; Warrants (expire 06-03-2001)
Anchor Financial Corporation: $6.00 par common
Anika Research, Inc.: $.01 par common
Applied Analytical Industries, Inc.: $.001 par common
Arqule, Inc.: $.01 par common
Asia Pacific Resources, Ltd.: No par common
Atria Communities, Inc.: $.10 par common
Ault Incorporated: No par common
Aware, Inc.: $.01 par common

Bank of Los Angeles: No par common; Warrants (expire 12-01-98)
Bank United Corporation: $.01 par common
Barbers Hairstyling for Men & Women, Inc., The: $.01 par common
Beverly Bancorporation, Inc.: $.01 par common
Big Entertainment, Inc.: $.01 par common
Billing Information Concepts Corporation: $.01 par common
Blyvooruitzicht Gold Mining Company Limited: American Depositary Receipts
Bre-X Minerals, Limited: No par common
Buffelsfontein Gold Mines, Ltd.: American Depositary Receipts
Business & Professional Bank (California): No par common

C. R. Anthony Company: $.01 par common
Cadus Pharmaceutical Corporation: $.01 par common
California Independent Bancorp.: No par common
Cambridge Heart, Inc.: $.001 par common
Carriage Services, Inc.: Class A, $.01 par common
CCC Information Services Group, Inc.: $.10 par common
Cellegy Pharmaceutical, Inc.: No par common
Cellnet Data Systems, Inc.: $.001 par common
Cherokee Inc.: $.02 par common
Chester Bancorp, Inc.: $.01 par common
Chromatics Color Sciences: $.001 par common
Claremont Technology Group, Inc.: No par common
CN Biosciences, Inc.: $.01 par common
Coffee People, Inc.: No par common
Coinmach Laundry Corporation: $.01 par common
Colossal Resources Corporation: No par common
Company Doctor, The: $.01 par common
Connect, Inc.: $.001 par common
Control Devices, Inc.: $.01 par common
Costilla Energy, Inc.: $.01 par common
County Bank of Chesterfield (Virginia): $5.00 par common
CSI Computer Specialists, Inc.: Class A, $.001 par common
Cuno Incorporated: $.001 par common
Cymer, Inc.: $.01 par common

D&E Communications, Inc.: $.16 par common
Dailey Petroleum Services Corporation: Class A, $.01 par common
DBT Online, Inc.: $.10 par common
Diacrin, Inc.: $.01 par common; Warrants (expire 12-31-2000)
Dialysis Corporation of America: $.01 par common
Diedrich Coffee: No par common
Digex, Incorporated: $.01 par common
Digital Solutions, Inc.: $.001 par common
DNAP Holding Corporation: $.01 par common
Document Sciences Corporation: $.001 par common
Dura Automotive Systems, Inc.: Class A, $.01 par common

Durban Roodepoort Deep, Ltd.: American Depositary Receipts
Dynamex, Inc.: $.01 par common
Dynamic Healthcare Technologies, Inc.: $.01 par common
Dynamotive Technologies Corporation: No par common

E*Trade Group, Inc.: $.01 par common
Einstein/Noah Bagel Corporation: $.01 par common
Electrosource, Inc.: $.10 par common

Faxsav Incorporated: $.01 par common
Film Roman, Inc.: $.01 par common
First Alliance Corporation: Class A, no par common
First Enterprise Financial Group, Inc.: $.01 par common
First M & F Corporation: $5.00 par common
Flanders Corporation: $.001 par common
Fotoball USA, Inc.: $.01 par common; Warrants (expire 08–12–99)
Fountain Powerboat Industries, Inc.: $.01 par common
FPIC Insurance Group, Inc.: $.10 par common
FX Energy, Inc.: $.001 par common

Gargoyles, Inc.: No par common
Geron Corporation: $.001 par common
GKN Holding Corporation: $.0001 par common
Golden Bear Golf, Inc.: Class A, $.01 par common
Gradall Industries, Inc.: $.01 par common
Grand Premier Financial, Inc.: $.01 par common
Greenstone Resources, Ltd.: No par common
Grootvlei Propritary Mines: American Depositary Receipts

Harmony Gold Mining Co., Ltd.: American Depositary Receipts
Healthcor Holdings, Inc.: $.01 par common
Hibbett Sporting Goods, Inc: $.01 par common
Home Bancorp of Elgin, Inc.: $.01 par common
Hot Topic, Inc.: No par common
House of Fabrics, Incorporated: $.01 par common
Hvide Marine Incorporated: Class A, $.001 par common

Inamed Corporation: $.01 par common
Industir-Matematik International Corporation: $.01 par common
Integrated Living Communities, Inc.: $.01 par common
Intelligroup, Inc.: $.01 par common
Intensiva Healthcare Corporation: $.001 par common
Interlink Computer Sciences, Inc.: $.001 par common
International Network Services: No par common
Interwest Home Medical, Inc.: No par common
Invision Technologies, Inc.: $.001 par common

J. W. Charles Financial Services, Inc.: $.001 par common
Jacor Communications, Inc.: Warrants (expire 09–18–2001)

Kapson Senior Quarters Corporation: $.01 par common
Karrington Health, Inc.: No par common
Kitty Hawk, Inc.: $.01 par common
Kushner-Locke Company, The: Series C, Warrants (expire 07–25–2001)

Lamar Advertising Company: $.0001 par common
Larson-Davis Incorporated: $.001 par common
Laser Industries Limited: Ordinary shares (par NIS 0.0001)
Lason, Inc.: $.01 par common
LCC International, Inc.: Class A, $.01 par common
Leap Group, Inc., The: $.01 par common
Lightbridge, Inc.: $.01 par common
Lightpath Technologies, Inc.: Class A, $.01 par common
Liquidation World, Inc.: No par common
Luther Medical Products, Inc.: No par common

Markwest Hydrocarbon, Inc.: $.01 par common
Matrix Capital Corporation: $.01 par common
McM Corporation: $1.00 par common
Medi-Ject Corporation: $.01 par common
Medical Alliance, Inc.: $.002 par common
Memberworks, Inc.: $.01 par common
Memco Software Limited: Ordinary shares (NIS .01)
Metro Networks, Inc.: $.001 par common
Metro One Telecommunications, Inc.: No par common
Metzler Group, Inc., The: $.001 par common
Microcap Fund, Inc., The: $.01 par common
Microvision, Inc.: No par common; Warrants (expire 08–27–2001)
Mid-Peninsula Bancorp (California): No par common
Midwest Federal Financial Corporation: $.01 par common
MIM Corporation: $.0001 par common
Modacad, Inc.: No par common
Motrovac Technologies, Inc.: $.01 par common
Mountain Province Mining, Inc.: No par common

Nastech Pharmaceutical Company Inc.: Warrants (expire 12–07–96)
Neotherapeutics, Inc.: No par common; Warrants (expire 09–26–2001)
Netvantage, Inc.: Class A, $.001 par common; Warrants (expire 05–03–2000)
New York Bagel Enterprises, Inc.: $.01 par common
Nitinol Medical Technologies, Inc.: $.001 par common
North County Bancorp (California): No par common
Nu-Tech Bio-Med, Inc.: $.01 par common

Object Design, Inc.: $.001 par common
Ocwen Financial Corporation: $.01 par common
On Command Corporation: $.01 par common
Optika Imaging Systems, Inc.: No par common
Orckit Communications Limited: Ordinary shares (NIS .10)

Pacific Gateway Exchange, Inc.: $.001 par common
Park Bancorp, Inc. (Illinois): $.01 par common
Parts Source, Inc., The: $.001 par common
Peerless Group, Inc.: $.01 par common
Peerless Systems Corporation: $.001 par common
Pegasus Communications Corporation: Class A, $.01 par common

Pegasystems, Inc.: $.01 par common
Petroleum Securities Australia Limited: American Depositary Receipts
Pinnacle Banc Group, Inc.: $4.69 par common
Premis Corporation: $.01 par common
Pro-Dex, Inc.: No par common
Professional Staff, plc: American Depositary Receipts

Q.E.P. Co., Inc.: $.001 par common
Quadramed Corporation: $.01 par common

R & G Financial Corporation: Class B, $.01 par common
R.H. Phillips, Inc.: No par common
Rally's Hamburgers, Inc.: Warrants (expire 09-26-2000)
Raster Graphics, Inc.: $.001 par common
RCM Technologies, Inc.: $.05 par common
Redwood Trust, Inc.: 9.74% Class B, $.01 par cumulative convertible preferred
Reliance Bancshares, Inc.: $1.00 par common
Reliv' International, Inc.: No par common
Rental Service Corporation: $.01 par common
Research Engineers, Inc.: $.01 par common
Resources Mortgage Capital, Inc.: Series C, par cumulative convertible preferred
Response USA, Inc.: $.008 par common
Restrac, Inc.: $.01 par common
RMH Teleservices, Inc.: No par common
Rockshox, Inc.: $.01 par common
Rofin-Sinar Technologies, Inc.: $.01 par common
RT Industries, Inc.: $.001 par common

Schmitt Industries, Inc.: No par common
Security Bank Holding Company: $5.00 par common
Seiler Pollution Control Systems, Inc.: $.0001 par common
Select Software Tools plc: American Depositary Receipts
Service Experts, Inc.: $.01 par common
Shell Seafood Restaurants, Inc.: $.01 par common
Signature Resorts, Inc.: $.01 par common
Silicon Gaming, Inc.: $.001 par common
Skylands Community Bank (New Jersey): $2.50 par common
Smartserv Online, Inc.: $.01 par common
Solar-Mates, Inc.: $.001 par common; Warrants (expire 09-29-2000)
Source Services Corporation: $.02 par common
South Street Financial Corporation: No par common
Specialty Catalog Corporation: $.01 par common
Splash Technology Holdings, Inc.: $.001 par common
SRS Labs, Inc.: $.001 par common
Staffmark, Inc.: $.01 par common
Stat Healthcare, Inc.: $.01 par common; Warrants (expire 04-21-98)
Stericycle, Inc.: $.01 par common
Sterile Recoveries, Inc.: $.001 par common
Storm Technology, Inc.: $.001 par common
Strayer Education, Inc.: $.01 par common
Strongsvile Savings Bank (Ohio): No par common
Suburban Ostomy Supply Co., Inc.: No par common
Summit Bank Corporation: No par common
Summit Design, Inc.: $.01 par common
Superior Consultant Holdings Corporation: $.01 par common
Swissray International, Inc.: $.01 par common
Synthetech, Inc.: $.001 par common

Talx Corporation: $.01 par common
Techniclone International Corporation: No par common
Technology Modeling Associates, Inc.: No par common
Technology Service Group, Inc.: $.01 par common; Warrants (expire 05-09-99)
Telco Communications Group, Inc.: No par common
Telespectrum Worldwide, Inc.: $.01 par common
Teletech Holdings, Inc.: $.01 par common
Teletek, Inc.: $.0001 par common
Thorn plc: American Depositary Receipts
Transact Technologies, Incorporated: $.01 par common
Transkaryotic Therapies, Inc.: $.01 par common
Tri-Point Medical Corporation: $.01 par common
Triteal Corporation: $.001 par common
Trusted Information Systems, Inc.: $.01 par common
TV Filme, Inc.: $.01 par common

U. S. Opportunity Search, Inc.: $.001 par common
Unionbancorp, Inc. (Illinois): $1.00 par common
United Bancorp, Inc. (Ohio): $1.00 par common
Universal Outdoor Holdings, Inc.: $.01 par common
Usana, Inc.: No par common

Ventana Medical Systems, Inc.: $.001 par common
Versant Object Technology: No par common
Viatel Inc.: $.01 par common
Vion Pharmaceuticals, Inc.: $.01 par common
Visigenic Software, Inc.: $.001 par common

Warp 10 Technologies, Inc.: No par common
Westwood Homestead Financial Corporation: $.01 par common
White Pine Software, Inc.: $.01 par common
Willis Lease Finance Corporation: No par common
Winton Financial Corporation: No par common

Xavier Corporation: $.0001 par common
Xionics Document Technologies, Inc.: $.01 par common
XLConnect Solutions, Inc.: $.01 par common
XOMED Surgical Products, Inc.: $.01 par common

Deletions to the Foreign Margin List

Australia

Gold Mines of Kalgoorlie Limited: Ordinary shares, par A$0.05
Posgold Limited: Ordinary shares, par A$0.10

Canada

Diamond Fields Resources Inc.: No par common
Hemlo Gold Mines Inc.: No par common
Scott's Hospitality Inc.: No par common subordinate-voting
Toronto Sun Publishing Corporation: No par common

France
Docks de France SA: Ordinary shares, par 10 French francs
Ecco SA: Ordinary shares, par 25 French francs
Poliet SA: Ordinary shares, par 50 French francs

Germany
Asko Deutsche Kaughaus AG: Bearer shares par DM 50
Kaufhof Holding AG: Bearer shares, par DM 50
Kaufhof Holding AG: Non-Voting Preferred, par DM 50

Italy
SME Societa Meridionale Finanziaria: Ordinary shares, par 1000 lira

Japan
Honshu Paper Co., Ltd.: ¥ 50 par common
Mitsubishi Warehouse & Transportation Co., Ltd.: ¥ 50 par common

Norway
Smedvig ASA: Common Shares, par 3 Norwegian krone

Transocean ASA: Common Shares, par 5 Norwegian krone

Singapore
AMCOL Holdings Ltd.: Ordinary shares, par S$0.25

Switzerland
Winterthur Schweizer. Versicherungs GES.: Bearer shares, par 20 Swiss francs

United Kingdom
APV plc: Ordinary shares, par 10 p

BET plc: Ordinary shares, par value 25 p
Bilton plc: Ordinary shares, par .125 p

Dawson International plc: Ordinary shares, par 25 p

Fisons plc: Ordinary shares, par value 25 p
Forte plc: Ordinary shares, par value 25 p

Laing (John) plc: Ordinary shares, par 25 p
Laing (John) plc: A Ordinary Non-voting 25 p

Merchants Trust plc, The: Ordinary shares, par 25 p

Sun Alliance Group plc: Ordinary shares, par 25 p

TSB Group plc: Ordinary shares, par value 25 p

William Baird plc: Ordinary shares, par 50 p

Additions to the Foreign Margin List

Germany
Metro AG: Bearer shares, par DM 50
Metro AG: Preferred Type 1, par DM 50

Italy
Istituto Bancario San Paolo Ditorino: Ordinary shares, par 10,000 lira

Mediaset SPA: Ordinary shares, par 1000 lira

Mexico
Apasco SA: Ordinary shares, No par common

Carso Global Telecom S.A. de C.V.: No par common
Cemex S.A. de C.V. (CPO): No par common

Empresas La Moderna S.A. de C.V.: Class Series A registered, No par common

Gruma S.A. de C.V.: Series 1-B fixed, No par common
Grupo Financiero Banammex Accival S.A. de C.V.: Series L, No par variable ordinary shares
Grupo Financiero Bancomer S.A. de C.V.: Series L registered, No par common
Grupo Financiero Bancomer S.A. de C.V.: Series B, No par common
Grupo Financiero Inbursa S.A. de C.V.: Series B, No par common
Grupo Mexico S.A. de C.V.: Series B, No par common

Industrias PENOLES S.A. de C.V.: No par common

Norway
Smedvig ASA: A shares, par 3 Norwegian krone
Smedvig ASA: B shares, par 3 Norwegian krone

United Kingdom
Alliance Trust plc: Ordinary shares, par 25 p

British Biotech Group plc: Ordinary shares, par 5 p

Caledonia Investment plc: Ordinary shares, par 5 p
Compass Group plc: Ordinary shares, par 5 p
Cowie Group plc: Ordinary shares, par 5 p

Daily Mail & General Trust plc: A Ordinary Shares, non-voting par 50 p

EMAP plc: Ordinary Shares, par 25 p

Hays plc: Ordinary shares, par 1 p

Laird Group plc: Ordinary shares, par 25 p

Orange plc: Ordinary shares, par 20 p

Perpetual plc: Ordinary shares, par 10 p

Railtrack Group plc: Ordinary shares, par 25 p
Refuge Group plc: Ordinary shares, par 5 p

Scottish Investment Trust plc: Ordinary shares, par 25 p

Scottish Mortgage & Trust plc: Ordinary shares, par 25 p
Securicor plc: Ordinary shares, par 5 p
Stagecoach Holdings plc: Ordinary shares, par 2.5 p

Thorn plc: Ordinary shares, par 25 p

WPP Group plc: Ordinary shares, par 10 p

Final Rule—Amendment to Regulation V

The Board of Governors is repealing 12 C.F.R. Part 245, its Regulation V (Loan Guarantees for Defense Production) as obsolete. This action does not represent any policy change but rather eliminates an outmoded regulation and reduces regulatory burden.

Effective October 9, 1996, 12 C.F.R. Part 245 is amended as follows:

Part 245—[Removed]

1. Part 245 is removed.

Final Rule—Amendment to Rules of Practice for Hearings

The Board of Governors is amending 12 C.F.R. Part 263, its Rules of Practice for Hearings, to include a section listing increases in the maximum amounts of each civil money penalty under its jurisdiction. The Board is required to enact such regulation by the Debt Collection Improvements Act of 1996, which requires agencies to adjust their statutorily based civil money penalties to account for inflation.

Effective October 24, 1996, 12 C.F.R. Part 263 is amended as follows:

Part 263—Rules of Practice for Hearings

1. The authority citation for 12 C.F.R. Part 263 is revised to read as follows:

Authority: 5 U.S.C. 504; 12 U.S.C. 248, 324, 504, 505, 1817(j), 1818, 1828(c), 1831o, 1831p-1, 1847(b), 1847(d), 1884(b), 1972(2)(F), 3105, 3107, 3108, 3907, 3909; 15 U.S.C. 21, 78o-4,78o-5, 78u-2; and 28 U.S.C. 2461 note.

Subpart C—Rules and Procedures for Assessment and Collection of Civil Money Penalties

2. A new section 263.65 is added to subpart C to read as follows:

Section 263.65—Civil penalty inflation adjustments.

(a) *Inflation adjustments.* In accordance with the Federal Civil Penalties Inflation Adjustment Act of 1990 (28 U.S.C. 2461 note), the Board has set forth in paragraph (b) of this section adjusted maximum penalty amounts for each civil money penalty provided by law within its jurisdiction. The adjusted civil penalty amounts provided in paragraph (b) of this section replace only the amounts published in the statutes authorizing the assessment of penalties. The authorizing statutes contain the complete provisions under which the Board may seek a civil money penalty. The increased penalty amounts apply only to violations occurring after October 24, 1996.

(b) *Maximum civil money penalties.* The maximum civil money penalties as set forth in the referenced statutory sections are adjusted as follows:

(1) 12 U.S.C. 324:
  (i) Inadvertently late or misleading reports, *inter alia*—$2,000.
  (ii) Other late or misleading reports, *inter alia*—$22,000.
  (iii) Knowingly or recklessly false or misleading reports, *inter alia*—$1,100,000.
(2) 12 U.S.C. 504, 505, 1817(j)(16), 1818(i)(2) and 1972(F):
  (i) First tier—$5,500.
  (ii) Second tier—$27,500.
  (iii) Third tier—$1,100,000.
(3) 12 U.S.C. 1832(c)—$1,100.
(4) 12 U.S.C. 1847(b)—$27,500.
(5) 12 U.S.C. 1847(d):
  (i) First tier—$2,000.
  (ii) Second tier—$22,000.
  (iii) Third tier—$1,100,000.
(6) 12 U.S.C. 1884—$110.
(7) 12 U.S.C. 3909(d)—$1,100.
(8) 15 U.S.C. 78u-2:
  (i) 15 U.S.C. 78u-2(b)(1)—$5,500 for a natural person and $55,000 for any other person.
  (ii) 15 U.S.C. 78u-2(b)(2)—$55,000 for a natural person and $275,000 for any other person.
  (iii) 15 U.S.C. 78u-2(b)(3)—$110,000 for a natural person and $550,000 for any other person.
(9) 42 U.S.C. 4012a(f)(5):
  (i) For each violation—$350.
  (ii) For the total amount of penalties assessed under 42 U.S.C 4012a(f)(5) against an institution or enterprise during any calendar year—$105,000.

Orders Issued Under Bank Holding Company Act

Orders Issued Under Section 3 of the Bank Holding Company Act

Nacogdoches Commercial Bancshares, Inc.
Nacogdoches, Texas

Order Approving Acquisition of a Bank

Nacogdoches Commercial Bancshares, Inc. ("NCB"), a bank holding company within the meaning of the Bank

Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire 6.3 percent of the voting shares of Security National Bank, both of Nacogdoches, Texas ("Bank").[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 36,728 (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.

NCB is the 140th largest commercial banking organization in Texas, controlling approximately $121 million in deposits, representing less than 1 percent of total deposits in commercial banking organizations in the state.[2] Bank is the 501st largest commercial banking organization in Texas, with approximately $32 million in deposits, representing less than 1 percent of total deposits in commercial banking organizations in the state. On consummation of the proposal, NCB would become the 122d largest commercial banking organization in Texas, controlling approximately $153 million in deposits.

NCB proposes to acquire less than 25 percent of the voting shares of Bank, which is not a normal acquisition for a bank holding company. Nonetheless, the requirement in section 3 of the BHC Act that the Board's approval be obtained before a bank holding company acquires more than 5 percent of the voting shares of a bank suggests that Congress contemplated that a bank holding company may acquire between 5 and 25 percent of the voting shares of a bank or another bank holding company or may acquire control of a bank or another bank holding company by means other than acquiring 25 percent or more of the voting shares. Accordingly, the Board has reviewed the proposal in accordance with the factors set forth in the BHC Act.[3]

Competitive Considerations

NCB and Bank compete directly in the Nacogdoches, Texas, banking market, which consists of Nacogdoches County and the southern one third of Rusk County, both in Texas.[4] NCB is the second largest commercial banking organization in the market, controlling approximately $121 million in deposits, representing 22 percent of total deposits in commercial banks in the market ("market deposits"). Bank is the fifth largest commercial banking organization in the market, with approximately $32 million in deposits, representing 5.9 percent of market deposits. On consummation of the proposal, NCB would remain the second largest commercial banking organization in the Nacogdoches banking market, controlling approximately $153 million in deposits, representing 27.9 percent of market deposits. The Herfindahl–Hirschman Index ("HHI") in the market would increase by 259 points to 2409.[5]

The Board believes that several features of the Nacogdoches banking market mitigate the potential anticompetitive effects of the proposal. Eight commercial bank competitors would remain in the market in addition to NCB, three of which would each control more than 10 percent of market deposits. The Nacogdoches banking market also has several characteristics that make it attractive for entry. Nacogdoches County has the highest level of total deposits and the second highest population among all non-MSA counties in Texas, and the average level of deposits and popula-

1. NCB would acquire the shares from its subsidiary bank, Commercial Bank of Texas, N.A., Nacogdoches, Texas, which acquired the shares in the regular course of securing or collecting a debt previously contracted in good faith. *See* 12 U.S.C. § 1842(a)(A)(ii); 12 C.F.R. 225.12(b).

2. All banking data are as of June 30, 1995.

3. The Board has indicated that acquisitions of less than a 25 percent voting interest may result in a bank holding company's obtaining the ability to exercise a controlling influence over the management and policies of another bank holding company. *See McLeod Bancshares, Inc.*, 73 *Federal Reserve Bulletin* 724 (1987); *Hudson Financial Associates*, 72 *Federal Reserve Bulletin* 150 (1986). NCB has indicated that it may seek to influence the management or policies of Bank, including its dividend policies or practices, if, in the view of NCB, circumstances would warrant such action as a means of receiving fair value for its shares.

4. The Board and the courts 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. 321, 357 (1963); *United States v. Philipsburg National Bank*, 399 U.S. 350, 364–65 (1969). The Board has considered NCB's contention that the relevant banking market consists of Nacogdoches County and Angelina County, also in Texas. The Board believes, however, that the appropriate market for analyzing the competitive effects of the proposal is the Nacogdoches banking market. The Board bases its conclusion on an analysis of employment commuting data, shopping patterns, newspaper circulation, advertising by financial institutions, loan and deposit data, and interviews with local bankers and other officials conducted in 1991, and updated in 1996, by the Federal Reserve Bank of Dallas, and other facts of record that indicate that commuting, travel, and competition between Nacogdoches County and Angelina County are limited.

5. 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 over 1800 is considered to be 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 anti-competitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anti-competitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

tion per banking office in Nacogdoches County substantially exceed the averages for all non-MSA counties in the state.[6] Population growth and deposit growth also have substantially exceeded statewide averages for non-MSA counties during recent years.[7] Texas law, moreover, permits Texas banks to branch statewide, thereby providing easy entry to the market by potential competitors.[8] The Nacogdoches banking market also has recently experienced both *de novo* and entry by acquisition.[9] The Department of Justice has reviewed the proposal and advised the Board that consummation of the proposal is not likely to have any significantly adverse competitive effects in the Nacogdoches banking market and any other relevant banking market.[10]

Based on these and all the facts of record, the Board concludes that consummation of the proposal is not likely to have a significantly adverse effect on competition or on the concentration of banking resources in the Nacogdoches banking market or any other relevant banking market.

In light of all the facts of record, the Board also concludes that the financial and managerial resources and future prospects of the organizations involved in the proposal are consistent with approval, as are considerations relating to the convenience and needs of the community to be served and other supervisory factors the Board must consider under the BHC Act.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the proposal should be, and hereby is, approved. The commitments and conditions 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 proposed acquisition of Bank's voting shares shall not be consummated before the fifteenth calendar day following the effective date of this order, and not 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 Dallas, acting pursuant to delegated authority.

By order of the Board of Governors, effective October 9, 1996.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Phillips, Yellen, and Meyer. Absent and not voting: Governor Lindsey.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

First Union Corporation Charlotte, North Carolina

Order Approving Notice to Acquire a Savings Association

First Union Corporation, Charlotte, North Carolina ("First Union"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested 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 acquire all the voting shares of Home Financial Corporation ("Home Financial") and its wholly owned subsidiary, Home Savings Bank, FSB ("Savings Bank"), both of Hollywood, Florida.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 44,061 (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.

First Union, with total consolidated assets of $139.9 billion, operates 12 subsidiary banks in Connecticut, Delaware, the District of Columbia, Florida, Georgia, Maryland, North Carolina, Pennsylvania, South Carolina, Tennessee, and Virginia.[2] First Union is the second largest depository organization in Florida, controlling $27.8 billion in deposits, representing approximately 15.7 percent

6. All market comparison data are as of December 31, 1994, except banking office deposit data as of June 30, 1995. Nacogdoches County has $59 million per banking office, compared to $32.7 million per banking office for all non-MSA counties in Texas, and 6,326 persons per banking office, compared to 3,656 persons per banking office for all non-MSA counties in the state.

7. The population in Nacogdoches County increased at an average rate of approximately 1 percent per year from 1990 through 1994, compared to an average decline for all non-MSA counties in Texas during this period. Insured deposits in Nacogdoches County increased at more than twice the average rate for insured deposits in all non-MSA counties in Texas during this period.

8. *See* Tex. Rev. Civ. Stat. Ann. art. 342 3.203 (West 1996).

9. In 1994, two commercial banks made a *de novo* entry into the market, and two other commercial banks have entered the market in recent years by acquiring existing banks.

10. In addition, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have not objected to the proposal.

1. After acquiring Home Financial, First Union proposes to merge Savings Bank with and into its subsidiary bank, First Union National Bank of Florida, Jacksonville, Florida ("FUNB-FL"). The Office of the Comptroller of the Currency ("OCC"), the primary federal supervisor of FUNB-FL, has approved the merger under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c), (the "Bank Merger Act")).

2. Consolidated asset data are as of June 30, 1996. Deposit data are as of June 30, 1995.

of total deposits in depository institutions in the state.[3] Home Financial is the 23d largest depository organization in Florida, controlling $853.2 million in deposits, representing less than 1 percent of total deposits in depository institutions in the state. On consummation of the proposal, First Union would remain the second largest depository organization in Florida, controlling deposits of $28.7 billion, representing approximately 16.2 percent of total deposits in depository institutions in the state.

The Board has determined that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act.[4] First Union has committed to conform all activities of Savings Bank to those permissible for bank holding companies under section 4(c)(8) of the BHC Act and Regulation Y.[5]

In order to approve the 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, conflicts of interests, or unsound banking practices." As part of its evaluation of these factors, the Board has carefully reviewed the financial and managerial resources of First Union, Home Financial, and their respective subsidiaries in light of all the facts of record, and the effect the transaction would have on such resources.[6] The facts of record include confidential reports of examination from the primary federal supervisors of the organizations assessing their financial and managerial resources. Based on all the facts of record, the Board concludes that the financial[7] and managerial[8] resources of the organizations involved in this proposal are consistent with approval.[9]

Competitive Considerations

The Board has carefully reviewed the competitive effects of this proposal in light of all the facts of record, including comments from Protestant contending that the proposal would have significant anticompetitive effects in both banking markets. First Union and Home Financial compete directly in the Miami-Fort Lauderdale and Highlands County banking markets, both in Florida.[10]

First Union operates the second largest depository institution in the Miami-Fort Lauderdale banking market, controlling deposits of approximately $8.1 billion, representing 17 percent of total deposits in depository institutions in the market ("market deposits").[11] Home Financial oper-

3. In this context, depository institutions include commercial banks, savings banks, and savings associations.

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

5. First Union has committed that all impermissible real estate activities will be divested or terminated within two years of consummation of the proposal, that no new impermissible projects or investments will be undertaken during this period, and that capital adequacy guidelines will be met excluding impermissible real estate investments. First Union also has committed that any impermissible securities or insurance activities conducted by Savings Bank will cease on or before consummation of the proposal. Savings Bank may continue to service any impermissible insurance policies for two years after consummation of the proposal, but may not renew any policies during this two-year period.

6. *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).

7. In connection with this proposal, the Board received comments from Inner City Press/Community on the Move ("Protestant") maintaining that the recent downgrading by an independent rating agency of its investor outlook for First Union's debt raises adverse financial considerations. The Board has carefully reviewed Protestant's information in light of the overall financial condition of First Union and its subsidiaries, as assessed by their primary federal supervisors.

8. Protestant also contends that two recent settlements by First Union and pending lawsuits related to its sale of mutual funds in Florida raise adverse managerial considerations. The Board has considered these comments in light of the various settlements of these matters and the correction or termination by First Union of the practices that gave rise to these matters and the supervisory assessments of First Union's managerial resources. Protestant also notes that First Union is the subject of an employment discrimination lawsuit filed by former employees that were laid off in connection with First Union's acquisition of First American Metro Corp., McLean, Virginia. Pursuant to Department of Labor regulations, First Union is required to file an annual report with the Equal Employment Opportunity Commission ("EEOC") covering all employees in its corporate structure. *See* 41 C.F.R. 60-1.7(a) and 60-1.40. The EEOC has jurisdiction for determining whether companies are in compliance with the equal employment statutes. To date, there has been no finding or adjudication of illegal employment practices by First Union.

9. Protestant also maintains that Banco Santander, S.A., Madrid, Spain ("Banco Santander"), has violated the terms of certain passivity commitments made in connection with its acquisition of a minority interest in First Union. *See Banco Santander, S.A.*, 81 *Federal Reserve Bulletin* 1139 (1995). The Board previously reviewed and rejected substantially similar comments from Protestant in connection with Banco Santander's acquisition of Banco Central Hispano Puerto Rico, Hato Rey, Puerto Rico. *See Statement by the Board of Governors Regarding the Application by Banco Santander, S.A., to Acquire Banco Central Hispano Puerto Rico*, 82 *Federal Reserve Bulletin* 833 (1996); Letter from Jennifer J. Johnson, Deputy Secretary of the Board, to Matthew Lee, Inner City Press/Community on the Move (September 13, 1996).

10. The Miami-Fort Lauderdale banking market is approximated by Dade and Broward Counties, both in Florida. The Highlands County banking market is approximated by Highlands County, Florida.

11. Market data are as of June 30, 1995, and 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). Because the deposits of Savings Bank would be acquired by a commercial banking organization under the proposal, those deposits are included at 100 percent in the calculation of First Union's *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669, 670 n.9 (1990).

ates the 20th largest depository institution in the market, controlling deposits of approximately $721 million, representing less than 1 percent of market deposits. On consummation of this proposal, First Union would continue to operate the second largest depository institution in the Miami-Fort Lauderdale banking market, controlling deposits of approximately $8.8 billion, representing 18.4 percent of market deposits. On consummation of the proposal, the market would remain moderately concentrated, as measured by the Herfindahl-Hirschman Index ("HHI"),[12] the HHI would increase by 37 points to 1051, and numerous competitors would remain in the Miami-Fort Lauderdale banking market.

First Union operates the third largest depository institution in the Highlands County banking market, controlling deposits of approximately $147.2 million, representing approximately 15.3 percent of total market deposits. Home Financial operates the fifth largest depository institution in the market, controlling deposits of approximately $132.3 million, representing 6.9 percent of market deposits. On consummation of this proposal, First Union would become the second largest depository institution in the Highlands County banking market, controlling deposits of $279.5 million, representing approximately 27.1 percent of market deposits. The HHI for the Highlands County banking market would increase 238 points to 2273.

A number of factors indicate that the market concentration as measured by the HHI tends to overstate the competitive effect of the proposal in the Highlands County banking market. For example, eight depository institution competitors, including the subsidiaries of four large bank holding companies, would remain in the market after consummation of the proposal. Three of these competitors in addition to First Union would each control more than 10 percent of market deposits. The Highlands County banking market also has several characteristics that make it attractive for entry by an out-of-market institution. For example, Highlands County is the third largest of the 33 non-MSA counties in Florida, and its population increased 9.6 percent between 1990 and 1995, compared to 9.3 percent for the 32 other non-MSA counties and 9 percent for the state of Florida. In addition, Florida's interstate and branch banking laws permit both statewide branching and interstate banking, and, therefore, present low legal barriers to entry into the Highlands County banking market for in-state and out-of-state depository organizations.[13] Last year, a bank entered the market by acquiring a thrift branch.

The Board sought comments from the United States Attorney General, and the Attorney General stated that consummation of the proposal would not likely have any significantly adverse competitive effects. Based on these and all the other facts of record, the Board concludes that consummation of this proposal is not likely to have a significantly adverse effect on competition or the concentration of banking resources in the Miami-Fort Lauderdale or Highlands County banking markets, or any other relevant banking market.[14]

A. Record of Performance under the Community Reinvestment Act

In acting on a proposal to acquire a savings association under section 4(c)(8) of the BHC Act, the Board reviews the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA").[15] The Board has evaluated the record of performance of First Union's depository institutions and Savings Bank in light of the CRA performance examinations by their primary federal supervisors.

The Board has carefully considered comments from Protestant maintaining that First Union's record of closing branches, particularly the number of branches closed in Florida,[16] adversely affects its ability to assist in meeting the credit needs of its communities.[17] Protestant also cites data submitted under the Home Mortgage Disclosure Act

12. 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, and a market in which the post-merger HHI is above 1800 is considered highly 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.

13. *See* Fla. Stat. ch. 168 (1996).

14. In analyzing the competitive effects of the proposed transaction, the Board considered Protestant's assertion that First Union's policy of imposing a surcharge on ATM transactions by non customers would have adverse competitive effects by causing customers of small banks to terminate their relationships and become customers of large banks with extensive ATM networks, like First Union, to avoid the surcharge. The Board notes that Home Financial does not own or operate any ATMs. Thus, the proposed transaction would not expand First Union's surcharge policy in markets currently served by Home Financial. In addition, Home Financial's customers would gain access to a large ATM network, and would no longer be subject to First Union's surcharge policy. Moreover, it would be speculative to conclude how customers of small banks generally would change their banking relationships in response to surcharge fees implemented by large banks.

15. *See Norwest Corporation*, 76 *Federal Reserve Bulletin* 873 (1990).

16. Protestant claims that between April 1994 and September 1995, First Union closed 119 branches and opened only eight branches in Florida. Protestant also argues that First Union has closed more than half the branches operated by a Florida thrift it recently acquired, and that First Union is beginning to close branches acquired in connection with its acquisition of First Fidelity Bancorporation, Newark, New Jersey, in October 1995, in areas where First Union had no prior banking operations.

17. Protestant also questions whether First Union has correctly classified certain branch closings as consolidations or relocations that would not require prior notice to the bank's primary federal supervisor under Section 42 of the Federal Deposit Insurance Corporation Act ("FDI Act") as implemented by the Joint Policy Statement Regarding

("HMDA") by a number of First Union's subsidiary banks[18] and First Union's mortgage company to support its contention that First Union has not adequately provided outreach to, or assisted in meeting the credit needs of, Hispanics and African Americans in its delineated communities, and that First Union may have violated fair lending laws.

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.[19] 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.

Performance Examinations. All of First Union's subsidiary banks received a CRA performance rating of "satisfactory" or "outstanding" in their most recent evaluations for CRA performance by their primary federal supervisors. First Union's lead subsidiary bank, First Union National Bank of North Carolina, Charlotte, North Carolina, and FUNB-FL received "outstanding" and "satisfactory" ratings, respectively, from their primary federal supervisor, the OCC, at their most recent examination for CRA performance, as of April 1994.[20] Savings Bank also received a "satisfactory" rating from its primary federal supervisor, the Office of Thrift Supervision, at its most recent examination for CRA performance, as of May 1994.

Examiners noted that FUNB-FL has taken a number of actions to ascertain effectively the credit needs of its delineated communities, and has developed a number of affordable credit products in response to identified needs. In addition, the 1994 CRA performance evaluation for FUNB-FL noted that the bank actively participates in government-sponsored programs such as those of the Small Business Administration, the Federal Housing Administration, the Florida Housing Finance Agency, and the Jacksonville Economic Development Authority. Examiners also noted that FUNB-FL's geographic distribution of credit applications and approvals reflects a reasonable penetration throughout its delineated communities. The 1994 CRA performance evaluation for FUNB-FL also stated that the bank had exhibited a high level of participation in community development programs, and noted that the bank had taken a leadership role in identifying community development opportunities and making investments in worthwhile programs that benefit its local communities, particularly those that benefit low- and moderate-income ("LMI") areas.

Record of Opening and Closing Branches. Home Savings Bank Branches. The Board has considered the effect of the proposal on the branches currently operated by Savings Bank in light of Protestant's comments and the Branch Policy Statement.[21] Savings Bank operates eight branches in three counties in Florida. First Union indicates that two of Savings Bank's branches would cease operations and would be merged with two branches of FUNB-FL. One of the branches is located in a LMI census tract and the other is located in a middle-income census tract. In each case, the First Union branch that would survive is located within one-quarter mile of the Savings Bank branch. Savings Bank's customers would continue to be adequately served because the First Union branches operate in the same neighborhood and census tracts as the branches that would cease operations.[22]

Branch Closings ("Branch Policy Statement"). 12 U.S.C. § 1831r-1; 58 *Federal Register* 49,083 (1993).

18. The banks are located in the District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, and Virginia.

19. 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 and 13,745 (1989).

20. The OCC conducted joint examinations of eight of First Union's subsidiary banks in April 1994. The remaining six subsidiary banks, First Union National Bank of Georgia, Atlanta, Georgia; First Union National Bank of Maryland, Rockville, Maryland; First Union National Bank of South Carolina, Greenville, South Carolina; First Union National Bank of Tennessee, Nashville, Tennessee; First Union National Bank of Virginia, Roanoke, Virginia; and First Union National Bank of Washington D.C. each received "satisfactory" CRA performance ratings from the OCC. First Union North, Avondale, Pennsylvania (formerly known as First Fidelity Bank, N.A.) also received a "satisfactory" rating from the OCC at its most recent examination for CRA performance, as of July 1994. In addition, First Union Bank of Connecticut, Stamford, Connecticut (formerly known as First Fidelity Bank), and First Union Bank of Delaware, Wilmington, Delaware (formerly known as First Fidelity Bank) both received "satisfactory" ratings from their primary federal supervisor, the Federal Deposit Insurance Corporation ("FDIC"), at their most recent examinations for CRA performance, as of March 1995 and April 1995, respectively.

21. 58 *Federal Register* 49,083 (1993). First Union has submitted confidential branch closing information in connection with the proposal. Protestant asserts that this information should be disclosed under the Board's application processing procedures that generally prohibit *ex parte* communications during the processing of an application. The Board notes that its rules regarding access to information under the Freedom of Information Act ("FOIA") provide the appropriate framework for considering a commenter's challenge to confidential treatment accorded an applicant's submissions, and that Protestant's challenge here was reviewed under those rules and denied. The Board's rules do not provide a commenter access to information that is otherwise exempt from disclosure under FOIA. Protestant, moreover, has been provided with all non-confidential submissions by First Union that respond to particular issues raised by Protestant.

22. The Board notes that Section 42 of the FDI Act requires that the bank's primary federal supervisor receive notice at least 90 days before the date of the proposed branch closing, and that the bank provide the reasons and other supporting data for the closure consistent with the institution's written policy for branch closings. For the reasons noted above, the two Home Savings branches that would cease operations appear to meet the criteria for a relocation. The Joint Policy Statement provides that each federal banking agency must examine compliance with Section 42 of the FDI Act as part of an institution's CRA performance evaluation and may make adverse findings in the evaluation or take appropriate enforcement action against an institution that fails to comply. The CRA examination for

Other Branches. Protestant's allegations also relate to the effects of branch closings by First Union banks in Florida from April 1994 to September 1995 and the branch closings in connection with the First Fidelity acquisition. None of these branch closings is related to the transaction under review in this application.

Section 4 of the BHC Act provides that the Board must evaluate whether the proposed transaction would result in public benefits that outweigh potential adverse effects. Because these branch closings are not related to the Home Savings transaction, the effect of these branch closings is not directly relevant to the factors that must be considered in evaluating the Home Savings transaction. The branch closing policies used by First Union would, however, reflect on the managerial resources and would govern future branch closings at Home Savings. Consequently, the branch closing policies of First Union have been reviewed in this case. FUNB-FL has adopted First Union's corporate policy for branch closures that provides for an objective determination of branches to be closed, consideration of alternative solutions, examination of options to minimize potential adverse effects on and inconvenience to the communities, and sufficient notice to the communities. The policy also requires additional analyses, community contacts and/or review of need ascertainment calls when any branch closing affects a LMI community.

In addition, the effect of all branch closings is reviewed in the CRA examination process and the results of these on-site examinations have been carefully considered.[23] In this case, the Florida branch closings identified by Protestant will be reviewed by the OCC in the next CRA performance examination of FUNB-FL, and the branches of the former First Fidelity banks will be reviewed in the next CRA performance examination by the appropriate federal supervisor for the particular bank that closed the branch. The OCC reviewed the general policy employed by FUNB-FL in closing branches, and the branches actually closed by FUNB-FL before April 1994, in connection with the bank's 1994 CRA performance examination. The OCC determined that FUNB-FL has formal procedures for opening and closing offices that are designed to maintain a reasonable level of services in each delineated community and that its branches are readily accessible to all segments within its delineated communities. The OCC concluded that the bank had followed its policies in evaluating the impact of branch closings on its communities, including low- and moderate-income areas. First Union has informed the Board that it followed these policies when it closed the Florida branches. First Union also stated that similar policies have been adopted at the former First Fidelity subsidiaries and have been followed in connection with those institutions' branch consolidations and closings.

HMDA Data and Lending Activities. The Board has carefully reviewed HMDA data submitted by First Union and First Fidelity in light of Protestant's comments.[24] The Board previously has reviewed 1993 and 1994 HMDA data submitted by First Union and First Fidelity in light of similar comments from Protestant.[25] The data indicate that First Union has continued to increase its percentage of home mortgage loans to LMI individuals and African-American borrowers. For example, 1995 HMDA data for First Union show that, although the overall total number of HMDA-related loans reported for First Union's bank and mortgage subsidiaries generally decreased, the percentage of applications from LMI individuals and African American borrowers increased in most of First Union's service areas. In addition, the number of HMDA-related applications received by FUNB-FL from Hispanics has increased steadily from 1993 to 1995 and the disparity between the rates of approval and denial for Hispanic applicants at FUNB-FL continues to decrease. In 1995, in the Miami MSA, where approximately 49 percent of the population is Hispanic, approximately 52 percent of all HMDA-related applications were from Hispanics.

The data for First Union and First Fidelity also reflect some disparities in the rate of loan orginations, denials, and applications by racial group or income level. 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.[26] HMDA data, therefore, have limitations that make the data

FUNB-FL noted compliance by the bank with Section 42 of the FDI Act. The Board has given the OCC and the FDIC copies of Protestant's comments regarding First Union's designation of recent branch closings as consolidations or relocations for evaluation in the next CRA performance examinations.

23. The on-site CRA examination includes a review of the types of lending and banking services provided by the closed branch, the types of lending and banking services available from the institution's remaining branches and alternative systems for delivering banking services, the proximity of the closed branch to the other branches of the institution, and the needs for lending and banking services of the particular area. An on-site examination also provides examiners with the opportunity to consider the institution's overall business strategy for closing branches such as cost, profitability and effective service delivery.

24. HMDA data filed by the mortgage subsidiary of First Union and First Fidelity have been combined with data for the banking subsidiary operating in each state, as appropriate. First Fidelity's data also include the data for the First Fidelity Urban Investment Corporation. First Union's data do not include the HMDA data reported by First Union Home Equity Bank because the subsidiary takes the majority of its applications by telephone and is therefore not required to record the race of the borrower under applicable law. Data for First Union and First Fidelity have been considered separately because First Union did not consummate its acquisition of First Fidelity until year-end 1995.

25. *See First Union/First Fidelity*, 81 *Federal Reserve Bulletin* at 1147–48.

26. These data, for example, do not provide a basis for an independent assessment of whether an applicant who was denied credit was, in fact, creditworthy. Credit history problems and excessive debt

an inadequate basis, absent other information, for concluding that an institution has engaged in illegal discrimination in lending.

Because of the limitations of HMDA data, the Board has carefully reviewed other information, particularly examination reports that provide an on-site evaluation of compliance by First Union and Savings Bank with the fair lending laws.[27] The examinations of First Union's subsidiary bank, the examinations of First Fidelity's subsidiary banks, and Savings Bank found no evidence of prohibited discrimination or other illegal credit practices at the institutions. Examiners also found no evidence at any of the institutions of any practices intended to discourage applications for the types of credit listed in the banks' CRA statement.

As discussed in more detail in the First Union/First Fidelity Order, the 1994 examinations of First Union's subsidiary banks considered that the geographic distribution of credit showed reasonable penetration of all segments of each bank's communities, including LMI neighborhoods. The 1994 examinations also found that the delineations by all of First Union's subsidiary banks of their local communities were reasonable and did not arbitrarily exclude LMI areas. Finally, the 1994 First Union examinations indicated that all of the subsidiary banks solicited and accepted credit applications from all segments of their delineated communities, including individuals in LMI areas.

First Union also has taken a number of steps to increase lending by its subsidiary banks to LMI and minority borrowers. For example, First Union has implemented a second review of denied loan applications for mortgages and consumer loans to ensure that consistent loan decisions are made. The second review is conducted before a final decision is made for all these types of loans for which denial is recommended. Other corporate fair lending programs include semi-annual reviews of files to assess the level of assistance to applicants and the basis for lending decisions, regression modeling to test for variances in rates charged to borrowers, matched-pair shopping to gauge the quality and level of assistance provided to loan applicants, and annual policy reviews to ensure that policies are nondiscriminatory. Examiners noted in First Union's 1994 examinations that management of all the subsidiary banks had implemented comprehensive training and compliance programs to support equal treatment in lending and to ensure that all applicants were treated fairly.

First Union has implemented a number of outreach and lending activities to assist in meeting the credit needs of areas with predominately LMI and minority residents. Outreach efforts noted by examiners included ongoing communications with community, civic, and neighborhood groups that represent a broad range of communities, including LMI areas. First Union's subsidiary banks also used newspaper and radio to advertise their products and services to LMI residents, including a series featuring CRA-related products that is used in local publications that focus on LMI individuals and minority small business owners. First Union also has implemented a number of specialized lending programs such as the Affordable Home Mortgage Loan, which is a specialized product offering flexible terms such as flexible debt-to-income requirements and lower down payments. Other programs designed for LMI individuals included the Special Home Improvement Loan, which offers rebates for timely payments, flexible debt-to-income ratios, and no origination fee; Special Instant Cash Reserve, a revolving line of credit that acts as an instant loan and overdraft protection; and Special FirstAdvance, an unsecured line of credit with flexible debt-to-income ratios. First Union banks also offered loans under government-insured loan programs, such as the Small Business Administration, the Federal Housing Authority, and the Veterans Administration, and made a number of small business loans to borrowers in LMI census tracts.[28]

B. Conclusion Regarding CRA Considerations

The Board has carefully reviewed all the facts of record in considering the CRA performance record of Bank, including information provided by commenters to the proposal, First Union's responses, and results of the performance examinations of First Union's subsidiary banks and Savings Bank. Based on this review, and for the reasons discussed above and in the First Union/First Fidelity Order, which are incorporated herein by reference, the Board concludes that considerations relating to the CRA are consistent with approval.[29]

levels relative to income—reasons most frequently cited for a credit denial—are not available from the HMDA data.

27. As noted in the First Union/First Fidelity Order, the OCC, contrary to Protestant's assertion, reviewed a sample of loans made by First Union's mortgage company in reviewing compliance with applicable fair lending laws by First Union's subsidiary banks in the 1994 CRA performance evaluations.

28. The Board has carefully reviewed Protestant's assertion that First Union's account requirements to qualify for lower fees adversely affect the ability of LMI individuals to obtain banking services. The Board previously has noted that First Union provides a full range of credit products and banking services that assist in meeting the credit and banking needs of LMI individuals, including products to provide loans in small amounts to LMI individuals, no-minimum-balance checking accounts for LMI customers that allow a certain number of free posted checks per statement period, and overdraft protection for small business owners. There is no evidence in the record that the fees charged by First Union are based on any factor that would be prohibited under law. While the Board has recognized that banks help serve the banking needs of their communities by making basic banking services available at nominal or no charge, the CRA does not impose any limitation on the fees or surcharges for services.

29. Another protestant ("Florida Protestant") has reiterated his contention that First Union practices "price discrimination" by charging customers outside First Union's home state of North Carolina, particularly in Florida, higher fees for certain services. The Board previously has reviewed Florida Protestant's comments in light of the factors required to be considered under sections 3 and 4 of the BHC Act. *See* First Union/First Fidelity Order, 81 *Federal Reserve Bulletin* at 1151; First Union/Society First Order. The Board has also reviewed these comments again in this case and concludes that this proposal and prior acquisitions by First Union in Florida would not sufficiently lessen, and have not sufficiently lessened, competition in the relevant

Conclusion

For the reasons discussed above, and in reliance on all the commitments made in connection with this proposal, and the conditions discussed in this order, the Board concludes that the proposal is not likely to result in decreased or unfair competition, conflicts of interests, unsound banking practices, undue concentration of resources, or other adverse effects. The Board expects, moreover, that the acquisition of Home Financial by First Union would provide added convenience to Home Financial's customers. In particular, Home Financial would be able to offer its customers additional products and services that are currently offered by First Union and its subsidiaries, including discount brokerage services, investment products, credit card services, trust services, management advice, and access to an extensive ATM network. Accordingly, the Board has determined that this proposal can reasonably be expected to produce public benefits that outweigh any adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the foregoing and all other facts of record, including all the commitments made by First Union in connection with this proposal, the Board has determined that the application should be, and hereby is, approved. The Board's approval is expressly conditioned on compliance by First Union 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 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 Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective October 15, 1996.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Lindsey, Phillips, Yellen, and Meyer. Absent and not voting: Governor Kelley.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

banking markets to permit First Union unilaterally to determine pricing policy for the banking industry in Florida or act as a price leader in the markets. The Board has concluded that First Union's prior acquisitions have not given it a dominant market position, and that other firms are likely to have sufficient capacity to prevent First Union from achieving a dominant market position. In addition, there is no evidence that First Union sets its fees on a basis prohibited under applicable fair lending or banking laws, and, in general, fair lending laws do not prohibit a depository institution from charging different fees in different parts of the country. The Board previously has provided Florida Protestant's comments to the OCC, the primary federal regulator of FUNB-FL, and the appropriate agency to determine whether the bank has violated the Equal Credit Opportunity Act (15 U.S.C. §§ 1691 *et seq.*).

The Governor and Company of the Bank of Ireland Dublin, Ireland

Order Approving Notice to Engage in Nonbanking Activities

The Governor and Company of the Bank of Ireland, Dublin, Ireland ("BOI"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested 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 acquire a 50-percent equity interest in BBOI Worldwide LLC, Denver, Colorado ("Company"), a *de novo* joint venture company, and thereby engage in providing investment and financial advisory services under section 225.25(b)(4)(ii), (iii) and (iv) of Regulation Y (12 C.F.R. 225.25(b)(4)(ii), (iii) and (iv)) and administrative services to open-end investment companies ("mutual funds" or "funds").[1] BOI would hold its equity interest in Company through its subsidiary, Bank of Ireland Asset Management (U.S.) Limited, Dublin, Ireland ("BIAM"). The remaining 50 percent interest in Company would be held by Berger Associates, Inc., Denver, Colorado ("Berger").

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 49,462 (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.

BOI, with total consolidated assets of approximately $32.9 billion, is the 186th largest bank in the world, and the second largest banking organization in Ireland.[2] In the United States, BOI operates a branch in New York, New York, and owns 23.5 percent of the voting shares of Citizens Financial Group, Inc., Providence, Rhode Island.[3]

Both BIAM and Company are investment advisors registered with the SEC under the Investment Advisers Act of 1940 (15 U.S.C. § 80b-1 *et seq.*) ("Advisers Act") and are subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Advisers Act and the SEC. Initially, Company would provide advisory and administrative services to funds organized by Berger that would bear the name "Berger/BIAM" ("the Funds").[4]

1. Company would provide advisory services only to institutional customers as defined in Regulation Y. 12 C.F.R. 225.2(g).

2. Asset data are as of March 31, 1996. Foreign ranking data are as of December 31, 1995.

3. The subsidiary banks of Citizens Financial Group are Citizens Savings Bank and Citizens Trust Company, both of Providence, Rhode Island; Citizens Bank of Massachusetts, Boston, Massachusetts; and Citizens NH Bank, Manchester, New Hampshire.

4. The initial group of the Funds has been organized in a master-feeder structure in which several feeder funds may invest in a master portfolio ("Portfolio"). In providing services to the Funds, Company would enter into an investment advisory agreement and an administrative services agreement with each Portfolio. Company then would enter into a sub-advisory agreement with BIAM and a sub-

Berger also is an investment advisor registered with the SEC under the Advisers Act, and it provides discretionary investment management services to institutional clients, including mutual funds, pension and profit-sharing plans. Berger provides certain administrative, recordkeeping, and marketing services with respect to mutual funds for which Berger serves as investment advisor ("Berger Funds"). Berger is currently engaged in organizing and sponsoring mutual funds and plans to distribute funds through Berger Distributors, Inc. Berger has organized seven registered, open-end investment companies, with assets of $3.4 billion, as of October 7, 1996.

The Board previously has determined by regulation that the investment advisory services that BOI proposes to conduct through Company are closely related to banking and permissible for bank holding companies under section 4(c)(8) of the BHC Act.[5] The Board also previously has determined that the administrative services BOI proposes to provide through Company are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[6] BOI has committed to conduct the proposed activities subject to the prudential and other limitations established by the Board in *Mellon*, except as discussed below.[7]

administration agreement with Berger. The Funds would be distributed through Berger's newly formed broker-dealer subsidiary, Berger Distributors, Inc., or through an independent distributor, and would not be "proprietary mutual funds" (funds sold primarily to customers of BOI). *See Barclays PLC*, 82 *Federal Reserve Bulletin* 158 at n. 7 (1996) ("*Barclays*").

5. 12 C.F.R. 225.25(b)(4). BOI also proposes to advise customers on the purchase of contracts for the forward delivery of foreign currency to hedge foreign exchange exposure. BOI would provide this advice only in connection with advising a customer to purchase foreign denominated securities. As proposed, this advice with respect to forward contracts is incidental to the provision of investment advice.

6. *See Mellon Bank Corporation*, 79 *Federal Reserve Bulletin* 626 (1993) ("*Mellon*"). The administrative services that Company would provide to mutual funds include computing the fund's financial data, maintaining and preserving the records of the fund, accounting and recordkeeping, providing office facilities and clerical support for the fund, and preparing and filing tax returns and regulatory reports for the fund. A complete list of the proposed administrative services is included in Appendix A to this order.

7. Company also would provide telephone shareholder services through a toll free number. BOI has committed that telephone service operators would not solicit callers to purchase shares in particular mutual funds and that substantive questions about mutual fund performance or strategies would be referred to specific mutual fund distributors or investment advisors. *See The Chase Manhattan Corporation*, 81 *Federal Reserve Bulletin* 883 at n. 52 (1995). BOI proposes that Company be permitted to prepare sales literature for mutual funds it administers. BOI has committed that Company would prepare such literature only at the direction and under the supervision of the distributor for the fund. Responsibility for use of the fund's sales literature would remain with the distributor, which would be responsible for filing advertisements and sales literature with the National Association of Securities Dealers and for all decisions relating to marketing the fund and arranging for brokers to distribute shares of the fund. *See Barclays* at n. 8.

Glass-Steagall Act

Under the Glass-Steagall Act, a company that owns a member bank may not control "through stock ownership or in any other manner" a company that engages principally in distributing, underwriting or issuing securities.[8] The Board previously has determined that the Glass-Steagall Act does not prohibit a bank holding company from serving as investment advisor to a mutual fund.[9]

In *Mellon*, the Board determined that the bank holding company would not control a mutual fund by virtue of serving as investment advisor to the fund, providing administrative services to the fund and having limited employee interlocks with the fund. The Board reasoned that control of the fund would rest with the board of directors of the fund, which would be wholly independent of Mellon. The Board noted that the policy-making authority for a fund rests with that fund's board of directors, which, under the federal securities laws, must have a number of independent directors and is responsible for the selection and review of the investment advisor, underwriter and other major contractors with the fund. Mellon also committed that it would not have any director or officer interlocks with funds to which it provided both advisory and administrative services. The Board permitted Mellon to have one director interlock with a fund to which Mellon provided only administrative services (but not investment advisory services) on the rationale that the countervailing influence of an independent advisor, in addition to the presence of the independent directors on the fund's board of directors, would not permit Mellon to control the fund.

This proposal differs from *Mellon* in the following ways. First, BOI proposes that two officers of Company serve on the 11-member board of trustees of funds for which Company will serve as both investment advisor and administrator. Second, BOI proposes that one of these officers also serve as president of the Funds. These officer and trustee interlocks are in addition to several employee interlocks that are consistent with the Board's decision in *Mellon*.[10] In this case, despite the absence of an independent investment advisor, the Board does not believe that the proposed interlocks between Company and the Funds would compro-

8. 12 U.S.C. §§ 221a and 377.

9. 12 C.F.R. 225.25(b)(4); 12 C.F.R. 225.125.

10. BOI proposes that up to three employees of Company assist in the administration of the Funds by serving as assistant secretary, assistant treasurer or assistant vice president of the Funds or Portfolio. Those employees would be supervised by the board of trustees and senior-level officers who, except for the proposed president discussed above, would not work for Company. Those employees would have no policy-making authority at the Funds or Portfolios, and would not be responsible for, or involved in, making recommendations regarding policy decisions. The Board believes that these interlocks, under the conditions described in this order, would not permit BOI to control the Funds.

BOI also proposes to acquire up to 5 percent of the shares of mutual funds for which it provides administrative, but not advisory, services. BOI has committed that such ownership would not be used in any way in marketing or selling the shares of the investment company. *See Mellon* at n. 21.

mise the independence of the boards of trustees of the Funds, or the independent distribution of the Funds, or result in control of the Funds by BOI.

As the Board noted in *Mellon*, under the Investment Company Act of 1940 ("1940 Act"), at least 40 percent of the board of directors of a mutual fund must be individuals who are not affiliated with the mutual fund, investment adviser or any other major contractor to the mutual fund.[11] The 1940 Act and related regulatory provisions require that independent directors annually review and approve the mutual fund's investment advisory contract and any plan of distribution or related agreement.[12]

Under this proposal, a majority of the trustees of the Funds would be independent of BOI, Berger and Company. Any trustee of the Funds who also serves as an officer or employee of Company would be an "interested person" under the 1940 Act and, therefore, would be required to abstain from voting on the Funds' investment advisory and other major contracts. In addition, BOI and Berger have committed that only disinterested persons would vote on the contract for administrative services provided to the Funds under the same requirements established for advisory contracts in the 1940 Act. Under these circumstances, the Board believes that the proposed director interlocks would not allow BOI to control the Funds.

The Board also does not believe that the proposed officer interlock between Company and the Funds would increase the ability of BOI to control the Funds in this case. The interlock involves the president of Berger, who, except for his position at Company would not otherwise be an officer, director, or employee of BOI or any of its subsidiaries. As the president of Berger, the officer could be expected to represent the interests of Berger in his positions with Company and the Funds. In this regard, Berger (which is not subject to the BHC Act or the Glass-Steagall Act) is not prohibited from controlling the mutual funds. With the exception of this interlock, there would be no senior officer interlocks between the Funds and BOI or any of its subsidiaries. Moreover, BOI has committed that there would be no other interlock between Berger and Company. The Board believes that, together with the countervailing influence of the independent trustees of the Funds, these facts mitigate the controlling influence that BOI could have on the Funds as a result of this interlock.

Based on the foregoing, the Board concludes that control of the Funds would rest with the independent members of the boards of trustees of the Funds or potentially with Berger, and that the proposed interlocks between Company and the Funds would not compromise the independence of the boards of the Funds or permit BOI to control the Funds. Thus, the Board concludes that this proposal is consistent with the Glass-Steagall Act.

Proper Incident to Banking Test

In order to approve this proposal, the Board also must find that the performance of the proposed activities by BOI "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." 12 U.S.C. § 1843(c)(8).

In prior cases, the Board has expressed concern that joint ventures might lead to a matrix of relationships between co-venturers that could break down the legally mandated separation of banking and commerce.[13] The Board has found this concern to be particularly acute where, as here, the joint venture involves a relationship between a bank holding company and a securities firm, and the potential exists for the mingling of permissible and impermissible securities activities.[14]

As noted above, the Board has been concerned that interlocks and other relationships between a securities firm co-venturer and a joint venture company might cause the joint venture company to become engaged in impermissible securities activities. The Board, previously has permitted interlocks between a securities co-venturer and a joint venture company if the interlocks did not involve an officer or employee of the securities co-venturer whose responsibilities consist of selling, marketing, distributing, underwriting or dealing in any bank-ineligible securities, or overseeing the corporate affairs of any of the securities firm co-venturer's mutual funds. The Board, however, has permitted a bank holding company directly to advise, administer and recommend to customers mutual funds that were sold primarily to customers of the bank holding company. The Board relied on the independence of the board of directors of the funds as well as the independence of the distributors of the funds to determine that the bank holding company was not engaged in impermissible securities activities.[15]

In this case, BOI proposes one officer interlock between Company and Berger in which the Berger officer also would provide investment advice to customers of Company and, unlike prior cases, would recommend to such customers shares of the Funds that are both sponsored and distributed by Berger. This officer is the president of Berger, a senior officer of Company, and trustee and president of the Funds. His responsibilities at Company would include the management of Company's business and administrative issues, the implementation of new products and coordination of matters relating to the Funds and Company. BOI has committed that there would be no other dual officer or employees of Company and Berger.

11. 15 U.S.C. §§ 80a-2(a)(19) and 80a-10(a).

12. 15 U.S.C. § 15(c); Rule 12b-1(b).

13. *See, e.g., The Maybaco Company and Equitable Bancorporation*, 69 *Federal Reserve Bulletin* 375 (1983).

14. *See The Chuo Trust and Banking Company, Limited*, 78 *Federal Reserve Bulletin* 446 (1992); *Amsterdam-Rotterdam Bank, N.V.*, 70 *Federal Reserve Bulletin* 835 (1984).

15. *See Barclays.*

Notwithstanding these proposed relationships, the Board believes that this joint venture arrangement is not a means to permit BOI to control Berger or to avoid the BHC Act restrictions on the activities of bank holding companies, or result in adverse effects such as misleading customers of the joint venture. Berger is owned and controlled by Kansas City Southern Industries, Inc., and has operated as an investment advisor registered with the SEC for 23 years.[16] Neither BOI nor Company is obligated by any agreement to engage in any sales activities for any mutual fund shares or to enter into any distribution agreement with any mutual fund. Furthermore, BOI will not participate in any of the securities distribution activities prohibited for bank holding companies.[17] Berger Distributors, which would distribute the Funds, is controlled by Berger, and BOI has committed that there would be no interlocks between Berger Distributors and Company.

Moreover, BOI has made a number of commitments similar to those the Board has relied on in other joint venture cases intended to separate the activities of a bank holding company and a joint venture company from the impermissible activities of a securities co-venturer. The commitments include restrictions on BOI extending credit to or investing in Berger without first obtaining the Board's approval, having interlocks with Berger, and engaging in non-arm's length business transactions with Berger. BOI has committed that it will not nominate any director of Berger, and has indicated that, aside from Company, there will be no other significant business relationship between Berger and BOI. BOI also has committed that it will seek the Board's approval to retain its interest in Company in the event that Berger expands its activities beyond its current line of business. The Board believes that these commitments, coupled with the commitments BIAM has made regarding its relationship with Berger, lessen the likelihood that BOI could control Berger in order to engage in impermissible securities activities.

The Board notes that BOI also would take steps to mitigate concerns about the potential for customer confusion over the relationship between Berger and BOI that could result from the proposed interlocks. Company proposes to provide investment advice only to institutional investors. Company would provide to customers a number of disclosures designed to alert its customers to the relationships among Company, Berger and the Funds. The disclosures include those required by the Board's interpretive rule on investment advisory activities to address conflicts of interest that may be raised by these relationships.[18] Neither BOI nor Company, moreover, would broker shares of any funds for which BOI, Company or Berger acts as an investment advisor. On this basis, the Board believes that this proposal would not likely result in misleading customers of the joint venture.

Based on the foregoing, the Board finds that the proposed joint venture between Berger and BOI to provide advisory and administrative services would not result in Company engaging in any impermissible securities activity, and that the joint venture does not appear to present a framework in which BOI may exercise a controlling influence over the management, policies or affairs of Berger.

In every case involving the proposal of nonbanking activities by a bank holding company under section 4 of the BHC Act, the Board also must consider the financial and managerial resources of the applicant and its subsidiaries and the effect of the transaction on those resources.[19] In this case, the Board notes that BOI meets the relevant risk-based capital standards established under the Basle Accord and has capital equivalent to that which would be required of a U.S. banking organization. Based on these and other facts of record, the Board has determined that financial and managerial considerations are consistent with approval of this proposal.

The Board expects that *de novo* entry of Company into the market for the proposed services would provide added convenience to BOI's customers by offering an expanded range of products and investment management expertise and would increase the level of competition among existing providers of these services by offering an alternative to existing investment advisory firms. In addition, the Board previously has determined that the provision of administrative services to mutual funds within certain parameters is not likely to result in the types of subtle hazards at which the Glass-Steagall Act is aimed or any other adverse effects. There is no evidence in the record, moreover, that consummation of this proposal, subject to the commitments noted above, would result in any significantly ad-

16. Berger provides discretionary investment management services to institutional clients. As of October 7, 1996, Berger had over $3.8 billion in assets under management. In contrast to the international investment management services provided by BIAM, Berger's services are focused on U.S. investments. Berger also provides certain marketing, administrative and recordkeeping services to existing Berger funds. It does not underwrite, deal or make a market in bank-ineligible securities.

17. As noted above, BOI proposes that these funds bear the name "Berger/BIAM", reflecting the fact that Berger and BIAM would be providing services to the Funds. The Board's interpretive rule on investment advisory activities (12 C.F.R. 225.125) states that a bank holding company should not act as an investment advisor to an investment company that has a name that is similar to, or a variation of, the name of the holding company or any of its subsidiary banks. In this case, the name proposed is not identical to the name of the bank holding company or any of its subsidiary banks. "BIAM" is sufficiently distinct from "Bank of Ireland" and its use would not likely lead to customer confusion regarding the relationship between BOI and the Funds. The Board's interpretive rule on investment advisory activities requires that if a bank holding company recommends to customers shares of a mutual fund that the bank holding company advises it must caution customers to read the fund prospectus before investing and advise customers in writing that the fund's shares are not insured by the FDIC, and are not deposits, obligations of, or endorsed or guaranteed in any way, by any bank, unless that happens to be the case. The holding company must also disclose in writing to the customer the role of the company or its affiliate as investment advisor to the fund.

18. *See* 12 C.F.R. 225.125.

19. 12 C.F.R. 225.24; *Barclays*; *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerishe Vereinbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

verse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that are not outweighed by the benefits of this proposal.

On the basis of the foregoing and all the other facts of record, including the commitments made by BOI, the Board has determined that the performance of the proposed activities by Company reasonably can be expected to produce benefits to the public that would outweigh any possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on all the facts of record, including all the commitments and representations made by BOI, and subject to all of 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 the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), 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, 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 decision is specifically conditioned on compliance with all the commitments and representations made in the 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, as such, may be enforced in proceedings under applicable law.

This proposal 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 Reserve Bank of Boston, acting pursuant to delegated authority.

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

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Phillips, Yellen, and Meyer. Absent and not voting: Governor Lindsey.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix A

(1) Maintaining and preserving the records of the Portfolios and the Funds, including financial and corporate records.
(2) Computing net asset value, 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 materials required to be filed under applicable laws.
(5) Preparing reports and other informational materials regarding the Portfolios and the Funds, including proxies and other shareholder communications, and reviewing prospectuses.
(6) Providing legal and other regulatory advice to the Portfolios and the Funds in connection with their other administrative functions.
(7) Providing office facilities and clerical support for the Portfolios and the Funds.
(8) Developing and implementing procedures for monitoring compliance with regulatory requirements and compliance with the Portfolios' and the Funds' investment objectives, policies and restrictions as established by the trustees of the Portfolios and the Funds.
(9) Providing routine fund accounting services and liaison with outside auditors.
(10) Preparing and filing tax returns.
(11) Reviewing and arranging for payment of expenses of the Funds.
(12) Providing communication and coordination services with regard to the Portfolios' and the Funds' 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 performance and administration of the Funds.
(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 Company to the Funds.
(16) Assisting in the development of additional Portfolios and Funds.
(17) Providing reports to the trustees of the Portfolios and the Funds with regard to the activities of the Portfolios and the Funds.
(18) Providing telephone shareholder services through a toll-free 800 number.

Appendix B

Investment Advisory Commitments

(1) Except as authorized by a client of Company, no confidential information supplied by the client to Company will be made available to BOI or any of its subsidiaries or Berger.
(2) Company will disclose to each client of Company that Company is an affiliate of BOI and Berger.
(3) Advice by Company to any client on an explicit fee basis will be rendered without regard to correspondent balances maintained by that client at BOI or any depository institution subsidiary of BOI.

(4) Company's financial advisory activities will not encompass the performance of routine tasks or operations for a client on a daily or continuous basis, other than investment company administrative services.
(5) Company will not act as broker in connection with the purchase or sale of, and will not purchase in its sole discretion in a fiduciary capacity, any securities of any Fund or any Berger Fund which invests in variable or fixed rate annuities.

Administrative Services Commitments

(6) BOI and its subsidiaries, including Company, will not provide administrative services to any U.S. registered open-end investment company[1] that is marketed or sold primarily to customers of BOI or any of its subsidiary banks.
(7) Neither BOI nor any of its affiliates, including Company, will be obligated by any agreement to engage in any sales activities with regard to shares of any U.S. registered open-end investment company and will not enter into any distribution agreement with any such investment company without the prior approval of the Board.
(7A) Company will not engage in the development of marketing plans for any U.S. registered open-end investment company except to give advice to the distributor of such investment company regarding regulatory compliance. Company will not engage in advertising activities with respect to such investment companies. Company personnel may present information about the operations of such an investment company at meetings or seminars for brokers of such an investment company, but sales activities, if any, at such events will be conducted solely by the distributor or another broker-dealer (which will not be an affiliate of BOI) of the investment company.
(7B) Company may prepare sales literature for a U.S. registered open-end investment company only at the direction and under the supervision of its distributor. Responsibility for use of such investment company's sales literature will remain with its distributor, which will be responsible for filing advertisements and sales literature with the National Association of Securities Dealers and for all decisions relating to marketing such investment company and arranging for brokers to distribute shares of such investment company.
(7C) In providing telephone shareholder services through a toll-free 800 number in respect of any U.S. registered open-end investment company, Company will not solicit callers to purchase shares in any such investment company and will refer to the distributor of such investment company any substantive questions regarding the performance of such investment company. Company may refer to BIAM questions regarding the composition of the portfolio of the investment company, BIAM's investment approach and outlook, and the role of BIAM in relation to the investment company, *provided* that BIAM personnel will not solicit callers to invest in the investment company, respond to requests for investment advice by callers, or answer substantive questions about the performance of the investment company.
(8) Company will provide administrative services only to U.S. registered open-end investment companies whose boards of directors consist of a majority of disinterested persons.
(9) Except to the extent permitted under Regulation Y as such regulation may be amended from time to time:

(i) BOI and its subsidiaries (including Company) will not purchase for their own account shares of any U.S. registered open-end investment company to which BOI or any of its subsidiaries, including Company, provide advisory services, and

(ii) In the event that BOI or any of its subsidiaries provide administrative services, but not advisory services, to a U.S. registered open-end investment company, BOI or its subsidiaries may purchase up to 5 percent of such an investment company's shares, *provided* that such ownership of the investment company not be used in any way in marketing or selling the shares of the investment company.

(9A) Any Administrative Services Agreement or Subadministration Agreement, and any amendment thereto, will be approved by vote of a majority of the Independent Trustees (*i.e.*, the same vote required for approval of Investment Advisory Agreements). Any agreement between Company and any other U.S. registered open-end investment company, pursuant to which Company provides administrative services, will be approved by a vote of a majority of the trustees or directors of such investment company who are not "interested persons," as such term is defined in the Investment Company Act, if any members of the Board of Managers, officers or employees of Company serve as trustees or directors of such investment company.

Joint Venture Commitments

(10) The name of Company will not include the words "Berger Associates, Inc." or "Berger."
(11) Neither Berger nor any director, officer, or employee of Berger will:

(i) To the knowledge of BOI, acquire any stock or interest in, or

(ii) Serve concurrently as a director, officer or employee of, BOI or any subsidiary of BOI (other than Company).

In addition, BOI will not acquire any stock or interest in, or have any directors or management officials on the board or committees of, Berger (other than Company); nor shall BOI's name be used by Berger or Berger's name by BOI or any of its affiliates, other than in connection with the activities of Company.

1. References to a "U.S. registered open-end investment company" mean any open-end investment company (mutual fund):
(i) Organized in the United States,
(ii) Offered in the United States, or
(iii) Sold to U.S. residents.

(12) BOI will apply for the Board's prior approval to retain its investment in Company should Berger expand into a line of business other than the businesses it currently engages in. If required by the Board in such circumstances, BOI will divest its investment in Company.

(13) The offices of Berger and Company will have separate entrances.

(14) The names of customers of any of BOI's U.S. subsidiaries, including any branches, agencies or other depository institutions (but not including Company), will not be furnished to Berger.

(15) BOI and its subsidiaries will not act as registrar, transfer agent or custodian for any of the Portfolios, the Funds or the Berger Funds, *provided* that BOI may serve as foreign sub-custodian for Irish securities of the Portfolios pursuant to arrangements with the U.S. custodian of the Portfolios in accordance with Rule 17f-5 under the Investment Company Act.

(16) BOI and its subsidiaries will not, directly or indirectly:

(i) Engage in the public sale or distribution of, or purchase for their own account, any shares of the Funds or the Berger Funds, or

(ii) Whether as underwriter, dealer, or in any other capacity, purchase for their account from Berger any securities as to which Berger is acting as underwriter or dealer.

In addition, the U.S. branches, agencies and subsidiaries of BOI will not, directly or indirectly, engage in the public sale or distribution of, or purchase for their account, any security as to which Berger is acting as an underwriter.

(16A) No director, officer or employee of Berger Distributors, Inc., will serve as a member of the Board of Managers, officer or employee of Company.

(17) Neither BOI nor any of its subsidiaries (including Company) will:

(i) Purchase in its sole discretion any securities of the Funds or the Berger Funds in a fiduciary capacity (including as managing agent) unless the purchase is specifically authorized by the terms of the instrument creating the fiduciary relationship, by court order, or by the law of the jurisdiction under which the trust is administered, or

(ii) Except to the extent permitted under Regulation Y as such regulation may be amended from time to time, extend credit to any such Fund or Berger Fund or accept securities of any such Fund or Berger Fund as collateral for a loan which is for the purpose of purchasing securities of any such Fund or Berger Fund.

(18) BOI and any subsidiary of BOI will obtain the Board's prior approval before making any investments in or loans to Berger, and will not nominate any director of Berger.

(19) No U.S. office of BOI or any of BOI's U.S. subsidiaries will take into account the fact that a potential borrower competes with Company or Berger in determining whether to extend credit to that borrower.

(20) No office of BOI or any of BOI's subsidiaries will extend credit directly or indirectly to Company or to any customer of Company on terms more favorable than those afforded similar borrowers in similar circumstances.

(21) Company will not solicit customers of the Berger Funds in their capacity as customers of the Berger Funds and Company will not request or accept access to the customer lists of any Berger Fund.

(22) Company will provide advice only to "institutional customers" as that term is defined in section 225.2(g) of Regulation Y and as that term may be amended from time to time.

(23) None of the dual employees of Company and BOI or its subsidiaries will be engaged in bank-ineligible securities activities, or activities that are impermissible for bank holding companies.

(23A)(i) No more than two members of the Board of Managers, officers or employees of Company will serve as Trustees of the Funds or the Portfolios;

(ii) No more than one of such members of the Board of Managers, officers or employees will serve as a senior officer of the Funds or the Portfolios and any person serving as such senior officer will also be a director, officer or employee of Berger and will not be a director, officer or employee of BOI or its subsidiaries (other than the Company); and

(iii) (A) No more than three officers or employees of Company will serve in junior-level capacities as assistant secretary, assistant treasurer or assistant vice president of the Funds or the Portfolios,

(B) Such persons will have no policy-making authority, and will not be responsible for, or involved in making recommendations regarding, policy-making functions, and

(C) Such persons may perform administrative services for the Funds or the Portfolios, but will be supervised by senior-level officers who do not work for Company as well as by the appropriate Boards of Trustees of the Funds or the Portfolios.

Except as described in this commitment, there will be no other director, officer or employee interlocks between BOI or its subsidiaries (including the Company) and the Funds or the Portfolios.

(23B) The restrictions in Commitment 23A shall apply to any other U.S. registered open-end investment company for which Company provides investment advisory or administrative services.

(23C) No more than one director, officer or employee of Berger will serve as a member of the Board of Managers, officer or employee of Company.

(24) As a subsidiary of a bank holding company, Company will observe the anti-tying provisions of the BHC Act Amendments of 1970 to the extent required under Regulation Y as such regulation may be amended from time to time. Company will be an affiliate of BOI's U.S. bank and thrift subsidiaries for purposes of sections 23A and 23B of the Federal Reserve Act.

(24A) BOI and its U.S. subsidiaries (including Company) will not provide brokerage services to customers in the U.S. with respect to the shares of a U.S. registered open-end investment company for which BOI, any of its nonbank subsidiaries (including Company), Berger or any of Berger's subsidiaries acts as an investment adviser.

(25) In the event that BOI or any of its U.S. nonbank subsidiaries (including Company) provides investment advisory services to customers in the U.S. with respect to the shares of an investment company for which BOI, any of its nonbank subsidiaries (including Company), Berger or any of Berger's subsidiaries acts as an investment adviser:

(i) BOI will instruct its officers and employees, and the officers and employees of such U.S. nonbank subsidiaries, to:

(A) Caution customers to read the prospectus of the investment company before investing, and

(B) Advise customers in writing that the investment company's shares:

(*1*) Are not insured by the Federal Deposit Insurance Corporation, are not deposits, and are not obligations of, or endorsed or guaranteed in any way by, any bank, unless that is the case; and

(*2*) Are subject to investment risks, including possible loss of the principal invested; and

(ii) BOI or such U.S. nonbank subsidiary will disclose in writing to the customer the appropriate entity's role as adviser to the investment company, as well as the existence of any fees, penalties and surrender charges with respect to the investment company's shares; *provided* that the disclosures described in this commitment (ii) may be made orally so long as written disclosure is provided to the customer immediately thereafter.

(26) Neither Company nor any affiliated U.S. bank, thrift, branch, or agency shall express an opinion on the value or the advisability of the purchase or the sale of ineligible securities underwritten or dealt in by Berger unless Company or the affiliate notifies the customer that Berger is underwriting, making a market, distributing or dealing in the security, and that Company is an affiliate of Berger.

(27) Neither Company nor any U.S. bank, thrift, branch, agency, trust or investment adviser affiliated with BOI shall purchase, as a trustee or in any other fiduciary capacity, for accounts over which it has investment discretion ineligible securities:

(i) Underwritten by Berger as lead underwriter or syndicate member during the period of any underwriting or selling syndicate, and for a period of 60 days after the termination thereof, and

(ii) From Berger if it makes a market in that security, unless, in either case, such purchase is specifically authorized under the instrument creating the fiduciary relationship, by court order, or by the law of the jurisdiction under which the relationship is administered.

(28) All business transactions between BOI and Berger (other than with respect to Company) will be on an arm's-length, non-exclusive, and non-preferential basis. Other than through Company, BOI will not solicit any business for Berger or vice versa, and there will be no advertising or marketing of each other's services. Neither BOI nor its subsidiaries will refer customers to Berger, and Berger will not refer customers to BOI or its subsidiaries, in each case except for referrals to and by Company.

(29) BOI and its subsidiaries (except for Company) will not distribute prospectuses or sales literature for the Funds or the Berger Funds or make any such literature available to the public at any of their offices.

(30) None of the Portfolios, Funds or Berger Funds will have offices in any building which is likely to be identified in the public's mind with BOI or its subsidiaries (except for Company).

Orders Issued Under Sections 3 and 4 of the Bank Holding Company Act

River Valley Bancorp
Madison, Indiana

Order Approving the Formation of a Bank Holding Company

River Valley Bancorp ("River Valley") has requested the Board's approval under section 3 of the Bank Holding Company Act ("BHC Act") to become a bank holding company by acquiring approximately 96 percent of the voting shares of Citizens National Bank of Madison ("Bank"), all in Madison, Indiana. River Valley also has requested 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:

(1) Acquire all the voting shares of Madison First Federal Savings and Loan Association, also in Madison, Indiana ("Madison Savings"),[1] and thereby engage in the operation of a savings association pursuant to section 225.25(b)(9) of Regulation Y (12 C.F.R. 225.25(b)(9)); and

(2) Engage *de novo* in making, acquiring, and servicing loans pursuant to section 225.25(b)(1) of Regulation Y (12 C.F.R. 225.25(b)(1)).

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 43,361 (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 sections 3(c) and 4(c)(8) of the BHC Act.

River Valley is a nonoperating corporation that would acquire Madison Savings shortly before acquiring Bank. Bank is the 165th largest depository institution in Indiana, controlling $42.4 million in deposits, representing less than

1. The Office of Thrift Supervision has approved Madison Savings's request to convert from a federal mutual savings and loan association to a federal stock savings and loan association.

1 percent of total deposits in commercial banking organizations in the state.[2] Madison Savings is the 108th largest depository institution in Indiana, controlling $79.7 million in deposits, representing less than 1 percent of total deposits in depository institutions in the state. On consummation of the proposal, River Valley would become the 76th largest depository institution in Indiana, controlling deposits of $122.1 million.

The Board previously has determined by regulation that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act. River Valley has committed to conform all activities of Madison Savings to those permissible under section 4(c)(8) of the BHC Act and Regulation Y.[3] The Board also has determined by regulation that the proposed lending activities are closely related to banking within the meaning of section 4(c)(8) of the BHC Act. River Valley has committed to conduct these activities subject to the limitations in Regulation Y.

Competitive Considerations

Sections 3 and 4 of the BHC Act require the Board to consider the competitive effects of a proposed acquisition of a depository institution.[4] River Valley proposes to acquire two depository institutions—Madison Savings and Bank—that compete directly in the Madison, Indiana, banking market ("Madison banking market").[5] Madison Savings is the fourth largest depository institution in the Madison banking market, controlling approximately $79.7 million of the total deposits in depository institutions in the market ("market deposits"), representing 11.7 percent of market deposits.[6] Bank is the third largest depository institution in the market, controlling approximately $42.4 million in deposits. On consummation of this proposal, River Valley would become the second largest depository institution in the Madison banking market. River Valley would control approximately 32 percent of market deposits and the Herfindahl-Hirschman Index ("HHI") would increase by 329 points to a level of 2680.[7]

In order to mitigate the adverse competitive effect that might result from consummation of the proposal, River Valley has committed to divest at least one branch in the Madison banking market with deposits totalling at least $7.5 million.[8] River Valley has committed to sell the

2. All banking data are as of June 30, 1995, and have been adjusted to reflect mergers and acquisitions since that date. In this context, depository institutions include commercial banks, savings banks, and savings associations.

3. River Valley has committed that all impermissible real estate activities will be divested or terminated within two years of consummation of the proposal, that no new impermissible projects or investments will be undertaken during this period, and that capital adequacy guidelines will be met, excluding specified real estate investments. River Valley also has committed that any impermissible securities or insurance activities conducted by Madison Savings will cease on or before consummation.

4. *See* Section 3 of the BHC Act (12 U.S.C. § 1842(c)), which prohibits the Board from approving an application if the proposal would result in a monopoly, or if the proposal would substantially lessen competition in any relevant banking market, unless such anti-competitive 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; and Section 4 of the BHC Act (12 U.S.C. § 1843(c)(8)), which requires the Board to consider whether a proposal is likely to result in any significantly adverse effects, 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.

5. The Madison banking market is approximated by Jefferson County, Indiana, and Trimble County, Kentucky. The Board has considered River Valley's contention that the relevant banking market also includes Carroll County, Kentucky, which is located to the east of Trimble County, in light of relevant precedent and all the facts of record. The Board and the courts 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 depository institutions 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. 321, 357 (1963); *United States v. Phillipsburg National Bank*, 399 U.S. 350, 364–65 (1969). The Board believes that the appropriate market for analyzing the competitive effects of this proposal is the banking market approximated by Jefferson and Trimble Counties. The Board bases this conclusion on an analysis of employment commuting data, the shopping opportunities available to Trimble County residents in Madison, Indiana, which is the largest city in the market and connected to Trimble County by a bridge over the Ohio River, and the results of an informal survey of local bankers in Trimble County regarding competition with a bank that serves Madison and areas of Trimble County. The Board notes that other facts of record indicate that Carroll County residents are unlikely to commute to Jefferson or Trimble Counties for employment or shopping because of the greater distance to Madison and the presence of Carrollton, the second largest city in the three-county area, in Carroll County.

6. Market deposit data are as of June 30, 1996. Market share data are based on calculations in which the deposits of thrift institutions are included at a 50 percent weighted basis. The Board previously has indicated that thrift institutions have become, or have the potential to become, major 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). Because the deposits of Madison Savings would be acquired by a commercial banking organization under this proposal, these deposits are included at 100 percent in the calculation of River Valley's *pro forma* market share. *Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992).

7. 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. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

8. River Valley has committed to execute a sales agreement to accomplish this divestiture before consummation of this proposal and

branch to an out-of-market depository institution or to one of the two competitors in the market that each control less than 5 percent of market deposits. Under the terms of the commitment, River Valley would not control more than approximately 30 percent of market deposits, and the HHI would not increase by more than 258 points to 2609.[9]

At least six depository institutions would remain in the market, the largest of which is a subsidiary of one of the largest commercial banking organizations in the region. This institution currently controls approximately 41.3 percent of market deposits. Data also indicate that the Madison banking market has become less concentrated and more competitive in recent years. During the last five years, for example, the HHI for the market has decreased by 879 points, and market deposits for the largest institution in the market have decreased by approximately 12 percentage points. During the same period, three smaller competitors in the market each have increased their market deposits by 3 to 5 percent.

In accordance with the BHC Act, the Board sought comments from the Department of Justice ("DOJ"), the Office of the Comptroller of the Currency ("OCC"), the Office of Thrift Supervision ("OTS"), and the Federal Deposit Insurance Corporation ("FDIC") on the competitive effects of the proposal. The DOJ advised the Board that consummation of the proposal would not likely have any significantly adverse effects on competition in any relevant banking market, and has not objected to consummation of the proposal.[10] Based on all the facts of record and for the reasons discussed in this order, the Board concludes that consummation of the proposal is not likely to have a significantly adverse effect on competition or on the concentration of resources in the Madison banking market or in any relevant banking market.

Other Considerations

In light of all the facts of record, the Board concludes that the financial and managerial resources and future prospects of the institutions involved are consistent with approval, as are considerations relating to the convenience and needs of the community to be served and other supervisory factors. For the reasons discussed above, and in reliance on all the commitments made in connection with the proposal, the Board also concludes that the proposal is not likely to result in decreased or unfair competition, conflicts of interests, unsound banking practices, undue concentration of resources, or other adverse effects. In addition, the record in this case indicates that there are numerous competitors engaged in the lending activities proposed by River Valley. The Board expects, moreover, that the proposal would result in efficiencies and economies of scale and, accordingly, enable River Valley to provide increased convenience and improved services to the customers of Bank and Madison Savings such as access to a broader array of banking products and services than currently is offered by either institution individually. Accordingly, the Board has determined that the proposal can be expected to produce public benefits that outweigh any adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Conclusion

Based on the foregoing and all the facts of record, including the proposed divestiture, the Board has determined that the proposal should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by River Valley with the divestiture commitment and other commitments made in connection with the proposal. The Board's determination also is subject to all the conditions in Regulation Y and to the Board's authority to require such modification or termination of the activities of a 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 commitments and conditions 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 Bank shall not be consummated before the fifteenth calendar day following the effective date of this order, and the acquisition of Bank and Madison Savings shall not be consummated, and the proposed lending activities of River Valley shall not commence, 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 St. Louis, acting pursuant to delegated authority.

By order of the Board of Governors, effective October 28, 1996.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Phillips, Yellen, and Meyer. Absent and not voting: Governor Lindsey.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

to complete the divestiture within 180 days of consummation. River Valley also has committed that, if it is unsuccessful in completing the divestiture within 180 days of consummation, it will transfer the unsold branch to an independent trustee that is acceptable to the Board and that will be instructed to sell the assets promptly. In addition, River Valley has committed to submit an executed trust agreement acceptable to the Board stating the terms of the divestiture within 150 days of consummation of the acquisition if the sale of the branch has not been consummated at that time.

9. Divestiture to an out-of-market thrift would increase the HHI by 258 points to 2609, and divestiture to an out-of-market commercial bank would increase the HHI by 210 points to 2561. Divestiture to the larger of the two in-market competitors would increase the HHI by 223 points to 2574 and divestiture to the smaller in-market competitor would increase the HHI by 219 points to 2570.

10. The OCC, OTS, and FDIC also have not objected to consummation of this proposal.

ORDERS ISSUED UNDER BANK MERGER ACT

The Chase Manhattan Bank
New York, New York

Order Approving the Merger of Banks and Establishment of Bank Branches

The Chase Manhattan Bank, New York, New York ("Chase Bank"), a state member bank, has requested the Board's approval under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act") to merge with Chemical Bank New Jersey, N.A., Morristown, New Jersey ("CBNJ"), with Chase Bank surviving the merger. As part of the transaction, Chase Bank also has applied under section 9 of the Federal Reserve Act (12 U.S.C.321) to establish branch offices at the current locations of the CBNJ branches.[1]

Notice of this proposal, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. 262.3(b)). As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation. The time for filing comments has expired, and the Board has considered the proposal and all the facts of record, in light of the factors set forth in the Bank Merger Act and section 9 of the Federal Reserve Act.

Chase Bank and CBNJ are wholly owned subsidiaries of The Chase Manhattan Corporation, New York, New York ("Chase").[2] Chase is the largest commercial banking organization in New York, controlling deposits of approximately $75 billion, representing 30.3 percent of the total deposits in commercial banking organizations in New York. In New Jersey, Chase is the sixth largest commercial banking organization, controlling deposits of approximately $5 billion, representing 5.7 percent of the total deposits in commercial banking organizations in New Jersey.[3]

Riegle-Neal Act Analysis

Section 102 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 ("Riegle-Neal Act") (Pub. L. No. 103–328, 108 Stat. 2338 (1994)) authorizes banks, after June 1, 1997, to conduct interstate mergers and to convert the acquired bank offices into branches of the acquiring institution. The Riegle-Neal Act, however, provides that an interstate merger may be approved prior to June 1, 1997, "if the home state of each bank involved in the transaction has in effect, as of the date of the approval of such transaction, a law that:

(i) Applies equally to all out-of-state banks; and
(ii) Expressly permits interstate merger transactions *with all out-of state banks*."[4]

New York and New Jersey have adopted laws, which apply equally to all out-of-state banks, that allow interstate mergers between banks located in their states and out-of-state banks to occur prior to June 1, 1997.[5] An application requesting approval of this proposal is pending with the New York Superintendent of Banks.[6] In light of the foregoing, it appears that this proposal complies with the New York and New Jersey interstate banking laws.

Competitive Considerations

The Bank Merger Act provides that the Board may not approve an application if the effect of the acquisition of another bank is to substantially lessen competition in any section of the country unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community.[7] The proposal represents a reorganization of Chase's existing banking operations. Based on all the facts of record, consummation of the proposal would not have any significantly adverse effects on competition or concentration of banking resources in any relevant banking market.

Other Factors Under the Bank Merger Act

The Bank Merger Act also requires the Board to consider the financial and managerial resources and future prospects

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1. The locations of the branches that Chase proposes to establish are listed in the Appendix.

2. On January 5, 1996, the Board approved the merger of Chemical Banking Corporation ("Old Chemical") and The Chase Manhattan Corporation ("Old Chase"), both of New York, New York. *See Chemical Banking Corporation*, 82 *Federal Reserve Bulletin* 239 (1996) ("Chemical/Chase Order"). The resulting bank holding company is known as The Chase Manhattan Corporation, and Chase Bank was formed by a merger of the two lead banks of Old Chemical and Old Chase.

3. Deposit data are as of June 30, 1995.

4. 12 U.S.C. § 1831u(a)(3)(A) (1994).

5. The interstate banking laws of New Jersey provide that an out-of-state bank may establish branches of a New Jersey state bank acquired by acquisition or merger provided that the state has not opted out of the provisions concerning interstate branching. N.J. Stat. Ann. § 17:9A-148 (1996). Effective February 6, 1996, the New York *Banking Law* was amended to authorize state-chartered banks to merge with out of-state banks, and subsequently maintain as branch offices the main office and branches acquired by merger or acquisition. N.Y Banking Law §§ 600(6), 105(5)(a) (1996). In addition, an out-of-state branch may maintain one or more branches located in New York acquired by means of an acquisition transaction, if the superintendent finds that the laws of the out-of-state bank's home state would authorize a New York bank to maintain branches in that state under comparable circumstances. *Id.* at § 223.

6. New Jersey does not require an application for mergers involving a national bank unless the surviving bank is a New Jersey state-chartered bank.

7. 12 U.S.C. § 1828(c)(5)(B).

of the existing and proposed institutions, and the convenience and needs of the community to be served.[8]

A. Supervisory Factors

The Board carefully has considered the financial and managerial resources and future prospects of Chase and its subsidiaries in light of all the facts of record, including a review of confidential reports of examination prepared by the primary federal supervisors of the organizations assessing the financial and managerial resources of the organizations. The Board notes that the proposal represents a corporate reorganization of Chase and its subsidiaries which will result in a more efficient organization, and does not involve an expenditure of additional resources. Based on all the facts of record, the Board concludes that these considerations for the organizations involved in the proposal are consistent with approval.[9] The Board also concludes that all factors required to be considered under the Federal Reserve Act are consistent with approval.

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 supervisors of the CRA performance records of the relevant institutions. As noted above, this proposal represents a reorganization of Chase's existing banking operations, and would not result in any expansion of Chase's deposit-taking facilities.

The Board also has carefully considered comments from Protestant alleging that Chase has abandoned LMI areas through branch closings since the Chemical/Chase merger.[10] In addition, Protestant contends that 1995 HMDA data for Chase indicate some disparities in the rate of denials and originations for housing-related loans by racial groups.[11]

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.[12] 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, in-

8. Inner City Press/Community on the Move, Bronx, New York ("Protestant") contends that the Chemical/Chase Order misanalyzed and misinterpreted a number of issues raised by the merger of Old Chemical and Old Chase, including the potential anticompetitive effects of the merger, the impact of the announced branch closings on low- to moderate-income ("LMI") communities and communities with predominantly minority populations, the reliability of the data submitted under the Home Mortgage Disclosure Act ("HMDA") relating to loans made through the New York City Housing Partnership, and Chase's luxury auto lending, which Protestant maintains has the effect of excluding LMI and minority borrowers. In addition, Protestant argues that the availability of new information since the Chemical/Chase Order, including Chase's HMDA data for 1995, criticisms by the General Accounting Office of examiner fair lending training and enforcement policies of the federal financial supervisory agencies, and Chase's characterization of certain branch closings as not in connection with the merger, require the Board to reconsider the conclusions reached in the Chemical/Chase Order on these issues. As explained in the Chemical/Chase Order, the Board concluded, on the basis of all the facts of record, that the proposal met the competitive, convenience and needs, and other statutory factors the Board is required to consider and should be approved. The Board has already denied Protestant's request that the Board reconsider its decision in the Chemical/Chase merger.

9. Protestant maintains that certain aspects of Chase's operations raise adverse managerial considerations, including trading in unregistered copper futures by Chase Bank, problems with Automated Teller Machine ("ATM") services and billing errors in Chase's secured credit card program, and the departure of mid- and high-level management from Chase. Protestant also alleges that Chase made several misleading and inaccurate media announcements regarding branch closings in LMI areas and specific branch closings in Westchester County. For example, Protestant cited press reports stating that Chase would not close any branches in Westchester County before Chase subsequently gave notice to close two branches in the county. Protestant's allegations regarding the closure of LMI branches are discussed below, and the Board notes that neither of the Westchester County branches proposed for closure is located in a LMI neighborhood. The Board also has received comments from an individual who is generally opposed to the proposal and from another individual who is seeking information regarding certain monies allegedly owed to him by a number of government entities. The Board has reviewed all of these allegations in light of supervisory assessments of Chase's managerial resources. The Board also has reviewed the Federal Reserve System's discussions with the New York City Housing Partnership ("NYCHP") referenced in the Chemical/Chase Order. As a result of these discussions, the NYCHP will send adverse action letters to applicants deemed ineligible for the program.

10. Protestant also contends that Chase has not opened the branches and ATMs in LMI areas identified in connection with the Board's approval of the Chemical/Chase Order and has not made any progress in connection with the CRA commitment discussed in the Chemical/Chase Order. The Board notes that the merger of Old Chemical and Old Chase, which involved two of the largest domestic bank holding companies, was not consummated until July 14, 1996, and that Chase has already begun to implement the programs and policies discussed in the Chemical/Chase Order. Chase's announced CRA commitment discussed in the Chemical/Chase Order also provides that Chase will issue annual public announcements on its performance and will meet with interested groups periodically to discuss its performance in local communities.

11. Protestant objects to the pending request filed by The Chase Manhattan Bank (USA), Wilmington, Delaware ("Chase Delaware"), to be designated as a limited-purpose bank under the new regulations jointly promulgated by the federal financial supervisory agencies to implement the CRA, because the bank offers a wide variety of credit products. *See* 60 *Federal Register* 22,156 (May 4, 1995). The OCC, Chase Delaware's primary federal supervisor, is responsible for acting on the requested designation, and such requests are not reviewable by the Board. *See* 12 C.F.R. 25.25(b).

12. 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).

cluding programs and activities initiated since its most recent CRA performance examination.

Performance Examinations. Chase Bank has not been evaluated for CRA performance since the merger of Old Chemical and Old Chase in July 1996. Prior to the merger, Old Chemical's lead bank was rated "outstanding" by the Federal Reserve Bank of New York at its most recent examination for CRA performance, as of March 13, 1995 ("1995 Chemical Examination"). Old Chase's lead bank also received an overall CRA performance rating of "outstanding" from its primary federal supervisor, the Office of the Comptroller of the Currency ("OCC") at its most recent examination for CRA performance, as of October 27, 1995 ("1995 Chase Examination").[13] CBNJ received a "satisfactory" rating from the OCC at its most recent examination for CRA performance, as of December 7, 1995 ("CBNJ Examination"). All other subsidiary banks of Old Chemical and Old Chase received "outstanding" or "satisfactory" ratings at the most recent examinations of their CRA performance by their primary federal supervisors.

Branch Openings and Closings. Protestant alleges that Chase has abandoned LMI communities since the Chemical/Chase merger. The Board notes that Protestant's contentions generally relate to branch closings resulting from the Chemical/Chase transaction, and that Chase has not proposed the closure of any branches as a result of this proposal.

Chase previously announced that it would close seven branches that it operates in LMI census tracts in New York City in connection with the Chemical/Chase merger. The record indicates that, as of August 1996, Chase had given notice to close only one of these branches located in LMI census tracts. The Board notes that Chase has also closed one additional branch located in an LMI census tract in New York City that had not been disclosed in the Chemical/Chase application. This branch is located in an LMI census tract in Queens ("LMI Branch"). The Board has considered Protestant's contention that Chase misrepresented the number of branches to be closed in LMI areas in light of the entire record.[14] Chase has stated that it has moved the LMI Branch and two other branches in middle-income census tracts to a *de novo* branch. Chase has indicated that the new facility, which is located approximately one-half mile from the LMI Branch, would be a more modern full-service facility that would serve customers better, and would include three 24-hour ATMs that were not available at the LMI Branch. Chase would continue to operate more than 60 consumer branches in LMI census tracts out of approximately 260 consumer branches in New York City.[15]

More generally, since the Chemical/Chase Order, Chase indicates that Chase Bank has closed or relocated a total of 13 branches through August 1996 (including the LMI branches discussed above), and has provided customer, community and regulatory notifications to close or relocate 14 more branches. The record indicates that a substantial number of these closures are within one mile of another full-service Chase Bank branch ("receptor branches"). In addition, Chase Bank has added new 24-hour ATMs at many of the receptor branches to increase services to these areas. Chase also indicates that since the merger, it has installed 23 of the 47 planned new 24-hour ATMs in branches located in LMI areas.

The Board has also reviewed the branch closing policies for Old Chemical and Old Chase and their records of branch openings and closings. The branch closing policies for both banks require consideration of a number of factors, including current market conditions, market potential, consumer satisfaction and product usage, demographics, and community needs. The 1995 Chemical and Chase Examinations concluded that the institutions' branch closing policies were satisfactory and that the institutions' records of opening and closing branches had not negatively affected its communities, including LMI communities. In addition, the effect of all branch closings is reviewed in the CRA examination process as part of the institution's overall evaluation. Chase has also provided customer, community and regulatory notifications in connection with the branches closed since the merger.[16]

HMDA Data and Lending Activities. The Board has carefully reviewed 1994 and 1995 HMDA data in view of Protestant's contention that Chase's bank and mortgage subsidiaries have inadequate and discriminatory lending records. These data show that in some respects, such as in the denial rate to African-American loan applicants as compared to the denial rate to white applicants, Chase's performance is comparable to or exceeds the performance of lenders in the aggregate in certain markets. In other

13. The 1995 Chase Examination was not publicly released until after the Board issued the Chemical/Chase Order. This examination represented a CRA rating increase from "satisfactory" to "outstanding" for Old Chase's lead bank.

14. Chase indicates that the LMI Branch was inadvertently identified as a branch that would be retained in an LMI census tract. Chase has stated that it has reviewed its overall branch consolidation plan and has determined that this was an isolated instance. Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1) ("FDI Act") and the Joint Policy Statement on Branch Closings (58 *Federal Register* 49,083 (1993)) ("Joint Policy Statement") require that a bank's primary federal supervisor receive notice at least 90 days before the date of the proposed branch closing. The Board notes that Chase complied with Section 42 of the FDI Act, and has provided notice to the Federal Reserve System at least 90 days before the date of the proposed branch closing, including the reasons and other supporting data for the closure consistent with the institution's written policy for branch closing. Chase also has stated that if its plans for LMI branches vary from previous submissions, it would discuss these instances with the Federal Reserve System prior to the 90 day notification.

15. Consumer branches exclude limited access specialized facilities such as private banking, middle market business offices, and private access corporate locations.

16. Protestant states that Chase has characterized its branch closings as consolidations and contends that certain of the closings should not be considered consolidations under the Joint Policy Statement. The record indicates that regardless of whether the cessation of branch operations was categorized as a consolidation or a closing, Chase has complied with Section 42 of the FDI Act.

respects, however, the data show disparities in application and origination rates to African-American loan applicants as compared to white applicants in certain markets.

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.[17] 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.

Because of the limitations of HMDA data, the Board has carefully reviewed other information such as the examinations reports of the banks' primary supervisors. The 1995 Chemical and Chase Examinations found that neither bank engaged in practices that would discourage individuals from applying for credit. Examiners at both institutions also found that the community delineations were reasonable and that the geographic analysis of lending data demonstrated that there was a reasonable penetration throughout each bank's delineated communities, including LMI census tracts. Fair lending reviews were conducted during both CRA examinations and examiners found no evidence of discrimination or other illegal credit practices.[18] In addition, examiners noted in the examinations that management of the banks had implemented comprehensive written policies, procedures, and training programs to support fair and equal treatment of loan applicants. Chase has indicated that Chase Bank and its mortgage affiliate have a multiple review process for residential mortgage applications to ensure that credit policies and procedures are consistently applied and that fair lending objectives are met.

On consummation of the transaction, Chase proposes to merge Chase Bank with CBNJ, after which the operations of CBNJ would be subject to the CRA policies, procedures and programs of Chase Bank. The Board has carefully reviewed the CRA performance records of the two banks that were merged to form Chase Bank in light of several recent applications filed by Old Chemical and Old Chase.[19] In these applications, particularly the Chemical/Chase Order, the Board carefully reviewed the CRA performance records of Old Chemical and Old Chase, including their lending, marketing and outreach activities, the services provided through their branches, their branch closing policies, and the actions that both institutions had taken to increase their lending in LMI areas.

Chase engages in a variety of lending and community development programs designed to help meet the credit needs of the communities in its service area, including the credit need of LMI neighborhoods. For example, Chase Bank offers a variety of affordable mortgage products to increase the availability of mortgage financing to LMI individuals or communities, including the Federal National Mortgage Association's Affordable Housing Partnership Program, The Affirmative Mortgage Program which provides flexible underwriting criteria, the Chase Assisted Settlement for Homebuyers Loan which helps borrowers pay for closing costs and part of the down payment, the State of New York Mortgage Agency Mortgage Program which offers a fixed rate of interest below the prevailing conventional interest rate and longer repayment terms, and NYC Urban Home Loan which enables borrowers to finance extensive renovations, rehabilitations, and conversions of one- to four-family residences in New York City. In addition, The Chase Community Development Corporation ("CCDC") finances construction and rehabilitation of affordable housing and commercial revitalization projects, provides financing to small businesses that may qualify for government-guaranteed loans, and finances smaller nonprofit community organizations. The Minority- and Women-Owned Business Development Program enables businesses owned by minorities and women to have an equal opportunity to bid on contracts and receive technical assistance, and may refer business owners to the CCDC for small business loans.

Conclusion on Convenience and Needs Factor. The Board has carefully considered the entire record in its review of the convenience and needs factor under the Bank Merger Act. As noted above, the proposal is a corporate reorganization of Chase's existing banking operations, and does not represent an expansion of banking activities. Based on all the facts of record, including information provided by Protestant and Chase and CRA performance examinations, the Board concludes that the efforts of Chase to help meet the credit needs of all segments of the communities served, including residents of LMI areas, are consistent with approval. In this light, the Board concludes that convenience and needs considerations,[20] including the

17. 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.

18. The 1995 Chase Examination specifically noted that Chase Manhattan Mortgage Corporation actively and regularly solicits mortgage applications from all segments of the bank's market area. Examiners also found that the bank was the second largest home purchase mortgage lender in LMI areas, and noted that no other HMDA reporter in New York City has a better mortgage parity lending record.

19. *See* Chemical/Chase Order; *Chase Manhattan Corporation*, 81 *Federal Reserve Bulletin* 883 (1995); *Chase Manhattan Corporation*, 81 *Federal Reserve Bulletin* 467 (1995).

20. Protestant refers to a newspaper article that discusses the elimination of 300 jobs by Chase in Jericho, New York, where only four employees were offered new jobs as an example of the diminished access to credit, particularly for LMI households and small businesses, caused by the Chemical/Chase merger. The effect of the proposed acquisition on employment in a community is not among the factors required to be considered under the Bank Merger Act. The convenience and needs factor has been consistently interpreted by the federal banking agencies, the courts, and Congress to relate to the

CRA performance records of Chase and its subsidiary banks are consistent with approval.

Conclusion

Based on the foregoing and all the facts of record,[21] the Board has determined that the applications should be, and hereby are, approved.[22] The Board's approval of this proposal is specifically conditioned on compliance by Chase Bank with the commitments made in connection with this proposal and the conditions discussed in this order. For purposes of this action, the commitments and conditions relied on in reaching this decision are both conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

The merger of Chase Bank and CBNJ may not be consummated before the fifteenth calendar day following the effective date of this order, and the proposal may 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 October 28, 1996.

effect of a proposal on the availability and quality of banking services in the community. *See Wells Fargo & Company*, 82 *Federal Reserve Bulletin* 445, 457 (1996). The Board has also considered the steps taken to mitigate the impact of job losses from the Chemical/Chase merger, which include career transition programs to provide employees with outplacement assistance and financial support for retraining and education.

21. Protestant contends that the record before the Board is incomplete because Chase has not responded to specific issues raised by Protestant. The Board is required under applicable law and its processing procedures to act on applications within specified time periods. As discussed above, the Board has carefully reviewed the record in this case, and based on all the facts of record, including Protestant's comments, confidential supervisory information, and reports of examination, the Board concludes that the record is sufficient to act on this proposal at this time, and that delay or denial of this proposal on the grounds of informational insufficiency is not warranted.

22. Protestant has requested that the Board hold a public meeting or hearing on these applications. The Board is not required under the Bank Merger Act or the Federal Reserve Act to hold a public hearing or meeting in this case. 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 the Board's view, interested parties have had a sufficient opportunity to present written submissions, and have 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 meeting or hearing is not necessary to clarify the factual record in these applications, or otherwise warranted in this case. Accordingly, the request for a public meeting or hearing on these applications is hereby denied.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Phillips, Yellen, and Meyer. Absent and not voting: Governor Lindsey.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

Branch offices of CBNJ to be established by Chase Bank:

612 Main Street, Boonton, Morris County, New Jersey 07005
1459 Main Avenue, Clifton, Passaic County, New Jersey 07011
57 Diamond Spring Road, Denville, Morris County, New Jersey 07834
St. Clare's Hospital, Second Floor, Pocono Road, Denville, Morris County, New Jersey 07834
186 Ridgedale Avenue, Florham Park, Morris County, New Jersey 07932
188–190 Main Street, Fort Lee, Bergen County, New Jersey 07024
235 Main Street, Hackensack, Bergen County, New Jersey 07601
Village Road, New Vernon, Morris County, New Jersey 07976
331 Lafayette Avenue, Hawthorne, Passaic County, New Jersey 07506
1152 Liberty Avenue, Hillside, Union County, New Jersey 07205
101 Hudson Street, Jersey City, Hudson County, New Jersey 07302
2 Waverly Place, Madison, Morris County, New Jersey 07940
180 Franklin Turnpike, Mahwah, Bergen County, New Jersey 07430
183 Millburn Avenue, Millburn, Essex County, New Jersey 07041
800 Morris Turnpike, Short Hills, Essex County, New Jersey 07078
475 Bloomfield Avenue, Montclair, Essex County, New Jersey 07042
19 North Fullerton Avenue, Montclair, Essex County, New Jersey 07042
17 Watchung Plaza, Montclair, Essex County, New Jersey 07042
600 Valley Road, Upper Montclair, Essex County, New Jersey 07043
580 Valley Road, Upper Montclair, Essex County, New Jersey 07043
636 Speedwell Avenue, Morris Plains, Morris County, New Jersey 07950
296 E. Hanover & Ridgedale Avenues, Morristown, Morris County, New Jersey 07960
17 Park Place, Morristown, Morris County, New Jersey 07960
225 South Street, Morristown, Morris County, New Jersey 07960
460 Bergen Boulevard, Palisades Park, Bergen County, New Jersey 07650
E. 36 Midland Avenue, Paramus, Bergen County, New Jersey 07652

100 Parsippany Road, Parsippany, Morris County, New Jersey 07054

53 North Beverwyck Road, Lake Hiawatha, Morris County, New Jersey 07034

1699 Littleton Road, Parsippany, Morris County, New Jersey 07054

148 Market Street, Paterson, Passaic County, New Jersey 07505

E. 33rd Street and McLean Boulevard, Paterson, Passaic County, New Jersey 07514

124 Haledon Avenue, Prospect Park, Passaic County, New Jersey 07508

1 West Hanover Avenue, Mt. Freedom, Morris County, New Jersey 07970

84 East Ridgewood Avenue, Ridgewood, Bergen County, New Jersey 07450

686 Kinderkamack Road, River Edge, Bergen County, New Jersey 07661

67 Summit Avenue, Summit, Union County, New Jersey 07901

825 Riverview Drive, Totowa, Passaic County, New Jersey 07512

2000 Morris Avenue, Union, Union County, New Jersey 07083

566 Bloomfield Avenue, Verona, Essex County, New Jersey 07044

1050 Hamburg Turnpike, Wayne, Passaic County, New Jersey 07470

865 Bloomfield Avenue, West Caldwell, Essex County, New Jersey 07006

206 East Broad Street, Westfield, Union County, New Jersey 07090

525 Cedar Hill Avenue, Wyckoff, Bergen County, New Jersey 07481

Electronic Facilities

Pocono Road (St. Clare's Hospital), Denville, Morris County, New Jersey 07834

5 Belmont Drive, Somerset, Somerset County, New Jersey 08873

115 South Jefferson Road, Whippany, Hanover Township, Morris County, New Jersey 07981

110 Cokesbury Road, Lebanon, Hunterdon County, New Jersey 07430

Bay and Highland Avenues, Montclair, Essex County, New Jersey 07042

100 Madison Avenue, Morristown, Morris County, New Jersey 07960

15 E. Midland Avenue, Paramus, Bergen County, New Jersey 07652

Simon & Schuster Company, 1 Lake Street, Upper Saddle River, Bergen County, New Jersey 07458

1400 Willowbrook Mall, Wayne, Passaic County, New Jersey 07470

Orders Issued Under International Banking Act

Banca di Roma S.p.A.
Rome, Italy

Order Approving Establishment of Branches and Agencies

Banca di Roma S.p.A ("Bank"), Rome, Italy, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 7(d) of the IBA (12 U.S.C. § 3105(d)) to establish branches in New York, New York, and Chicago, Illinois, and agencies in San Francisco, California, and 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 branch or agency in the United States.

Notice of the application, affording interested persons an opportunity to comment, has been published in a newspaper of general circulation in New York (*New York Post*, October 27, 1992), Chicago (*Chicago Tribune*, October 22, 1992), San Francisco (*San Francisco Chronicle*, October 24, 1992), and Houston (*Houston Post*, October 21, 1992). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with total consolidated assets of approximately \$134 billion, is the second largest bank in Italy.[1] Cassa di Risparmio di Roma Holding S.p.A. ("CRRH"), a financial holding company that owns 64.5 percent of Bank's shares, is Bank's largest shareholder. Istituto per la Ricostruzione Industriale ("IRI"), a holding company owned by the Government of Italy, owns 13.9 percent of Bank's shares and 35 percent of the shares of CRRH. Ente Cassa di Risparmio di Roma ("ECRR"), an Italian foundation, owns 9.8 percent of Bank's shares and 65 percent of the shares of CRRH (ECRR and IRI are collectively referred to herein as "Parents"). No other single shareholder holds 5 percent or more of the shares of Bank.

In addition to a network of approximately 1,300 branches in Italy, Bank operates 13 foreign branches and has 9 foreign representative offices. Bank also owns several subsidiaries, including banks that operate in Europe.

Bank was formed as the result of the merger of Banco di Roma S.p.A. ("Banco di Roma") and Banco di Santo Spirito S.p.A. ("Banco di Santo Spirito"), both of Rome, Italy. Before the merger, each of the two predecessor banks had operations in the United States.[2] The Board was given prior notice of the merger, and, pursuant to Regulation K,

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

2. Banco di Roma operated branches in New York and Chicago and agencies in San Francisco and Houston. Banco di Santo Spirito, which legally was the surviving corporation in the merger, operated a branch in New York. As a result of the consolidation, the two New York branches were combined into one location and now operate as a single branch of Bank. In light of the fact that Bank now operates only one branch in a single location in New York, a city in which Banco di

allowed the merger to proceed before an application to establish the offices was filed and acted upon by the Board.[3]

The Bank of Italy, which approved the merger of Banco di Roma and Banco di Santo Spirito, has no objection to the continued operation of the existing branches and agencies of Bank. Bank also has received the requisite approval from the respective state banking authorities to maintain the branch in Chicago and the agencies in San Francisco and Houston and to change the name and location of the New York branch.

In order to approve an application by a foreign bank to establish branches and agencies in the United States, the IBA and Regulation K require the Board to determine that the foreign bank applicant engages directly in the business of banking outside of the United States, and has furnished to the Board the information it needs to adequately assess the application. The Board also generally must determine whether the foreign bank is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3105(d)(2) and (6)). The Board also may take into account additional standards as set forth in the IBA (12 U.S.C. § 3105(d)(3)-(4)) and Regulation K (12 C.F.R. 211.24(c)).

Bank engages directly in the business of banking outside the United States through its banking operations in Italy and elsewhere. Bank also has provided the Board with the information necessary to assess the application through submissions that address the relevant issues.

Regulation K provides that a foreign bank will be considered to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the foreign bank's worldwide operations, including the relationship of the foreign bank to any affiliate, to assess the overall financial condition of the foreign bank and its compliance with law and regulation (12 C.F.R. 211.24(c)(1)).[4]

The Board has considered the following information concerning supervision by home country authorities. Bank's primary supervisor is the Bank of Italy.[5] The Bank of Italy's supervision extends to CRRH, which is considered the parent of the banking group. The Bank of Italy monitors the operations of Bank through information obtained from a combination of the review of reports submitted by Bank and from direct on-site inspections. While there is no prescribed frequency for inspections, the Bank of Italy uses the reports it receives from Bank for purposes of conducting "off-site reviews" that allow the Bank of Italy to monitor the financial condition of Bank.

Bank is required to submit a number of reports to the Bank of Italy periodically, and the Bank of Italy may require such additional information as it deems necessary to carry out supervision of Bank and Bank's affiliated companies. The Bank of Italy performs regular off-site reviews of reports filed by Bank and its banking company affiliates. Off-site reviews result in periodic ratings of the bank in the areas of capital, profitability, risks, organization, and liquidity. Reports filed by Bank include semi-annual consolidated balance sheets and income statements, quarterly reports on capital ratios, country exposures, loans and deposits, and credit granted to affiliated companies, and monthly balance sheets and detailed average balances for certain asset and liability accounts. In addition, all Italian banks are required to transmit to the Bank of Italy information regarding any violations of law discovered through their internal control systems. The Bank of Italy also reviews the minutes of meetings of Bank's board of directors, and proposals and findings of Bank's board of auditors.

The Bank of Italy employs both general and targeted on-site inspections of Bank. General inspections cover all the activities of Italian banks. In response to special developments, targeted inspections may be conducted that focus on specific issues. The frequency of general inspections is in the discretion of the Bank of Italy and is determined by matters such as the condition of the bank and the nature of its operations. The general inspections are designed to assess profitability, capital adequacy, the reliability of the reports submitted to the Bank of Italy, asset quality, and the quality of Bank's management and internal organization. Inspections also review the adequacy of internal controls related to Bank's worldwide operations and extend to the branches and subsidiaries of Bank outside Italy.

Italian companies, including banks, are required to employ statutory auditors. The statutory auditors are elected at the general shareholders' meeting and are separate from the internal and external auditors. The statutory auditors are required to verify matters relating to corporate governance and compliance with law, as well as the company's accounts. The statutory auditors are required to transmit to

Santo Spirito had preexisting authority to operate a branch, Bank's application to establish the New York branch is moot.

3. 12 C.F.R. 211.24(a)(3).

4. 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;

(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.

5. The ultimate responsibility for bank supervision in Italy rests with the Comitato Interministeriale per il Credito ed il Risparmio ("CICR"), a body presided over by Italy's Minister of the Treasury and composed of various government ministers. The CICR is responsible for setting the general principles of supervision which are then incorporated into regulations and applied to individual banks by the Bank of Italy.

the Bank of Italy copies of the minutes of its meetings and reports of irregularities in the bank's management or violations of law.

Companies listed on an Italian stock exchange, including Bank, also are required to have their annual financial statements audited by external auditors. External auditors perform annual audits of Bank's domestic and foreign operations. Bank employs the same auditing firm, or its local affiliates, worldwide. Copies of the audited financial statements are provided to the Bank of Italy.

Italian banks are subject to certain restrictions with respect to transactions with affiliates and investments in other companies. The Bank of Italy limits the extensions of credit to affiliates by a bank or a banking group to 20 percent of the bank's or banking group's capital. In addition, prior approval from the Bank of Italy is required for a bank to make investments in other companies when such investments exceed certain thresholds.

The Bank of Italy has various enforcement powers over Italian banks, including Bank. These enforcement powers include the power to impose monetary fines, suspend or terminate a bank's officers, and to dissolve a bank's board of directors. If criminal violations of law are suspected, the Bank of Italy refers the case to the appropriate judiciary authorities.

With respect to the monitoring of its worldwide operations, Bank's internal audit department conducts regular audits of all its foreign and domestic offices and bank subsidiaries. In addition, internal auditors are posted at each foreign branch of Bank. Any violations of law discovered by Bank's internal auditors must be reported to the Bank of Italy. The branches also submit periodic reports to Bank's head office.

Based on all the facts of record, including the information described above, the Board concludes that Bank is subject to comprehensive supervision on a consolidated basis by its home country supervisor.

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)). Bank has provided the Board with the information necessary to assess the application through submissions that address the relevant issues. As noted above, the Bank of Italy does not object to the continued operation of the existing branches and agencies of Bank. In addition, the Bank of Italy may share information on Bank's operations with other supervisors, including the Board.

Italy is a signatory to the Basle risk-based capital standards, and Italian risk-based capital standards meet those established by the Basle Capital Accord and the European Union. Bank's capital is in excess of the minimum levels that would be required by the Basle Capital Accord and is considered equivalent to capital that would be required of a U.S. banking organization.

Managerial and other financial resources of Bank also are considered consistent with approval. In making this determination, the Board also has taken into account the fact Bank will continue to operate only those offices that previously had been operated by the two banks prior to the merger. Bank continues to maintain controls and procedures for the branch and agencies in order to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations generally.

The Board also 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 and Parents have 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 Bank Holding Company Act of 1956, as amended, and other applicable federal law. To the extent that the provision of such information is prohibited or impeded by law, Bank and Parents have committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties in connection with disclosure of certain information. In addition, subject to certain conditions, the Bank of Italy 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 and Parents, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a state-licensed branch in Chicago and state-licensed agencies in San Francisco and Houston should be, and hereby is, approved. Should any restrictions 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 recommend termination of any of Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on Bank's and Parents' compliance with the commitments made in connection with this application and with the conditions in this order.[6] 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 October 9, 1996.

6. The Board's authority to approve establishment of the branch and agencies parallels the continuing authority of the states of Illinois, California, and Texas to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of these states to license the respective branch and agencies of Bank in accordance with any terms or conditions that they may impose.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Phillips, Yellen, and Meyer. Absent and not voting: Governor Lindsey.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Istituto Bancario San Paolo di Torino, S.p.A. Turin, Italy

Order Approving Establishment of a Branch

Istituto Bancario San Paolo di Torino, S.p.A. ("Bank"), Turin, Italy, a foreign bank within the meaning of the International Banking Act (the "IBA"), has applied under section 7(d) of the IBA (12 U.S.C. § 3105(d)) to establish a federally licensed branch in New York, New York. 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 branch 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 New York, New York (*The New York Times*, May 13, 1996). The time for filing comments has expired, and all comments have been considered.

Bank, with assets of approximately $159 billion as of December 31, 1995, is the largest commercial bank in Italy. Gruppo Bancario San Paolo di Torino, S.p.A. ("Gruppo"), Turin, Italy, owns approximately 65 percent of Bank's voting shares, and no other single shareholder holds more than 5 percent of Bank's voting shares. Gruppo is the sole and wholly owned subsidiary of Compagnia di San Paolo ("Compagnia"), Turin, Italy, an Italian foundation (Gruppo and Compagnia are collectively referred to herein as "Parents"). Bank operates nearly 1200 branches in Italy and has extensive banking and nonbanking operations outside Italy.

In the United States, Bank operates a branch in Los Angeles, California, and a limited branch in New York, New York. Bank's New York branch currently limits its deposit-taking activities to those that are incidental to international or foreign business.[1] Bank proposes to convert its existing New York branch to a full-service branch, which would no longer be subject to such limitations on its deposit-taking activities.

The main products offered by Bank's New York limited branch are committed revolving lines of credit, money market facilities, letters of credit, foreign exchange, capital markets products, and structured products related to the Italian market. The New York branch proposes to continue to offer those services and to expand its deposit products. Bank also engages indirectly in certain nonbanking activities in the United States.

In order to approve an application by a foreign bank to establish a branch in the United States, the IBA and Regulation K require the Board to determine that the foreign bank applicant 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 generally must determine that the foreign bank is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3105(d)(2) and (6); 12 C.F.R. 211.24(c)(1)). The Board may also take into account additional standards set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)).

Bank engages directly in the business of banking outside of the United States through its banking operations in Italy and elsewhere. Bank also has provided the Board with the information necessary to assess the application through submissions that address the relevant issues.

Regulation K provides that a foreign bank will be considered to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the bank, including its relationship to any affiliates, to assess the bank's overall financial condition and its compliance with law and regulation (12 C.F.R. 211.24(c)(1)).[2] In making its determination under this standard, the Board has considered the following information.

Bank's primary supervisor is the Bank of Italy. The Board previously has determined, in connection with the application involving another Italian bank, Banca di Roma, S.p.A., that the bank was subject to home country supervision on a consolidated basis.[3] The Board also has deter-

1. Currently, Bank's home state under the IBA and Regulation K is California. Because Bank's New York branch is outside Bank's home state, under the IBA it cannot engage in full service deposit activities and must limit its deposit taking to that of a corporation organized under section 25A of the Federal Reserve Act (the Edge Act) (12 U.S.C. § 611 *et seq.*). Following approval of its proposed branch in New York, Bank would redesignate New York as its home state for the purposes of the IBA and Regulation K, transfer the assets and liabilities of the Los Angeles branch to the New York branch, and downgrade the Los Angeles branch to a representative office.

2. 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.

3. *See Banca di Roma, S.p.A.*, 82 *Federal Reserve Bulletin*, 1144 (1996).

mined that Bank and Gruppo are supervised by the Bank of Italy on substantially the same terms and conditions as Banca di Roma and its parent company. Based on all the facts of record, the Board has concluded that Bank is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

The Board has taken into account the additional standards set forth in section 7 of the IBA and in Regulation K. (*See* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). Bank has provided the Board with the information necessary to assess the application through submissions that address the relevant issues. In addition, the Bank of Italy has no objection to Bank's proposal to establish a branch in New York.

Italy is a signatory to the Basle risk-based capital standards, and Italian risk-based capital standards meet those established by the Basle Capital Accord and the European Union. Bank's capital is in excess of the minimum levels that would be required by the Basle Capital Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Bank also are considered consistent with approval, and Bank appears to have the experience and capacity to support the proposed branch. In addition, Bank has established controls and procedures in the branch to ensure compliance with applicable U.S. law, as well as controls and procedures for its worldwide operations generally.

Finally, 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 and Parents have 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 Bank Holding Company Act of 1956, as amended, and other applicable federal law. To the extent that the provision of such information may be prohibited or impeded by law or otherwise, Bank and Parents have committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties in connection with disclosure of certain information. In addition, subject to certain conditions, the Bank of Italy 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 has concluded 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 and Parents, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a federally licensed branch in New York should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank or any of its affiliates subsequently interfere with the Board's ability to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States or, in the case of an office licensed by the OCC, recommend termination of such office. Approval of this application also is specifically conditioned on Bank's and Parents' compliance with the commitments made in connection with this application and with the conditions in this order.[4] 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, or its affiliates.

By order of the Board of Governors, effective October 15, 1996.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Lindsey, Phillips, Yellen, and Meyer. Absent and not voting: Governor Kelley.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Unibanco - Uniao de Bancos Brasileiros, S.A., Sao Paulo, Brazil

Order Approving Establishment of a Representative Office

Unibanco - Uniao de Bancos Brasileiros, S.A. ("Bank"), Sao Paulo, Brazil, 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. § 107(a)) to establish a representative office in Miami, Florida. The Foreign Bank Supervision Enhancement Act of 1991, 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 Miami, Florida (*Miami Daily Business Review*, July 17, 1996). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with approximately $24 billion in assets,[1] is the third largest bank in Brazil. Bank has over 800 domestic branches and operates 31 domestic subsidiaries, which

4. The Board's authority to approve the establishment of the proposed branch parallels the continuing authority of the Office of the Comptroller of the Currency ("OCC") to license federal offices of a foreign bank. The Board's approval of this application does not supplant the authority of the OCC to license the proposed branch of Bank in accordance with any terms or conditions that the OCC may impose.

1. Data are as of March 31, 1996, unless otherwise noted.

provide services such as insurance, leasing, credit card, and investment management. Bank also has branches located in New York, New York, the Cayman Islands, Nassau, Bahamas, a representative office in London, and bank subsidiaries located in Luxembourg and Paraguay.

Unibanco Holdings, S.A. ("Unibanco Holdings"), Sao Paulo, Brazil, is Bank's immediate parent and owns 90 percent of the shares of Bank. The remainder of Bank's shares is widely held. Bank's ultimate parent, E. Johnston Participacoes Ltda., S.A. ("E. Johnston"), Sao Paulo, Brazil, indirectly owns 68 percent of Unibanco Holdings.[2] Bank, Unibanco Holdings, and E. Johnston are subject to the requirements of the Bank Holding Company Act by virtue of Bank's New York branch, and each is a qualifying foreign banking organization under Regulation K (12 C.F.R. 211.23(b)).

The proposed representative office would solicit loans, promote Bank's products and services to potential and existing customers, and serve as a liaison between Bank's correspondent banks, its New York branch, and its head office. In addition, the proposed representative office would monitor Bank's operations in the U.S. for compliance with applicable laws and regulations, conduct compliance training for Bank's employees in the United States, oversee the electronic data processing activities of Bank in the United States, and perform other back-office functions in support 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, has furnished to the Board the information it needs to assess adequately the application, and is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3107(a)(2); 12 C.F.R. 211.24(d)). The Board may also take into account additional standards as set forth in the IBA (12 U.S.C. § 3105(d)(3)-(4)) and Regulation K (12 C.F.R. 211.24(c)(2)).

The Board generally has required foreign banks that propose to establish a representative office to be subject to a significant degree of supervision by their home country supervisor, as determined with reference to a number of factors.[3] A foreign bank's financial and managerial resources are reviewed to determine whether its financial condition and performance demonstrate that it is capable of complying with applicable laws and has an operating record that would be consistent with the establishment of a representative office in the United States. All foreign banks, whether operating through branches, agencies, or representative offices, will be required to provide adequate assurances of access to information on their operations and those of their affiliates necessary to determine compliance with U.S. laws.

Bank is subject to the regulatory and supervisory authority of the Central Bank of Brazil ("Central Bank"), which is the bank supervisory authority in Brazil and, as such, is the home country supervisor of Bank. The Central Bank has no objection to Bank's establishment of the proposed representative office. The Board has previously determined in connection with an application to establish a representative office by another Brazilian bank that the bank was subject to a significant degree of supervision.[4] In this case, Bank is supervised by the Central Bank on the same terms and conditions as the other Brazilian bank. Based on all the facts of record, the Board has determined that factors relating to the supervision of Bank by its home country supervisor are consistent with approval of the proposed representative office.

The Board also has determined that Bank engages directly in the business of banking outside of the United States through its banking operations in Brazil. Bank has provided the Board with information necessary to address relevant issues and to assess the application adequately.

The Board also has taken into account the additional standards set forth in section 7 of the IBA and Regulation K (12 U.S.C. § 3105(d)(3),(4); 12 C.F.R. 211.24(c)(2)). As noted above, the Central Bank has no objection to Bank's establishment of the proposed representative office. In addition, the Central Bank may share information on Bank's operations with other supervisors, including the Board.

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 has established controls and procedures for the proposed representative office to ensure compliance with U.S. law.

The Board also has reviewed the restrictions on disclosure under applicable law and has communicated with relevant government authorities regarding access to information about Bank's operations. Bank and its ultimate parent have committed to make available to the Board such information on the operations of Bank and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable Federal law. To the extent that disclosure of such information to the Board may be prohibited or impeded by law, Bank

2. Other entities that hold an interest in Unibanco Holdings greater than 5 percent but less than 15 percent are Commerzbank AG, Frankfurt, Germany, Dai Ichi Kangyo Bank, Tokyo, Japan, and Bahema Participacoes, S.A., Sao Paulo, Brazil.

3. *See Citizens National Bank*, 79 *Federal Reserve Bulletin* 805 (1993). *See also Promstroybank of Russia*, 82 *Federal Reserve Bulletin* 599 (1996)(addressing standards applicable to representative offices with limited activities).

4. *See Banco Bandeirantes, S.A.*, 81 *Federal Reserve Bulletin* 742 (1995).

and its ultimate parent have committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties in connection with disclosure of certain information. 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 and its ultimate parent, 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 on access to information on the operations or activities of Bank and any of its affiliates subsequently interfere with the Board's ability to determine the compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on compliance by Bank and its ultimate parent 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 against Bank and its affiliates.

By order of the Board of Governors, effective October 9, 1996.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Phillips, Yellen, and Meyer. 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 office parallels the continuing authority of the State of Florida to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of Florida and its agent, the Florida Department of Banking and Finance, to license the proposed office of Bank in accordance with any terms or conditions that the Florida Department of Banking and Finance may impose.

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
Whitney Holding Corporation, New Orleans, Louisiana	Liberty Holding Company, Pensacola, Florida Liberty Bank, Pensacola, Florida Whitney National Bank of Florida, Pensacola, Florida	October 7, 1996

Section 4

Applicant(s)	Bank(s)	Effective Date
Bank America Corporation, San Francisco, California	Arrowhead LLC, San Jose, California	October 30, 1996
National City Corporation, Cleveland, Ohio National City Mortgage Company, Miamisburg, Ohio	Muirfield Mortgage Limited Partnership, Dallas, Texas	October 11, 1996
SouthTrust Corporation, Birmingham, Alabama SouthTrust of Florida, Inc., Jacksonville, Florida	Preferred Bank, A Federal Savings Bank, Palmetto, Florida	October 9, 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
1st United Bancorp, Boca Raton, Florida	Park Bankshares, Inc., Lake Park, Florida; First National Bank of Lake Park, Lake Park, Florida	Atlanta	October 17, 1996
Central Financial Corporation, Hutchinson, Kansas	Mesquite Financial Corporation, Mesquite, Nevada	Kansas City	October 17, 1996
Chambers Bancshares, Inc., Danville, Arkansas	Bank of Rogers, Rogers, Arkansas	St. Louis	October 22, 1996
Citizens Corporation, Franklin, Tennessee; Harrison Group, Inc., Franklin, Tennessee	Peoples State Bancshares, Inc., Grant, Alabama; Peoples State Bank, Grant, Alabama	Atlanta	October 11, 1996
Colony Bankcorp, Inc., Fitzgerald, Georgia	Broxton State Bank, Broxton, Georgia	Atlanta	October 4, 1996
Commerce Bancshares, Inc., Bloomington, Minnesota	Geneva State Bank, Geneva, Minnesota	Minneapolis	October 17, 1996
Community Bank Shares of Indiana, Inc., New Albany, Indiana	Community Bank of Southern Indiana, New Albany, Indiana	St. Louis	October 9, 1996
Community First Bankshares, Inc., Denver, Colorado	First National Bank of Boulder County, Boulder, Colorado	Kansas City	October 23, 1996
DCB Financial Corp., Delaware, Ohio	The Delaware County Bank & Trust Company, Delaware, Ohio	Cleveland	October 17, 1996
Delaware International Bancshares, Inc., Dover, Delaware	The International Bank, Corpus Christi, Texas	Dallas	October 11, 1996
Dublin Bancshares, Inc., Dublin, Texas	Gustine-DeLeon Bancshares, Inc., DeLeon, Texas	Dallas	October 23, 1996
Eberhardt, Inc., Elberton, Georgia; JAM Family Partnership II, L.P., Elberton, Georgia	Pinnacle Financial Corporation, Elberton, Georgia	Atlanta	October 4, 1996
First Bankshares of West Point, Inc., West Point, Georgia	Canebrake Bancshares, Inc., Uniontown, Alabama; First State Bank of Uniontown, Uniontown, Alabama	Atlanta	September 27, 1996
First Financial Company of Saint Jo, Dover, Delaware	The First National Bank of Saint Jo, Saint Jo, Texas	Dallas	October 4, 1996
First International Bancshares, Inc., Corpus Christi, Texas	Delaware International Bancshares, Inc., Dover, Delaware; The International Bank, Corpus Christi, Texas	Dallas	October 11, 1996
Hibernia Corporation, New Orleans, Louisiana	Texarkana National Bancshares, Texarkana, Texas; Texarkana National Bank, Texarkana, Texas	Atlanta	October 18, 1996

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Hometown Financial Group, Inc., Flanagan, Illinois	Flanagan State Bank, Flanagan, Illinois	Chicago	October 7, 1996
Keystone Financial, Inc., Harrisburg, Pennsylvania	Keystone National Bank, Lancaster, Pennsylvania	Philadelphia	September 13, 1996
McConnell & Co., Elberton, Georgia JAM Family Partnership I, L.P., Elberton, Georgia	Pinnacle Financial Corporation, Elberton, Georgia	Atlanta	October 4, 1996
Mesquite Financial Corporation, Mesquite, Nevada	Mesquite State Bank, Mesquite, Nevada	Kansas City	October 17, 1996
Nolte Family Limited Partnership, Kenesaw, Nebraska	First Kenesaw Company, Inc., Kenesaw, Nebraska	Kansas City	October 18, 1996
Northern Trust Corporation, Chicago, Illinois	Metroplex Bancshares, Inc., Dallas, Texas Metroplex Delaware Financial Corporation, Dallas, Texas Bent Tree National Bank, Dallas, Texas	Chicago	October 11, 1996
Robertson Holding Company, Speedwell, Tennessee	Commercial BancGroup, Inc., Harrogate, Tennessee	Atlanta	October 18, 1996
The Royal Bank of Scotland Group plc, Edinburgh, Scotland, The Royal Bank of Scotland plc, Edinburgh, Scotland The Governor and Company of the Bank of Ireland, Dublin, Ireland Citizens Financial Group, Inc., Providence, Rhode Island	Farmers & Mechanics Bank, Middletown, Connecticut	Boston	October 11, 1996
Saint Jo Bancshares, Inc., Saint Jo, Texas	First Financial Company of Saint Jo, Dover, Delaware The First National Bank of Saint Jo, Saint Jo, Texas	Dallas	October 4, 1996
Sussex Bancorp, Franklin, New Jersey	The Sussex County State Bank, Franklin, New Jersey	New York	October 11, 1996
Union Illinois Company Employee Stock Ownership Trust, Swansea, Illinois	Union Illinois Company, Swansea, Illinois	St. Louis	October 22, 1996
Valley Bancshares, Inc., Nisswa, Minnesota	Minnesota Bancshares Corporation, Augusta, Wisconsin Brainerd National Bank, Baxter, Minnesota	Chicago	October 21, 1996

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Brunsville Bancorporation, Inc., Brunsville, Iowa	To engage *de novo* in insurance agency activities	Chicago	October 8, 1996
Caisse Nationale de Credit Agricole, Paris, France	Daniel Breen & Company, L.P., Houston, Texas Indosuez Carr Futures, Inc., Chicago, Illinois Banque Indosuez, Paris, France Breen Trust Company, Houston, Texas	Chicago	September 26, 1996
Cardinal Bankshares Corporation, Floyd, Virginia	To engage *de novo* in making and servicing loans	Richmond	October 2, 1996
Centura Banks, Inc., Rocky Mount, North Carolina	CLG, Inc., Raleigh, North Carolina	Richmond	October 2, 1996
Commercial Capital Corporation, DeKalb, Mississippi	Kemper Finance, Inc., DeKalb, Mississippi	Atlanta	October 16, 1996
Farmers Capital Bank Corporation, Frankfort, Kentucky	FCB Services, Frankfort, Kentucky	St. Louis	September 24, 1996
FBOP Corporation, Oak Park, Illinois Regency Savings Bank, F.S.B., Naperville, Illinois	Topa Savings Bank, FSB, Beverly Hills, California Topa Thrift and Loan, Beverly Hills, California	Chicago	October 15, 1996
Franklin National Bankshares, Inc., Mount Vernon, Texas	Franklin National Mortgage Corporation, Mount Vernon, Texas	Dallas	October 3, 1996
Fremont Bancorporation, Fremont, California	To engage directly *de novo* in commercial lending and loan servicing activities	San Francisco	October 1, 1996
Maedgen & White, Ltd., Lubbock, Texas Plains Capital Corporation, Lubbock, Texas	Plains Service Corporation, Lubbock, Texas	Dallas	October 16, 1996
Merrill Bancorporation, Inc., Merrill, Iowa	To engage *de novo* in insurance agency activities	Chicago	October 8, 1996
Mid Am, Inc., Bowling Green, Ohio Mid Am Recovery Services, Inc., Toledo, Ohio	Nemo Industries, Inc., Ft. Meyers, Florida	Cleveland	October 1, 1996
National Bancorp of Alaska, Inc., Anchorage, Alaska	To directly engage *de novo* in the activity of making community development investments	San Francisco	October 1, 1996
National Commerce Bancorporation, Memphis, Tennessee	Kenesaw Leasing, Inc., Knoxville, Tennessee	St. Louis	September 26, 1996
Norwest Corporation, Minneapolis, Minnesota	The Mortgage Center, Springfield, Massachusetts	Minneapolis	October 16, 1996

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Norwest Corporation, Minneapolis, Minnesota Norwest Financial Services, Inc., Des Moines, Iowa Norwest Financial Inc., Des Moines, Iowa	To engage *de novo* in Maine in: (1) making, acquiring, or servicing loans or other extensions of credit relating to consumer finance, sales finance, and commercial finance (including but not limited to accounts receivable financing, factoring, and other secured lending activities); (2) underwriting and selling credit life insurance; (3) selling on an agency basis credit accident and health insurance, credit property and casualty insurance, and involuntary unemployment insurance; (4) issuing and selling at retail money orders and traveler's checks; (5) servicing loans and other extensions of credit for other persons; and (6) offering and selling bookkeeping, payroll, and other management reporting and data processing services	Minneapolis	October 8, 1996
Peoples Heritage Financial Group, Inc., Portland, Maine	Family Bancorp, Haverhill, Massachusetts	Boston	October 11, 1996
Richey Bancorporation, Inc., Glendive, Montana Community First Bancorp., Inc., Glendive, Montana	To engage in management consulting services	Minneapolis	October 24, 1996
The Royal Bank of Scotland Group plc, Edinburgh, Scotland The Royal Bank of Scotland plc, Edinburgh, Scotland The Governor and Company of the Bank of Ireland, Dublin, Ireland Citizens Financial Group, Inc., Providence, Rhode Island	NYCE Corporation, Woodcliff Lake, New Jersey	Boston	October 18, 1996
Summit Bancorp., Princeton, New Jersey	Central Jersey Financial Corp., East Brunswick, New Jersey Central Jersey Savings Bank, SLA, East Brunswick, New Jersey	New York	October 18, 1996

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Union-Calhoun Investments, Ltd., Rockwell City, Iowa	Wetter Tax Service, Rockwell City, Iowa	Chicago	October 11, 1996
Washington State Bancshares, Inc., Washington, Louisiana	To engage *de novo* in making, acquiring, or servicing loans or other extensions of credit, including issuing letters of credit	Atlanta	October 21, 1996
Westamerica Bancorporation, San Rafael, California	Westamerica Commercial Credit, Inc., Fairfield, California	San Francisco	October 3, 1996

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
The Maddox Corporation, Blakely, Georgia	First State Bancshares of Blakely, Inc., Blakely, Georgia First Southwest Bancorp, Inc., Donalsonville, Georgia First Federal Savings Bank of Southwest Georgia, Donalsonville, Georgia	Atlanta	October 4, 1996
Stichting Prioriteit ABN AMRO Holding, Amsterdam, The Netherlands Stichting Administratiekantoor ABN AMRO Holding, Amsterdam, The Netherlands ABN AMRO Holding N.V., Amsterdam, The Netherlands ABN AMRO Bank N.V., Amsterdam, The Netherlands ABN AMRO North America, Inc., Chicago, Illinois	CNBC Bancorp, Inc., Chicago, Illinois Columbia National Bank of Chicago, Chicago, Illinois Columbia Financial Services, Inc., Chicago, Illinois CNBC Development Corporation, Chicago, Illinois CNBC Investment Corporation, Chicago, Illinois CNBC Leasing Corporation, Chicago, Illinois Sky Mortgage Company, Chicago, Illinois Sky Finance Company, Chicago, Illinois	Chicago	September 26, 1996
Taylor Capital Group, Inc., Wheeling, Illinois	Cole Taylor Bank, Chicago, Illinois CT Mortgage Company, Inc., Altamonte Springs, Florida	Chicago	October 21, 1996

Applications Approved Under Bank Merger 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.

Applicant(s)	Bank(s)	Effective Date
The Bank of New York, New York, New York	The Bank of New York (NJ), West Paterson, New Jersey The Putnam Trust Company, Greenwich, Connecticut	October 7, 1996
Compass Bank, Jacksonville, Florida	Enterprise National Bank, Jacksonville, Florida	October 22, 1996
First Knoxville Bank, Knoxville, Tennessee	Bank of Madisonville, Madisonville, Tennessee United Southern Bank, Morristown, Tennessee,	October 24, 1996
Manufacturers and Traders Trust Company, Buffalo, New York	GreenPoint Bank, New York, New York	October 30, 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.

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
1st United Bank, Boca Raton, Florida	First National Bank of Lake Park, Lake Park, Florida	Atlanta	October 17, 1996
Bank of Gainesville, Gainesville, Missouri	Douglas County Bank, Ava, Missouri	St. Louis	October 16, 1996
Crestar Bank DC, Vienna, Virginia	Crestar Bank, Richmond, Virginia Crestar Bank MD, Bethesda, Maryland	Richmond	September 26, 1996
First Virginia Bank - Colonial, Richmond, Virginia	First Virginia Bank - South Hill, South Hill, Virginia	Richmond	October 10, 1996
Marine Midland Bank, Buffalo, New York	Morgan Guaranty Trust Company of New York, New York, New York	New York	October 18, 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.

American Bankers Insurance Group, Inc. v. Board of Governors, No. 96-CV-2383-EGS (D.D.C., filed October 16, 1996). Action seeking declaratory and injunctive relief invalidating a new regulation issued by the Board under the Truth in Lending Act relating to treatment of fees for debt cancellation agreements. On October 18, 1996, the district court denied plaintiffs' motion for a temporary restraining order, and set a hearing on their motion for preliminary and permanent injunctive relief for December 17, 1996.

Clifford v. Board of Governors, No. 96-1342 (D.C. Cir., filed September 17, 1996). Petition for review of Board order dated August 21, 1996, denying petitioners' motion to dismiss enforcement action against them.

Artis v. Greenspan, No. 96 CV 02105 (D. D.C., filed September 11, 1996). Class complaint alleging race discrimination in employment.

Leuthe v. Board of Governors, No. 96-5725 (E.D. Pa., filed August 16, 1996). Action against the Board and other Federal banking agencies challenging the constitutionality of the Office of Financial Institution Adjudication.

Long v. Board of Governors, No. 96-9526 (10th Cir., filed July 31, 1996). Petition for review of Board order dated July 2, 1996, assessing a civil money penalty and cease and desist order for violations of the Bank Holding Company Act.

Esformes v. Board of Governors, No. 96-1916 (S.D. Fla., filed July 12, 1996). Complaint challenging Board denial of administrative request for confidential supervisory information. Plaintiffs' motion for an expedited hearing was denied on August 1, 1996. On September 20, 1996, the Board filed a motion to dismiss or for summary judgment. On October 8, the plaintiffs moved for voluntary dismissal of the action.

Board of Governors v. Interamericas Investments, Ltd., No. 96-7108 (D.C. Cir., filed June 14, 1996). Appeal of district court ruling granting, in part, the Board's application to enforce an administrative investigatory subpoena for documents and testimony. Appellants' motion for a stay of the district court ruling was denied on September 12, 1996. On October 23, 1996, appellants filed a voluntary dismissal of the action.

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. Petitioners' brief was filed on July 26, 1996, and the Board's brief was filed on September 27, 1996. On August 20, petitioners' motion for a stay of the Board's orders pending judicial review was denied by the Court of Appeals.

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. The Board's motion to dismiss was filed on June 3, 1996. On October 24, 1996, the court dismissed the action.

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. Oral argument on the merits is scheduled for January 17, 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.

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 Board's brief on the merits was filed July 8, 1996. The case has been consolidated for oral argument and decision with *Lee v. Board of Governors*, No. 95-4134 (2d Cir.).

Menick v. Greenspan, No. 95 CV 01916 (D. D.C., filed October 10, 1995). Complaint alleging sex, age, and handicap discrimination in employment. On October 30, 1996, the parties filed a stipulation of dismissal.

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.

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. On July 31, 1996, the full court granted the Board's suggestion for rehearing en banc, and vacated the April 23 panel decision.

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

Peter R. Nardin
New York Branch of
Credit Suisse
Zurich, Switzerland

The Federal Reserve Board announced on October 2, 1996, the issuance of an Order of Prohibition against Peter R. Nardin, a former officer and institution-affiliated party of the New York Branch of Credit Suisse, Zurich, Switzerland.

Termination of Enforcement Actions

The Federal Reserve Board announced on October 9, 1996, the termination of the following enforcement actions:

Liberty Agency, Inc.
Kirk, Colorado

Written Agreement dated November 18, 1993; terminated August 13, 1996.

First FSB Bancshares, Inc.
Mt. Calm, Texas

Written Agreement dated February 18, 1994; terminated August 23, 1996.

First Security Banshares, Inc.
Lake Park, Iowa

Written Agreement dated January 23, 1995; terminated September 26, 1996.

Citizens Bank
BankSouth Corporation
First Chattanooga Corporation
All of Lawton, Oklahoma

Written Agreements dated August 27, 1992; terminated October 4, 1996.

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			1996				
	Q4	Q1	Q2	Q3	May	June	July	Aug.[r]	Sept.
Reserves of depository institutions[2]									
1 Total	−6.9	−7.9	−6.4	−16.4	−20.8	−2.5	−20.3	−20.9	−21.0
2 Required	−7.7	−8.5	−5.7	−16.6	−15.4	−9.1	−18.8	−19.0	−23.3
3 Nonborrowed	−6.4	−6.5	−7.6	−17.6	−21.6	−8.3	−20.0	−20.3	−21.9
4 Monetary base[3]	2.7	1.5	2.1	5.8	1.0	5.7	7.6	6.2	4.5
Concepts of money, liquid assets, and debt[4]									
5 M1	−5.1	−2.7	−.7	−6.9	−6.8	−.5	−8.9[r]	−9.6	−8.4
6 M2	4.1	5.7[r]	3.8[r]	2.8	−2.0	5.3	1.7[r]	3.9	3.4
7 M3	4.6	7.0[r]	5.1[r]	4.0	2.4[r]	4.4[r]	2.5[r]	4.9	7.4
8 L	6.0	5.0	5.3[r]	n.a.	1.2[r]	5.7	3.1[r]	6.5	n.a.
9 Debt	4.7	5.0	5.6	n.a.	4.6	5.0	5.2[r]	3.4	n.a.
Nontransaction components									
10 In M2[5]	8.4	9.4[r]	5.7[r]	6.9	.0	7.7	6.3[r]	9.6	8.3
11 In M3 only[6]	6.4	12.3	10.0[r]	8.7	19.6[r]	1.1[r]	5.3	8.6	22.6
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	13.1	22.6	12.7	11.6	4.1	12.3	9.7	17.5	10.4
13 Small time[7]	4.8	2.5	−2.9	3.5	−2.9	.4[r]	5.4[r]	5.8	5.4
14 Large time[8,9]	19.5	8.0	17.3	17.0	20.3	18.9	16.4[r]	10.3	23.4
Thrift institutions									
15 Savings, including MMDAs	−2.8	−.3	8.1	.0	5.2	2.9	−.3	−4.9	−.7
16 Small time[7]	4.9	−2.3	−3.2	−.4	−2.4	−3.1	−2.7	4.4	4.1
17 Large time[8]	8.4	6.4	−3.0	8.3	−9.5	4.8	12.7	7.9	20.3
Money market mutual funds									
18 Retail	16.9	13.3[r]	9.4[r]	13.6	−5.0	20.1[r]	13.1[r]	14.9	17.4
19 Institution-only	10.3	27.9	8.7	18.6	−10.3	29.1	16.8	20.4	25.7
Repurchase agreements and Eurodollars									
20 Repurchase agreements[10]	−14.6	1.4	4.9	−15.9	80.0	−70.7	−24.2	−10.7	18.8
21 Eurodollars[10]	−6.7	17.0	7.4[r]	−.3	1.2[r]	6.2[r]	−17.2[r]	7.5	21.1
Debt components[4]									
22 Federal	2.3	3.0	4.7	n.a.	2.0	2.1	6.0	4.5	n.a.
23 Nonfederal	5.6	5.7	5.9[r]	n.a.	5.5	6.0	4.9[r]	3.1	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						
	July	Aug	Sept	Aug. 14	Aug. 21	Aug. 28	Sept. 4	Sept. 11	Sept. 18	Sept. 25
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	423,813	425,069[r]	427,377	423,864	424,562[r]	425,324[r]	428,176	428,087	426,002	427,723
U.S. government securities[2]										
2 Bought outright—System account	383,166	385,637	387,118	384,392	387,926	387,238	387,122	387,539	386,917	387,577
3 Held under repurchase agreements	5,677	3,734	4,540	3,044	2,189	2,622	4,993	3,974	4,014	5,298
Federal agency obligations										
4 Bought outright	2,359	2,336	2,319	2,336	2,336	2,336	2,336	2,329	2,311	2,311
5 Held under repurchase agreements	449	899	824	738	515	1,300	1,309	1,759	237	86
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	92	17	95	11	6	35	141	32	15	20
8 Seasonal credit	285	311	310	295	319	337	324	291	311	323
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	470	460[r]	595	345	494[r]	480[r]	712	986	549	241
11 Other Federal Reserve assets	31,314	31,674	31,577	32,703	30,777	30,975	31,238	31,178	31,648	31,867
12 Gold stock	11,050	11,050	11,050	11,050	11,050	11,050	11,050	11,050	11,050	11,050
13 Special drawing rights certificate account	10,168	9,718	9,718	9,718	9,718	9,718	9,718	9,718	9,718	9,718
14 Treasury currency outstanding	24,543	24,606	24,666	24,595	24,609	24,623	24,637	24,651	24,665	24,679
ABSORBING RESERVE FUNDS										
15 Currency in circulation	428,381	429,507	431,562	429,673	429,499	429,179	432,427	433,324	431,638	430,161
16 Treasury cash holdings	269	268	282	268	268	270	277	278	284	285
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,304	5,107	6,139	4,781	5,129	5,272	5,347	4,669	5,754	7,620
18 Foreign	180	186	176	186	181	194	172	173	173	170
19 Service-related balances and adjustments	6,228	6,360[r]	6,379	6,312	6,367	6,495	6,262	6,301	6,288	6,500
20 Other	318	311	357	305	324	309	313	351	366	364
21 Other Federal Reserve liabilities and capital	13,391	13,993	14,088	13,786	13,842	14,098	14,016	13,914	14,059	14,334
22 Reserve balances with Federal Reserve Banks[3]	15,503	14,711[r]	13,827	13,917	14,330[r]	11,898[r]	14,767	14,496	12,873	13,734

Factor	End-of-month figures			Wednesday figures						
	July	Aug	Sept	Aug. 14	Aug. 21	Aug. 28	Sept. 4	Sept. 11	Sept. 18	Sept. 25
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	436,332	426,686[r]	428,167	426,917	425,141[r]	430,826[r]	428,031	431,749	426,652	431,689
U.S. government securities[2]										
2 Bought outright—System account	382,378	386,955	383,910	385,806	387,269	386,478	387,506	387,166	386,766	389,613
3 Held under repurchase agreements	15,458	4,374	7,014	4,670	3,310	7,572	3,195	7,400	4,910	7,170
Federal agency obligations										
4 Bought outright	2,336	2,336	2,309	2,336	2,336	2,336	2,336	2,311	2,311	2,309
5 Held under repurchase agreements	282	1,238	1,338	898	665	1,778	1,495	2,440	208	100
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	1,423	10	1,360	28	12	42	321	77	35	60
8 Seasonal credit	295	329	294	310	328	341	304	295	317	325
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	510	220[r]	640	99	252[r]	1,039[r]	1,865	714	267	4
11 Other Federal Reserve assets	33,649	31,224[r]	31,302	32,967	30,968	31,239	31,009	31,345	31,837	32,115
12 Gold stock	11,050	11,050	11,050	11,050	11,050	11,050	11,050	11,050	11,050	11,050
13 Special drawing rights certificate account	10,168	9,718	9,718	9,718	9,718	9,718	9,718	9,718	9,718	9,718
14 Treasury currency outstanding	24,567	24,637	24,693	24,595	24,609	24,623	24,637	24,651	24,665	24,679
ABSORBING RESERVE FUNDS										
15 Currency in circulation	428,715	432,045	430,321	430,353	429,799	431,017	434,135	433,215	431,463	430,808
16 Treasury cash holdings	261	277	286	268	268	277	277	283	285	286
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	6,836	5,149	7,700	5,449	5,879	5,858	5,825	5,054	8,215	6,846
18 Foreign	166	171	265	177	183	216	171	160	165	165
19 Service-related balances and adjustments	6,281	6,262[r]	6,541	6,312	6,367	6,495	6,262	6,301	6,288	6,500
20 Other	278	293	368	308	322	296	357	351	371	369
21 Other Federal Reserve liabilities and capital	14,817	14,007	13,744	13,662	13,581	13,953	13,641	13,953	13,811	14,102
22 Reserve balances with Federal Reserve Banks[3]	24,761	13,887[r]	14,404	15,752	14,120[r]	18,105[r]	12,768	17,850	11,486	18,060

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	1996						
	Dec.	Dec.	Dec.	Mar.	Apr.	May	June	July	Aug.[r]	Sept.
1 Reserve balances with Reserve Banks[2]	29,374	24,658	20,440	18,426	19,181	16,753	16,590	15,392	14,761	13,693
2 Total vault cash[3]	36,818	40,378	42,088	40,892	40,889	41,146	41,979	42,773	42,517	43,639
3 Applied vault cash[4]	33,484	36,682	37,460	36,458	36,688	36,382	37,095	37,451	36,880	37,308
4 Surplus vault cash[5]	3,334	3,696	4,628	4,435	4,201	4,764	4,883	5,322	5,637	6,331
5 Total reserves[6]	62,858	61,340	57,900	54,884	55,869	53,135	53,685	52,843	51,642	51,001
6 Required reserves	61,795	60,172	56,622	53,747	54,750	52,275	52,535	51,778	50,681	49,957
7 Excess reserve balances at Reserve Banks[7]	1,063	1,168	1,278	1,137	1,120	860	1,150	1,065	961	1,044
8 Total borrowings at Reserve Banks[8]	82	209	257	21	91	127	386	368	334	368
9 Seasonal borrowings	31	100	40	10	34	105	192	284	309	306
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0
	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1996									
	June 5	June 19	July 3	July 17	July 31	Aug. 14	Aug. 28[r]	Sept. 11[r]	Sept. 25	Oct. 9
1 Reserve balances with Reserve Banks[2]	16,341	16,565	16,735	16,049	14,447	14,940	14,612	14,623	13,324	12,682
2 Total vault cash[3]	40,879	42,824	41,403	42,347	43,492	43,326	41,604	43,007	44,028	43,941
3 Applied vault cash[4]	36,117	37,747	36,712	37,320	37,740	37,604	36,114	37,083	37,505	37,253
4 Surplus vault cash[5]	4,762	5,078	4,692	5,027	5,752	5,722	5,490	5,924	6,523	6,688
5 Total reserves[6]	52,458	54,311	53,447	53,369	52,187	52,543	50,726	51,705	50,829	49,935
6 Required reserves	51,743	53,234	52,007	52,543	50,964	51,514	49,835	50,741	49,745	48,829
7 Excess reserve balances at Reserve Banks[7]	715	1,078	1,439	826	1,223	1,029	891	964	1,084	1,106
8 Total borrowings at Reserve Banks[8]	156	469	386	290	442	306	349	394	335	402
9 Seasonal borrowings	138	173	241	273	304	290	328	308	317	274
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								
	Aug. 5	Aug. 12	Aug. 19	Aug. 26	Sept. 2	Sept. 9	Sept. 16	Sept. 23	Sept. 30
Federal funds purchased, repurchase agreements, and other selected borrowings									
From commercial banks in the United States									
1 For one day or under continuing contract	80,201	78,496	77,921	72,303	77,908	78,951	74,681	72,796	71,817
2 For all other maturities	13,630	14,649	14,729	16,804	16,122	15,767	16,053	14,397	15,154
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	21,036	18,160	17,835	15,445	15,321	15,949	15,802	18,816	15,419
4 For all other maturities	18,788	19,797	19,880	22,697	22,504	20,546	20,582	19,778	19,277
Repurchase agreements on U.S. government and federal agency securities									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	14,777	12,955	15,474	13,056	14,477	14,819	16,969	19,091	17,772
6 For all other maturities	38,984	39,498	34,426	35,857	35,117	34,640	34,492	36,713	36,037
All other customers									
7 For one day or under continuing contract	37,215	39,384	39,714[r]	37,629[r]	38,622	38,220	39,369	40,237	40,007
8 For all other maturities	13,154	13,285	12,907	13,672[r]	14,129	14,166	13,721	13,480	13,730
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	69,859	63,772	68,417	70,265	72,693	71,494	65,199	64,451	64,758
10 To all other specified customers[2]	22,020	21,308	20,455	19,724	20,725	20,800	23,966	23,507	23,324

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 11/1/96	Effective date	Previous rate	On 11/1/96	Effective date	Previous rate	On 11/1/96	Effective date	Previous rate
Boston	5.00	2/1/96	5.25	5.30	10/24/96	5.35	5.80	10/24/96	5.85
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	10/24/96	5.35	5.80	10/24/96	5.85

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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
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 Nov. 1, 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, 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 by check, draft, debit card, or similar order payable directly to third parties) 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 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	1996 Feb.	Mar.	Apr.	May	June	July	Aug.
U.S. TREASURY SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	17,717	17,484	10,932	0	0	88	0	3,311	0	0
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	332,229	376,277	398,487	39,332	30,556	32,218	40,467	31,726	32,368	34,271
4 Redemptions	0	0	900	0	0	0	0	0	0	0
Others within one year										
5 Gross purchases	1,223	1,238	390	0	0	35	0	0	0	1,240
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts	31,368	0	0	2,746	0	3,511	5,107	0	2,807	2,780
8 Exchanges	36,582	21,444	0	7,575	0	4,824	5,448	0	1,115	3,580
9 Redemptions	0	0	0	0	0	787	0	0	0	0
One to five years										
10 Gross purchases	10,350	9,168	4,966	0	0	1,899	0	0	0	1,279
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shifts	27,140	6,004	0	1,908	0	3,511	4,049	0	2,807	1,409
13 Exchanges	0	17,801	0	5,175	0	4,824	3,748	0	3,694	1,780
Five to ten years										
14 Gross purchases	4,168	3,818	1,239	0	0	179	0	0	0	297
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shifts	0	3,145	0	818	0	0	1,058	0	0	1,371
17 Exchanges	0	2,903	0	1,500	0	0	1,700	0	721	900
More than ten years										
18 Gross purchases	3,457	3,606	3,122	0	0	1,065	0	0	0	900
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts	0	918	0	20	0	0	0	0	0	0
21 Exchanges	0	775	0	900	0	0	0	0	0	900
All maturities										
22 Gross purchases	36,915	35,314	20,619	0	0	3,566	0	3,311	0	3,716
23 Gross sales	0	0	0	0	0	0	0	0	0	0
24 Redemptions	767	2,337	2,376	0	0	787	0	0	0	0
Matched transactions										
25 Gross purchases	1,475,941	1,700,836	2,197,736	274,290	251,623	253,182	259,135	248,534	267,438	265,397
26 Gross sales	1,475,085	1,701,309	2,202,030	275,979	251,086	251,510	259,595	249,277	268,975	264,536
Repurchase agreements										
27 Gross purchases	475,447	309,276	331,694	6,230	31,602	48,869	30,688	43,018	46,151	45,202
28 Gross sales	470,723	311,898	328,497	6,230	27,706	50,345	27,404	41,666	37,779	56,286
29 Net change in U.S. Treasury securities	41,729	29,882	17,175	-1,689	4,433	3,274	2,824	3,950	6,836	6,508
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	0	108	82	16	40	52	0
Repurchase agreements										
33 Gross purchases	35,063	52,696	36,851	765	5,640	2,372	5,722	5,138	3,445	8,500
34 Gross sales	34,669	52,696	36,776	765	4,640	3,372	1,372	6,488	2,863	7,544
35 Net change in federal agency obligations	380	1,002	1,228	0	892	1,082	1,334	1,390	231	956
36 Total net change in System Open Market Account	**41,348**	**28,880**	**15,948**	**-1,689**	**5,325**	**2,192**	**4,158**	**2,560**	**7,066**	**5,552**

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		
	Aug. 28	Sept. 4	Sept. 11	Sept. 18	Sept. 25	July 31	Aug. 31	Sept. 30
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,050	11,050	11,050	11,050	11,050	11,050	11,050	11,050
2 Special drawing rights certificate account	9,718	9,718	9,718	9,718	9,718	10,168	9,718	9,718
3 Coin	553	531	562	574	584	521	550	596
Loans								
4 To depository institutions	383	625	372	352	385	1,718	339	1,654
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	2,336	2,336	2,311	2,311	2,309	2,336	2,336	2,309
8 Held under repurchase agreements	1,778	1,495	2,440	208	100	282	1,238	1,338
9 **Total U.S. Treasury securities**	**394,050**	**390,701**	**394,566**	**391,676**	**396,783**	**397,836**	**391,329**	**390,924**
10 Bought outright[2]	386,478	387,506	387,166	386,766	389,613	382,378	386,955	383,910
11 Bills	186,217	187,245	186,906	186,506	189,352	185,833	186,694	183,650
12 Notes	152,392	152,392	152,392	152,392	152,392	150,102	152,392	152,392
13 Bonds	47,869	47,869	47,869	47,869	47,869	46,443	47,869	47,869
14 *Held under repurchase agreements*	7,572	3,195	7,400	4,910	7,170	15,458	4,374	7,014
15 **Total loans and securities**	**398,547**	**395,157**	**399,690**	**394,548**	**399,577**	**402,173**	**395,242**	**396,226**
16 Items in process of collection	5,923	10,198	6,592	6,731	5,788	6,143	4,100	2,521
17 Bank premises	1,198	1,197	1,202	1,205	1,208	1,190	1,197	1,207
Other assets								
18 Denominated in foreign currencies[3]	20,218	20,039	20,048	20,056	20,064	20,183	20,036	19,484
19 All other[4]	9,919	9,863	10,121	10,679	10,898	12,349	9,997	10,679
20 **Total assets**	**457,126**	**457,754**	**458,983**	**454,561**	**458,886**	**463,777**	**451,890**	**451,481**
LIABILITIES								
21 Federal Reserve notes	407,223	410,306	409,409	407,657	406,999	404,930	408,235	406,510
22 **Total deposits**	**30,933**	**25,521**	**29,936**	**27,359**	**32,388**	**38,332**	**25,846**	**29,331**
23 Depository institutions	24,562	19,169	24,371	18,608	25,008	31,052	20,233	20,997
24 U.S. Treasury—General account	5,858	5,825	5,054	8,215	6,846	6,836	5,149	7,700
25 Foreign—Official accounts	216	171	160	165	165	166	171	265
26 Other	296	357	351	371	369	278	293	368
27 Deferred credit items	5,018	8,286	5,685	5,735	5,398	5,697	3,802	1,897
28 *Other liabilities and accrued dividends*[5]	4,524	4,397	4,442	4,273	4,584	5,156	4,585	4,515
29 **Total liabilities**	**447,698**	**448,510**	**449,471**	**445,023**	**449,369**	**454,116**	**442,468**	**442,252**
CAPITAL ACCOUNTS								
30 Capital paid in	4,519	4,519	4,541	4,544	4,549	4,437	4,520	4,535
31 Surplus	3,966	3,966	3,966	3,966	3,966	3,966	3,966	3,958
32 Other capital accounts	943	759	1,004	1,029	1,002	1,257	936	736
33 **Total liabilities and capital accounts**	**457,126**	**457,754**	**458,983**	**454,561**	**458,886**	**463,777**	**451,890**	**451,481**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	564,101	580,109	583,427	579,080	585,105	559,611	567,974	590,730
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	526,560	527,870	529,658	530,932	532,507	521,387	527,475	533,392
36 LESS: Held by Federal Reserve Banks	119,337	117,564	120,249	123,275	125,507	116,457	119,240	126,882
37 Federal Reserve notes, net	407,223	410,306	409,409	407,657	406,999	404,930	408,235	406,510
Collateral held against notes, net								
38 Gold certificate account	11,050	11,050	11,050	11,050	11,050	11,050	11,050	11,050
39 Special drawing rights certificate account	9,718	9,718	9,718	9,718	9,718	10,168	9,718	9,718
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	386,455	389,538	388,641	386,889	386,231	383,713	387,467	385,742
42 **Total collateral**	**407,223**	**410,306**	**409,409**	**407,657**	**406,999**	**404,930**	**408,235**	**406,510**

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		
	Aug. 28	Sept. 4	Sept. 11	Sept. 18	Sept. 25	July 31	Aug. 31	Sept. 30
1 **Total loans**	**383**	**625**	**372**	**352**	**385**	**568**	**373**	**1,654**
2 Within fifteen days[1]	343	508	137	324	353	231	512	1,508
3 Sixteen days to ninety days	40	117	235	28	32	57	43	145
4 **Total U.S. Treasury securities**	**394,050**	**390,701**	**394,566**	**391,676**	**396,783**	**397,836**	**386,955**	**383,910**
5 Within fifteen days[1]	17,481	17,452	21,043	19,801	20,000	28,057	3,250	7,494
6 Sixteen days to ninety days	92,893	89,039	89,313	93,115	93,122	86,783	92,893	91,276
7 Ninety-one days to one year	114,655	115,174	115,174	109,724	114,624	118,032	121,790	115,601
8 One year to five years	95,012	95,027	95,027	95,027	95,022	92,581	95,012	95,531
9 Five years to ten years	33,653	33,653	33,653	33,653	33,653	33,662	33,653	33,653
10 More than ten years	40,356	40,356	40,356	40,356	40,356	38,721	40,356	40,356
11 **Total federal agency obligations**	**4,114**	**3,831**	**4,751**	**2,519**	**2,409**	**2,618**	**2,336**	**2,309**
12 Within fifteen days[1]	2,100	1,520	2,442	445	435	438	322	335
13 Sixteen days to ninety days	564	891	901	666	566	722	564	566
14 Ninety-one days to one year	484	455	477	477	477	492	484	477
15 One year to five years	475	475	440	440	440	475	475	440
16 Five years to ten years	467	467	467	467	467	467	467	467
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.	1996 Feb.	1996 Mar.	1996 Apr.	1996 May	1996 June	1996 July	1996 Aug.[r]	1996 Sept.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	54.37	60.52	59.36	56.36	54.85	55.73	55.18	54.23	54.11	53.20	52.27	51.36
2 Nonborrowed reserves[4]	54.24	60.44	59.16	56.11	54.81	55.71	55.09	54.10	53.73	52.83	51.94	50.99
3 Nonborrowed reserves plus extended credit[5]	54.24	60.44	59.16	56.11	54.81	55.71	55.09	54.10	53.73	52.83	51.94	50.99
4 Required reserves	53.21	59.46	58.20	55.09	54.00	54.59	54.06	53.37	52.96	52.13	51.31	50.31
5 Monetary base[6]	351.24	386.88	418.72	435.01	433.67	436.87	436.64	437.01	439.08	441.85	444.14	445.82
	Not seasonally adjusted											
6 Total reserves[7]	56.06	62.37	61.13	58.02	53.80	54.97	56.00	53.29	53.87	53.05	51.88	51.27
7 Nonborrowed reserves	55.93	62.29	60.92	57.76	53.77	54.95	55.90	53.16	53.48	52.69	51.55	50.90
8 Nonborrowed reserves plus extended credit[5]	55.93	62.29	60.92	57.76	53.77	54.95	55.90	53.16	53.48	52.69	51.55	50.90
9 Required reserves[8]	54.90	61.31	59.96	56.74	52.95	53.84	54.88	52.43	52.72	51.99	50.92	50.23
10 Monetary base[9]	354.55	390.59	422.51	439.03	430.29	434.86	437.12	436.13	439.88	443.19	444.52	445.49
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	56.54	62.86	61.34	57.90	53.75	54.88	55.87	53.14	53.69	52.84	51.64	51.00
12 Nonborrowed reserves	56.42	62.78	61.13	57.64	53.72	54.86	55.78	53.01	53.30	52.48	51.31	50.63
13 Nonborrowed reserves plus extended credit[5]	56.42	62.78	61.13	57.64	53.72	54.86	55.78	53.01	53.30	52.48	51.31	50.63
14 Required reserves	55.39	61.80	60.17	56.62	52.90	53.75	54.75	52.28	52.54	51.78	50.68	49.96
15 Monetary base[12]	360.90	397.62	427.25	444.45	436.26	440.77	442.96	442.17	445.94	449.26	450.70	451.66
16 Excess reserves[13]	1.16	1.06	1.17	1.28	.85	1.14	1.12	.86	1.15	1.07	.96	1.04
17 Borrowings from the Federal Reserve	.12	.08	.21	.26	.04	.02	.09	.13	.39	.37	.33	.37

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[1] June	1996[1] July	1996[1] Aug.	1996[1] Sept.
	Seasonally adjusted							
Measures[2]								
1 M1	1,024.4	1,128.6	1,148.7	1,124.9	1,116.7	1,108.4	1,099.5	1,091.8
2 M2	3,438.7	3,494.0	3,509.2	3,657.4	3,737.5	3,742.9	3,755.0	3,765.6
3 M3	4,187.1	4,249.6	4,319.1	4,570.5	4,710.3	4,720.0	4,739.1	4,768.2
4 L	5,075.6	5,164.5	5,302.8	5,679.8	5,823.7	5,838.6	5,870.2	n.a.
5 Debt	11,880.1	12,507.6	13,148.8	13,869.4	14,244.5	14,306.6	14,347.4	n.a.
M1 components								
6 Currency[3]	292.9	322.4	354.9	373.2	379.4	382.6	385.0	387.4
7 Travelers checks[4]	8.1	7.9	8.5	8.9	8.6	8.5	8.4	8.4
8 Demand deposits[5]	339.1	384.3	382.4	389.8	413.7	410.5	407.5	405.5
9 Other checkable deposits[6]	384.2	414.0	402.9	353.0	315.0	306.8	298.7	290.5
Nontransaction components								
10 In M2[7]	2,414.3	2,365.4	2,360.5	2,532.6	2,620.8	2,634.5	2,655.5	2,673.8
11 In M3 only[8]	748.5	755.6	809.9	913.1	972.8	977.1	984.1	1,002.6
Commercial banks								
12 Savings deposits, including MMDAs	754.1	785.0	751.9	775.0	838.2	845.0	857.3	864.7
13 Small time deposits[9]	509.3	470.3	505.3	578.3	575.0	577.6	580.4	583.0
14 Large time deposits[10, 11]	286.5	272.2	298.3	342.1	366.8	371.8	375.0	382.3
Thrift institutions								
15 Savings deposits, including MMDAs	433.0	433.8	397.0	359.5	368.8	368.7	367.2	367.0
16 Small time deposits[9]	361.9	317.6	318.2	359.4	352.5	351.7	353.0	354.2
17 Large time deposits[10]	67.1	61.5	64.8	75.1	75.4	76.2	76.7	78.0
Money market mutual funds								
18 Retail	356.0	358.7	388.1	460.3	486.3	491.6	497.7	504.9
19 Institution-only	199.8	197.9	183.7	227.2	249.4	252.9	257.2	262.7
Repurchase agreements and Eurodollars								
20 Repurchase agreements[12]	128.1	157.5	180.8	177.6	183.6	179.9	178.3	181.1
21 Eurodollars[12]	66.9	66.3	82.3	91.1	97.6	96.2	96.8	98.5
Debt components								
22 Federal debt	3,064.3	3,323.3	3,492.2	3,638.8	3,710.7	3,729.4	3,743.4	n.a.
23 Nonfederal debt	8,815.7	9,184.2	9,656.6	10,230.7	10,533.8	10,577.2	10,604.1	n.a
	Not seasonally adjusted							
Measures[2]								
24 M1	1,046.0	1,153.7	1,174.2	1,150.7	1,112.8	1,108.5	1,095.4	1,089.3
25 M2	3,455.1	3,514.1	3,529.6	3,677.1	3,735.9	3,749.9	3,759.0	3,762.7
26 M3	4,205.1	4,271.2	4,340.9	4,591.6	4,707.6	4,722.2	4,745.1	4,762.9
27 L	5,102.9	5,194.1	5,332.3	5,709.3	5,814.9	5,835.8	5,873.3	n.a.
28 Debt	11,881.5	12,509.6	13,150.2	13,869.2	14,196.3	14,245.8	14,292.7	n.a.
M1 components								
29 Currency[3]	295.0	324.8	357.5	376.1	380.5	383.7	385.9	386.8
30 Travelers checks[4]	7.8	7.6	8.1	8.5	8.9	9.1	9.0	8.8
31 Demand deposits[5]	354.4	401.8	400.1	407.9	409.8	411.1	405.0	404.7
32 Other checkable deposits[6]	388.9	419.4	408.4	358.1	313.6	304.5	295.6	289.0
Nontransaction components								
33 In M2[7]	2,409.1	2,360.4	2,355.4	2,526.4	2,623.1	2,641.4	2,663.6	2,673.4
34 In M3 only[8]	750.0	757.1	811.3	914.5	971.7	972.3	986.1	1,000.3
Commercial banks								
35 Savings deposits, including MMDAs	752.9	784.3	751.6	775.0	839.9	847.4	860.4	867.1
36 Small time deposits[9]	507.8	468.2	502.3	574.3	577.1	580.0	581.8	583.1
37 Large time deposits[10, 11]	286.0	272.0	298.1	342.0	367.5	370.2	375.8	383.1
Thrift institutions								
38 Savings deposits, including MMDAs	432.4	433.4	396.9	359.5	369.5	369.7	368.5	368.0
39 Small time deposits[9]	360.9	316.1	316.3	356.9	353.8	353.1	353.8	354.2
40 Large time deposits[10]	67.0	61.5	64.8	75.1	75.6	75.9	76.9	78.1
Money market mutual funds								
41 Retail	355.1	358.3	388.2	460.6	482.9	491.1	499.1	501.1
42 Institution-only	201.1	199.4	185.5	229.4	244.5	250.2	256.9	258.0
Repurchase agreements and Eurodollars								
43 Repurchase agreements[12]	127.2	156.6	179.6	176.2	187.2	180.5	179.3	182.0
44 Eurodollars[12]	68.7	67.6	83.4	91.9	96.8	95.5	97.2	99.0
Debt components								
45 Federal debt	3,069.8	3,329.5	3,499.0	3,645.9	3,698.1	3,708.3	3,730.9	n.a.
46 Nonfederal debt	8,811.7	9,180.1	9,651.2	10,223.3	10,498.2	10,537.5	10,561.8	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	1994 Dec.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.[r]	1996 Apr.[r]	1996 May[r]	1996 June[r]	1996 July	1996 Aug.	1996 Sept.
	Interest rates (annual effective yields)[2]										
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts	1.96	1.91	1.90	1.91	1.85	1.88	1.88	1.90	1.90[r]	1.92[r]	1.92
2 Savings deposits[3]	2.92	3.10	3.01	2.98	2.91	2.91	2.89	2.87	2.88	2.86[r]	2.84
Interest-bearing time deposits with balances of less than $100,000, by maturity											
3 7 to 91 days	3.79	4.10	4.02	3.99	4.02	4.01	4.03	4.08	4.13[r]	4.17	4.11
4 92 to 182 days	4.14	4.68	4.57	4.45	4.49	4.51	4.51	4.55	4.59	4.61	4.61
5 183 days to 1 year	5.12	5.02	4.94	4.79	4.83	4.86	4.88	4.95	5.00	5.00	5.03
6 More than 1 year to 2½ years	5.74	5.17	5.03	4.89	4.94	5.03	5.10	5.18	5.25	5.25	5.29
7 More than 2½ years	6.30	5.40	5.26	5.10	5.19	5.28	5.36	5.46	5.50[r]	5.50	5.54
BIF-INSURED SAVINGS BANKS[4]											
8 Negotiable order of withdrawal accounts	1.94	1.91	1.85	1.84	1.83	1.84	1.81	1.80	1.81	1.81	1.83
9 Savings deposits[3]	2.87	2.98	2.95	2.92	2.86	2.85	2.84	2.85	2.88	2.86	2.84
Interest-bearing time deposits with balances of less than $100,000, by maturity											
10 7 to 91 days	3.80	4.43	4.38	4.26	4.37	4.42	4.49	4.51	4.64	4.65	4.60
11 92 to 182 days	4.89	4.95	4.86	4.77	4.76	4.77	4.83	4.91	5.01	5.06	5.12
12 183 days to 1 year	5.52	5.18	5.06	4.91	4.89	4.91	4.96	5.02	5.09	5.26	5.33
13 More than 1 year to 2½ years	6.09	5.33	5.22	5.10	5.15	5.23	5.26	5.35	5.41	5.59	5.62
14 More than 2½ years	6.43	5.46	5.34	5.24	5.24	5.32	5.38	5.51	5.60	5.80	5.82
	Amounts outstanding (millions of dollars)										
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts	301,896	248,417	245,749	242,930	218,500	228,551	208,570	202,847	206,832[r]	192,577[r]	192,415
16 Savings deposits[3]	737,068	776,466	768,071	784,035	827,561	805,419	839,319	843,939	840,849[r]	866,712	859,443
17 Personal	580,438	615,113	612,321	623,110	661,686	639,848	668,788	672,174	667,009[r]	687,880[r]	680,289
18 Nonpersonal	156,630	161,353	155,750	160,925	165,875	165,572	170,531	171,765	173,840[r]	178,833[r]	179,154
Interest-bearing time deposits with balances of less than $100,000, by maturity											
19 7 to 91 days	32,265	32,170	33,783	35,719	35,426	34,117	30,383	31,554	31,758[r]	32,992[r]	32,749
20 92 to 182 days	96,650	93,941	95,350	97,219	97,230	96,168	95,911	94,970	94,265[r]	91,621[r]	91,747
21 183 days to 1 year	163,062	183,834	184,046	184,095	186,206	190,297	193,821	195,403	197,680[r]	200,725[r]	201,551
22 More than 1 year to 2½ years	164,395	208,601	212,394	210,493	209,051	208,571	208,932	209,679	209,207[r]	210,008[r]	212,179
23 More than 2½ years	192,712	199,002	199,254	198,922	199,267	198,236	198,922	199,403	198,683[r]	200,297[r]	198,856
24 IRA and Keogh plan deposits	144,155	150,546	150,366	149,965	151,517	151,396	151,652	152,765	152,031[r]	152,312[r]	152,653
BIF-INSURED SAVINGS BANKS[4]											
25 Negotiable order of withdrawal accounts	11,175	11,918	11,139	11,597	11,671	11,161	11,715	11,206	10,893	10,801	9,880
26 Savings deposits[3]	70,082	68,643	66,702	67,614	67,215	66,729	67,630	66,814	66,898[r]	67,941	68,418
27 Personal	67,159	65,366	63,377	64,524	64,152	63,486	64,121	63,527	63,597[r]	64,394	64,898
28 Nonpersonal	2,923	3,277	3,325	3,090	3,063	3,243	3,510	3,286	3,300	3,519	3,520
Interest-bearing time deposits with balances of less than $100,000, by maturity											
29 7 to 91 days	2,144	2,001	2,009	2,131	2,145	2,182	2,349	2,230	2,378	2,356	2,582
30 92 to 182 days	11,361	12,140	12,334	13,247	13,499	13,931	13,955	13,725	13,638	13,633	13,668
31 183 days to 1 year	18,391	25,686	26,304	26,863	26,577	27,305	28,121	27,951	28,605	29,717	29,719
32 More than 1 year to 2½ years	17,787	27,482	26,582	26,945	25,959	25,704	25,444	25,515	26,181	26,376	27,286
33 More than 2½ years	21,293	22,866	22,449	21,819	22,671	22,547	22,661	22,593	22,616	22,694	22,585
34 IRA and Keogh plan accounts	19,013	21,321	20,827	20,845	20,766	20,697	20,683	20,847	20,763	20,760[r]	20,826

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]	1996 Feb	1996 Mar.	1996 Apr.	1996 May	1996 June	1996 July
DEBITS	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	334,784.1	369,029.1	397,649.3	447,869.0	422,696.7	463,244.4	470,742.4	423,913.3	494,540.4
2 Major New York City banks	171,224.3	191,168.8	201,161.4	238,538.4	224,066.5	245,440.5	252,388.2	219,267.0	265,160.3
3 Other banks	163,559.7	177,860.3	196,487.9	209,330.6	198,630.2	217,803.9	218,354.2	204,646.3	229,380.1
4 Other checkable deposits[4]	3,481.5	3,798.6	4,207.4	5,024.4	4,942.7	5,281.2	5,703.6	5,183.2	5,865.7
5 Savings deposits (including MMDAs)[5]	3,497.4	3,766.3	4,507.8	6,406.6	6,283.1	7,357.1	7,132.9	7,198.9	7,453.9
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	785.9	817.4	874.1	950.6	881.0	970.0	987.3	865.1	1,029.4
7 Major New York City banks	4,198.1	4,481.5	4,867.3	5,852.3	5,608.2	5,884.3	6,032.3	4,921.9	6,080.9
8 Other banks	424.6	435.1	475.2	486.4	451.6	499.7	502.0	459.4	525.1
9 Other checkable deposits[4]	11.9	12.6	15.4	21.6	21.7	23.3	26.4	24.7	28.7
10 Savings deposits (including MMDAs)[5]	4.6	4.9	6.1	8.1	7.8	9.0	8.7	8.6	8.9
DEBITS	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	334,899.2	369,121.8	397,657.8	414,819.1	442,977.6	456,898.8	459,061.9	436,753.7	493,494.4
12 Major New York City banks	171,283.5	191,226.0	201,182.6	222,007.5	236,954.2	238,335.3	240,893.0	225,760.4	264,100.1
13 Other banks	163,615.7	177,895.7	196,475.3	192,811.6	206,023.4	218,563.4	218,168.8	210,993.3	229,394.3
14 Other checkable deposits[4]	3,481.7	3,795.6	4,202.6	4,629.1	4,990.4	5,580.9	5,479.7	5,332.4	5,754.2
15 Savings deposits (including MMDAs)[5]	3,498.3	3,764.4	4,500.8	5,798.9	6,444.7	7,690.2	7,061.9	7,375.0	7,580.0
DEPOSIT TURNOVER									
Demand deposits[3]									
16 All insured banks	786.1	818.2	874.6	900.9	947.0	956.6	980.2	903.0	1,028.0
17 Major New York City banks	4,197.9	4,490.3	4,873.1	5,427.5	6,060.5	5,774.9	5,963.5	5,188.2	6,127.2
18 Other banks	424.8	435.3	475.4	459.6	480.6	500.9	509.8	479.4	525.0
19 Other checkable deposits[4]	11.9	12.6	15.3	19.9	21.8	24.1	25.6	25.6	28.6
20 Savings deposits (including MMDAs)[5]	4.6	4.9	6.1	7.3	7.9	9.4	8.6	8.8	9.0

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	1996[r]							1996			
	Sept	Feb	Mar	Apr.	May	June	July	Aug	Sept 4	Sept 11	Sept 18	Sept. 25
ALL COMMERCIAL BANKING INSTITUTIONS	Seasonally adjusted											
Assets												
1 Bank credit	3,571.0[r]	3,647.6	3,641.6	3,660.6	3,661.7	3,671.6	3,675.8	3,669.9	3,669.9	3,682.2	3,678.4	3,691.1
2 Securities in bank credit	988.9[r]	998.2	983.2	982.9	989.2	982.9	978.2	966.9	957.8	961.5	955.4	963.7
3 U.S. government securities	707.7[r]	714.8	704.3	704.5	713.3	708.5	708.2	702.3	702.2	704.5	700.4	706.5
4 Other securities	281.3[r]	283.5	278.9	278.4	275.9	274.4	270.0	264.6	255.6	257.0	255.0	257.3
5 Loans and leases in bank credit[2]	2,582.1	2,649.4	2,658.4	2,677.7	2,675.4	2,688.7	2,697.6	2,703.0	2,712.0	2,720.7	2,723.0	2,727.4
6 Commercial and industrial	707.6	728.3	727.3	733.2	735.6	738.6	742.4	744.0	750.9	754.3	757.3	761.8
7 Real estate	1,071.9	1,089.9	1,095.3	1,097.1	1,098.8	1,102.0	1,103.2	1,109.9	1,111.1	1,111.5	1,111.7	1,111.4
8 Revolving home equity	78.4	79.9	80.0	80.1	79.7	79.3	79.8	80.4	80.7	80.8	81.0	81.1
9 Other	993.5	1,010.0	1,015.3	1,017.0	1,019.1	1,022.7	1,023.4	1,029.6	1,030.4	1,030.7	1,030.7	1,030.2
10 Consumer	489.5	500.3	503.8	507.5	505.0	510.3	512.6	513.0	517.4	520.7	518.5	516.4
11 Security[3]	86.7	85.7	84.9	85.9	82.6	82.1	80.3	76.7	74.5	78.7	75.0	79.2
12 Other	226.4	245.1	247.1	254.0	253.5	255.7	259.1	258.4	258.2	255.5	260.4	258.6
13 Interbank loans[4]	192.2	192.3	202.6	208.9	208.7	207.0	199.6	203.3	204.3	202.6	200.3	219.1
14 Cash assets[5]	214.9	219.6	216.4	222.5	219.4	216.7	216.9	219.3	226.0	212.3	215.3	217.8
15 Other assets[6]	227.0	242.8	241.8	243.5	243.4	253.7	264.8	268.0	276.8	273.0	273.3	271.4
16 Total assets[7]	**4,148.3[r]**	**4,245.6**	**4,245.5**	**4,278.3**	**4,279.2**	**4,291.7**	**4,299.2**	**4,302.6**	**4,319.0**	**4,312.2**	**4,309.4**	**4,341.3**
Liabilities												
17 Deposits	2,629.5	2,681.7	2,702.5	2,718.7	2,717.7	2,721.4	2,728.4	2,741.9	2,764.8	2,736.8	2,747.1	2,758.1
18 Transaction	781.1	765.5	766.6	769.9	756.2	749.7	742.5	733.3	738.2	712.4	721.8	732.2
19 Nontransaction	1,848.4	1,916.3	1,936.0	1,948.8	1,961.4	1,971.8	1,985.9	2,008.6	2,026.6	2,024.4	2,025.4	2,025.9
20 Large time	415.6	426.4	429.1	433.3	440.0	445.4	448.0	452.7	456.8	456.3	459.7	460.6
21 Other	1,432.9	1,489.9	1,506.9	1,515.4	1,521.4	1,526.4	1,537.9	1,555.9	1,569.8	1,568.1	1,565.7	1,565.3
22 Borrowings	687.3	691.9	688.9	710.7	710.5	702.3	692.8	700.7	699.9	704.9	701.2	730.1
23 From banks in the U.S.	197.9	192.7	204.1	207.7	207.5	203.7	200.4	200.1	194.6	203.2	206.6	227.0
24 From nonbanks in the U.S.	489.4	499.2	484.8	503.0	503.0	498.5	492.4	500.6	505.3	501.7	494.6	503.1
25 Net due to related foreign offices	251.8	276.6	261.6	251.4	255.9	255.1	248.9	243.5	239.4	251.0	254.3	235.5
26 Other liabilities[8]	222.6	233.8	224.1	231.9	220.3	228.9	226.4	228.6	226.6	228.0	225.7	233.5
27 Total liabilities	**3,791.2**	**3,884.0**	**3,877.1**	**3,915.7**	**3,904.4**	**3,907.7**	**3,896.4**	**3,914.6**	**3,930.7**	**3,920.7**	**3,928.3**	**3,957.2**
28 Residual (assets less liabilities)[9]	357.1[r]	361.6	368.4	362.7	374.8	384.0	402.8	388.0	388.2	391.5	381.1	384.2
	Not seasonally adjusted											
Assets												
29 Bank credit	3,575.9[r]	3,639.2	3,635.8	3,661.5	3,661.6	3,668.4	3,668.5	3,668.7	3,677.7	3,685.7	3,688.4	3,688.1
30 Securities in bank credit	992.0[r]	993.2	987.5	987.9	993.7	984.1	974.8	971.0	966.5	966.7	958.3	962.2
31 U.S. government securities	709.3[r]	710.1	708.6	710.5	714.1	708.7	705.9	705.5	706.1	706.6	702.6	706.2
32 Other securities	282.7[r]	283.0	278.9	277.4	279.6	275.4	269.0	265.5	260.1	260.1	255.8	256.0
33 *Loans and leases in bank credit*[2]	2,583.9	2,646.0	2,648.3	2,673.6	2,667.9	2,684.3	2,693.7	2,697.7	2,711.2	2,719.0	2,730.0	2,725.9
34 Commercial and industrial	703.0	726.5	731.2	739.1	741.0	741.6	743.5	740.6	745.9	746.6	751.2	756.4
35 Real estate	1,073.8	1,086.8	1,089.7	1,093.2	1,095.7	1,100.7	1,103.0	1,109.5	1,111.5	1,114.2	1,113.7	1,112.5
36 Revolving home equity	78.9	79.4	79.2	79.5	79.6	79.3	79.9	80.6	81.0	81.2	81.5	81.7
37 Other	994.9	1,007.4	1,010.5	1,013.7	1,016.1	1,021.4	1,023.1	1,028.9	1,030.5	1,033.0	1,032.2	1,030.7
38 Consumer	490.8	500.9	499.6	504.7	503.3	506.5	509.8	514.2	518.2	520.5	520.3	518.6
39 Security[3]	86.3	88.7	84.8	86.7	78.4	80.0	77.8	74.7	72.6	78.8	78.3	77.9
40 Other	229.9	243.2	243.0	249.8	249.5	255.6	259.6	258.8	263.0	258.9	263.5	260.5
41 Interbank loans[4]	188.0	194.2	200.5	205.9	202.3	203.3	196.8	197.6	206.2	199.6	191.1	204.7
42 Cash assets[5]	215.8	220.4	209.2	217.0	216.7	214.6	214.6	209.8	242.0	216.4	211.5	211.4
43 Other assets[6]	228.2	242.2	240.3	241.0	244.4	253.2	265.5	270.0	282.9	275.4	272.0	270.6
44 Total assets[7]	**4,150.8[r]**	**4,239.2**	**4,228.8**	**4,268.5**	**4,268.0**	**4,282.2**	**4,287.9**	**4,288.2**	**4,350.5**	**4,318.9**	**4,310.7**	**4,316.6**
Liabilities												
45 Deposits	2,628.3	2,672.7	2,688.9	2,715.6	2,707.3	2,718.2	2,721.5	2,729.6	2,797.6	2,752.9	2,710.4	2,723.2
46 Transaction	779.8	758.3	751.8	768.9	743.9	743.2	735.3	719.6	766.6	721.9	716.7	704.8
47 Nontransaction	1,848.5	1,914.4	1,937.1	1,946.7	1,963.5	1,975.0	1,986.2	2,010.0	2,030.9	2,031.0	2,023.4	2,018.4
48 Large time	414.6	426.9	430.6	433.2	445.4	445.2	445.9	452.0	455.5	456.7	458.2	458.6
49 Other	1,433.9	1,487.5	1,506.5	1,513.5	1,518.0	1,529.8	1,540.3	1,558.0	1,575.4	1,574.3	1,565.3	1,559.8
50 Borrowings	693.5	686.3	680.8	696.7	707.9	712.0	704.9	697.1	700.3	702.1	709.3	731.2
51 From banks in the U.S.	190.2	194.4	199.3	206.5	204.7	205.4	198.6	193.4	196.1	196.6	196.6	210.2
52 From nonbanks in the U.S.	503.3	491.9	481.5	490.2	503.1	506.6	506.3	503.6	504.1	505.5	512.7	521.0
53 Net due to related foreign offices	247.4	278.2	262.2	254.6	258.2	247.6	247.5	242.5	233.1	242.5	241.7	244.8
54 Other liabilities[8]	222.8	234.3	225.5	228.1	223.0	229.7	225.9	228.0	227.8	229.4	224.4	232.8
55 Total liabilities	**3,792.0**	**3,871.5**	**3,857.4**	**3,895.1**	**3,896.4**	**3,907.6**	**3,899.8**	**3,897.2**	**3,958.8**	**3,927.0**	**3,918.6**	**3,932.0**
56 Residual (assets less liabilities)[9]	358.8[r]	367.7	371.3	373.4	371.5	374.6	388.1	391.0	391.7	391.9	392.1	384.6

Footnotes appear on following page.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]—Continued

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1995	1996[r]							1996			
	Sept	Feb	Mar.	Apr	May	June	July	Aug.	Sept. 4	Sept. 11	Sept. 18	Sept. 25
DOMESTICALLY CHARTERED COMMERCIAL BANKS	Seasonally adjusted											
Assets												
57 Bank credit	3,138.9[r]	3,196.2	3,198.3	3,212.2	3,214.4	3,213.5	3,214.8	3,206.9	3,206.6	3,221.0	3,218.2	3,229.3
58 Securities in bank credit	852.5[r]	852.6	843.0	842.0	845.7	837.9	835.1	822.7	816.5	821.2	818.1	824.0
59 U.S. government securities	642.0[r]	641.3	633.1	632.9	635.3	629.2	627.5	619.5	619.7	620.1	617.8	621.1
60 Other securities	210.5[r]	211.3	209.9	209.1	210.3	208.7	207.6	203.2	196.8	201.2	200.3	202.9
61 Loans and leases in bank credit[2]	2,286.4	2,343.7	2,355.3	2,370.3	2,368.7	2,375.6	2,379.7	2,384.2	2,390.1	2,399.7	2,400.1	2,405.4
62 Commercial and industrial	528.6	541.3	541.8	546.3	548.6	548.7	549.9	552.0	556.0	558.1	559.3	563.0
63 Real estate	1,034.9	1,055.6	1,062.0	1,063.9	1,065.7	1,069.2	1,069.9	1,076.4	1,077.6	1,078.0	1,078.3	1,077.9
64 Revolving home equity	78.3	79.9	79.9	80.1	79.7	79.3	79.7	80.3	80.7	80.8	81.0	81.1
65 Other	956.6	975.7	982.1	983.8	986.0	989.9	990.2	996.1	997.0	997.3	997.3	996.8
66 Consumer	489.5	500.3	503.8	507.5	505.0	510.3	512.6	514.0	517.4	520.7	518.5	516.4
67 Security[3]	51.7	52.2	51.2	52.9	50.7	46.8	46.1	42.1	39.8	45.7	42.9	46.8
68 Other	181.6	194.2	196.4	199.7	198.8	200.7	201.2	199.7	199.3	197.2	201.0	201.2
69 Interbank loans[4]	168.2	171.6	181.8	187.8	187.4	184.5	180.4	183.4	184.0	183.6	181.5	201.7
70 Cash assets[5]	187.9	190.3	189.1	196.3	193.2	191.5	191.6	194.2	201.1	187.1	190.4	193.4
71 Other assets[6]	171.3	186.3	186.8	188.6	188.0	201.5	215.1	219.8	228.4	224.8	223.4	221.5
72 **Total assets**[7]	**3,609.6**[r]	**3,687.7**	**3,699.2**	**3,727.9**	**3,726.2**	**3,733.8**	**3,744.1**	**3,746.5**	**3,761.9**	**3,758.6**	**3,755.5**	**3,787.9**
Liabilities												
73 Deposits	2,458.9	2,516.9	2,534.6	2,549.2	2,545.1	2,549.3	2,553.9	2,567.5	2,590.5	2,563.6	2,572.9	2,585.7
74 Transaction	772.1	754.8	756.7	759.4	745.3	738.8	731.8	722.5	727.8	702.0	711.8	722.4
75 Nontransaction	1,686.8	1,762.1	1,777.9	1,789.8	1,799.8	1,810.5	1,822.0	1,845.0	1,862.7	1,861.6	1,861.1	1,863.3
76 Large time	255.0	274.4	273.3	275.6	279.4	283.1	285.5	290.3	294.7	295.7	297.9	300.4
77 Other	1,431.8	1,487.7	1,504.5	1,514.1	1,520.4	1,527.4	1,536.6	1,554.7	1,568.1	1,565.9	1,563.2	1,562.9
78 Borrowings	569.7	574.2	577.1	591.2	585.5	582.3	576.3	580.4	581.1	585.8	584.5	607.7
79 From banks in the U.S.	178.9	173.2	183.6	184.5	184.1	183.4	180.8	179.2	174.5	183.6	186.7	204.8
80 From nonbanks in the U.S.	390.8	401.0	393.5	406.7	401.5	398.8	395.5	401.2	406.7	402.2	397.8	402.9
81 Net due to related foreign offices	92.2	90.5	81.3	84.5	88.0	79.7	76.9	72.0	63.2	72.9	77.9	71.2
82 Other liabilities[8]	141.6	153.9	147.1	154.9	146.9	157.9	156.9	160.4	158.2	159.7	156.0	163.8
83 **Total liabilities**	**3,262.4**	**3,335.5**	**3,340.1**	**3,379.8**	**3,365.5**	**3,369.1**	**3,364.0**	**3,380.3**	**3,393.0**	**3,382.0**	**3,391.3**	**3,428.4**
84 Residual (assets less liabilities)[9]	347.2[r]	352.2	359.1	348.1	360.7	364.7	380.1	366.2	369.0	376.6	364.3	359.6
	Not seasonally adjusted											
Assets												
85 Bank credit	3,142.7[r]	3,188.1	3,191.1	3,214.9	3,214.8	3,213.7	3,206.8	3,203.5	3,212.7	3,222.6	3,225.2	3,225.0
86 Securities in bank credit	854.5[r]	848.5	846.2	847.0	849.0	841.2	831.1	824.7	822.8	824.7	820.4	822.1
87 U.S. government securities	644.2[r]	637.2	636.2	638.6	637.0	630.4	625.4	621.4	623.3	622.6	620.7	621.3
88 Other securities	210.3[r]	211.4	210.0	208.4	212.0	210.7	205.7	203.3	199.5	202.1	199.7	200.7
89 Loans and leases in bank credit[2]	2,288.2	2,339.5	2,344.9	2,367.9	2,365.8	2,372.6	2,375.8	2,378.8	2,389.9	2,397.9	2,404.8	2,402.9
90 Commercial and industrial	524.7	540.6	544.9	552.2	554.0	551.1	549.9	547.8	550.9	551.7	556.5	558.4
91 Real estate	1,036.7	1,052.3	1,056.2	1,060.4	1,062.8	1,067.9	1,069.8	1,076.0	1,077.9	1,080.6	1,080.2	1,078.9
92 Revolving home equity	78.9	79.4	79.1	79.5	79.6	79.2	79.8	80.6	81.0	81.2	81.5	81.7
93 Other	957.9	972.9	977.1	980.9	983.2	988.6	989.9	995.4	996.9	999.4	998.7	997.2
94 Consumer	490.8	500.9	499.6	504.7	503.3	506.5	509.8	514.2	518.2	520.5	520.3	518.6
95 Security[3]	51.6	53.2	51.3	53.9	49.5	47.0	44.8	41.3	39.9	45.5	44.9	45.1
96 Other	184.4	192.5	192.9	196.6	196.2	200.0	201.4	199.8	203.1	199.5	202.9	201.9
97 Interbank loans[4]	163.1	175.3	180.5	185.7	180.8	182.6	177.6	178.5	187.0	180.5	175.0	185.6
98 Cash assets[5]	187.9	192.2	182.2	191.4	191.0	188.6	188.9	184.1	216.3	190.7	188.8	185.7
99 Other assets[6]	172.3	185.1	186.1	187.8	188.3	201.3	216.5	220.8	233.5	226.0	222.5	221.1
100 **Total assets**[7]	**3,608.9**[r]	**3,684.0**	**3,682.9**	**3,723.0**	**3,717.9**	**3,728.9**	**3,732.3**	**3,728.9**	**3,791.4**	**3,761.5**	**3,753.3**	**3,759.1**
Liabilities												
101 Deposits	2,457.9	2,508.2	2,520.5	2,548.4	2,533.3	2,543.9	2,549.3	2,556.9	2,624.6	2,579.8	2,566.9	2,549.9
102 Transaction	770.2	747.6	742.1	758.9	733.6	732.6	724.7	708.9	755.9	711.2	706.0	694.1
103 Nontransaction	1,687.7	1,760.5	1,778.4	1,789.5	1,799.7	1,811.3	1,824.6	1,848.0	1,868.6	1,868.7	1,860.9	1,855.9
104 Large time	254.7	275.8	273.8	277.0	282.7	282.9	285.6	291.7	295.1	296.4	297.8	298.3
105 Other	1,433.0	1,484.7	1,504.6	1,512.5	1,517.1	1,528.4	1,539.0	1,556.3	1,573.5	1,572.3	1,563.1	1,557.6
106 Borrowings	573.3	573.3	569.6	576.4	584.7	587.8	583.0	574.9	577.9	579.7	586.8	608.6
107 From banks in the U.S.	171.0	175.7	178.7	184.2	183.0	183.5	178.0	172.7	175.4	175.8	175.8	189.4
108 From nonbanks in the U.S.	402.3	397.6	390.9	392.2	401.7	404.3	405.1	402.2	402.5	403.8	411.0	419.2
109 Net due to related foreign offices	88.7	92.3	84.5	84.9	93.1	78.5	75.8	70.4	60.9	70.2	72.3	72.3
110 Other liabilities[8]	141.7	152.3	148.8	153.0	148.4	158.2	156.9	158.9	158.6	160.1	155.1	163.4
111 **Total liabilities**	**3,261.6**	**3,326.1**	**3,323.5**	**3,362.6**	**3,359.4**	**3,368.5**	**3,365.0**	**3,361.1**	**3,421.9**	**3,389.8**	**3,381.1**	**3,394.2**
112 Residual (assets less liabilities)[9]	347.3[r]	357.9	359.4	360.4	358.5	360.5	367.3	367.9	369.4	371.7	372.2	364.9

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								
	July 31	Aug. 7	Aug. 14	Aug. 21	Aug. 28	Sept. 4	Sept. 11	Sept. 18	Sept. 25
ASSETS									
1 Cash and balances due from depository institutions	130,333	112,971	115,647	108,841	116,821	136,782	121,409	121,393	118,312
2 U.S. Treasury and government securities	276,372[r]	276,185[r]	274,624	269,187[r]	270,536	274,654	271,909	270,348	268,917
3 Trading account	21,987[r]	22,249[r]	21,912	18,351[r]	20,047	22,215	20,660	20,788	20,573
4 Investment account	254,385	253,936	252,712	250,836	250,489	252,439	251,249	249,560	248,344
5 Mortgage-backed securities[1]	116,003	115,524	116,262	114,386	115,089	115,013	115,185	114,256	114,186
All others, by maturity									
6 One year or less	31,970	31,664	31,941	32,514	31,858	32,793	33,143	32,045	31,269
7 One year through five years	59,351	59,259	57,032	56,487	56,681	56,301	54,726	55,136	54,868
8 More than five years	47,061	47,490	47,476	47,448	46,861	48,333	48,195	48,124	48,021
9 Other securities	116,259[r]	119,395[r]	123,372	120,781[r]	114,706[r]	115,721	118,113	115,819	116,819
10 Trading account	4,041[r]	3,994[r]	3,901	3,670[r]	3,396[r]	3,480	4,571	4,058	4,200
11 Investment account	62,278	62,039	62,005	61,482	60,219	60,601	60,762	61,255	61,130
12 State and local government, by maturity	18,770	18,697	18,732	18,694	18,719	18,725	18,712	18,905	18,795
13 One year or less	3,872	3,936	3,966	3,946	3,952	3,929	3,920	3,935	3,946
14 More than one year	14,898	14,760	14,766	14,748	14,767	14,796	14,792	14,970	14,849
15 Other bonds, corporate stocks, and securities	43,509	43,342	43,273	42,788	41,500	41,876	42,050	42,350	42,334
16 Other trading account assets	49,940[r]	53,362[r]	57,466	55,629[r]	51,091[r]	51,639	52,780	50,507	51,490
17 Federal funds sold[2]	116,856	100,008	110,234	106,145	102,216	106,971	106,904	106,156	115,386
18 To commercial banks in the United States	87,541	72,475	82,388	79,747	76,740	81,766	76,403	76,043	86,846
19 To nonbank brokers and dealers in securities	22,708	23,566	23,769	21,924	20,437	21,210	26,675	25,927	24,489
20 To others	6,606	3,967	4,076	4,474	5,039	3,995	3,826	4,185	4,051
21 Other loans and leases, gross	1,332,808	1,330,800	1,329,385	1,334,345[r]	1,333,870[r]	1,342,473	1,342,365	1,347,097	1,347,992
22 Commercial and industrial	361,158[r]	359,343[r]	357,826[r]	359,622[r]	358,901[r]	361,777	361,965	365,994	367,629
23 Bankers acceptances and commercial paper	1,536	1,528	1,570	1,573	1,626	1,721	1,712	1,713	1,760
24 All other	359,622[r]	357,815[r]	356,256[r]	358,049[r]	357,274[r]	360,056	360,252	364,281	365,869
25 U.S. addressees	356,795[r]	355,022[r]	353,434[r]	355,169[r]	354,398[r]	357,159	357,383	361,401	362,981
26 Non U.S. addressees	2,828	2,793	2,821	2,880	2,876	2,897	2,869	2,880	2,888
27 Real estate loans	522,362[r]	523,917[r]	525,246[r]	524,802[r]	524,038[r]	526,027	526,580	525,181	523,327
28 Revolving, home equity	49,881	49,984	50,027	50,004[r]	50,132[r]	50,274	50,335	50,611	50,573
29 All other	472,481[r]	473,933[r]	475,220[r]	474,798[r]	473,906[r]	475,753	476,245	474,571	472,754
30 To individuals for personal expenditures	262,515[r]	262,297[r]	263,721[r]	265,383[r]	266,745[r]	267,809	268,706	267,623	267,417
31 To depository and financial institutions	75,904	76,067	74,952	75,704	75,401	75,330	76,399	76,372	76,708
32 Commercial banks in the United States	43,551	44,175	43,630	44,334	43,461	43,262	44,554	44,885	45,188
33 Banks in foreign countries	3,752	3,918	3,575	3,835	3,996	3,869	3,712	4,056	3,786
34 Nonbank depository and other financial institutions	28,601	27,974	27,747	27,534	27,944	28,199	28,133	27,431	27,734
35 For purchasing and carrying securities	15,186	13,848	13,007	13,544	13,712	13,045	13,368	13,862	15,492
36 To finance agricultural production	7,261[r]	7,222[r]	7,194[r]	7,140[r]	7,154[r]	7,198	7,194	7,222	7,155
37 To states and political subdivisions	10,695	10,668	10,596	10,643	10,598	10,670	10,260	10,346	10,397
38 To foreign governments and official institutions	959	939	897	865	888	918	911	898	872
39 All other loans	26,246	25,881	24,833	25,432	25,105	28,083	24,885	27,305	26,531
40 Lease-financing receivables	50,521	50,618	51,113	51,210[r]	51,329[r]	51,616	52,096	52,293	52,465
41 LESS: Unearned income	2,132	2,127	2,184	2,156	2,150	2,134	2,170	2,180	2,170
42 Loan and lease reserve[3]	33,957	33,979	34,020	33,963	33,883	34,241	34,109	34,075	34,089
43 Other loans and leases, net	1,296,719	1,294,694	1,293,181	1,298,226[r]	1,297,837[r]	1,306,099	1,306,086	1,310,842	1,311,733
44 All other assets	175,676	177,284	178,485	176,487	177,941[r]	189,186	182,579	180,363	181,828
45 **Total assets**	**2,112,214[r]**	**2,080,537[r]**	**2,095,544**	**2,079,666[r]**	**2,080,056[r]**	**2,129,413**	**2,107,000**	**2,104,921**	**2,112,995**

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								
	July 31	Aug. 7	Aug. 14	Aug. 21	Aug. 28	Sept. 4	Sept. 11	Sept. 18	Sept. 25
LIABILITIES									
46 Deposits	1,283,227	1,274,042	1,280,105	1,258,687	1,261,757	1,317,136	1,285,171	1,282,854	1,266,127
47 Demand deposits	331,143	312,771	314,765	296,862	304,377	341,967	313,566	315,252	306,298
48 Individuals, partnerships, and corporations	284,906	269,880	272,386	255,318	261,588	290,914	269,816	266,548	259,918
49 Other holders	46,237	42,891	42,378	41,544	42,789	51,053	43,750	48,704	46,380
50 States and political subdivisions	9,328	8,151	8,006	7,554	8,084	8,403	7,610	8,644	8,996
51 U.S. government	2,321	1,790	1,855	1,801	1,545	1,825	2,283	4,233	1,898
52 Depository institutions in the United States	21,449	21,000	20,419	19,612	19,477	26,214	21,254	22,615	21,893
53 Banks in foreign countries	4,566	4,575	4,268	5,020	5,503	6,499	4,728	5,133	5,579
54 Foreign governments and official institutions	807	551	863	509	541	601	587	554	524
55 Certified and officers' checks	7,766	6,825	6,967	7,049	7,639	7,511	7,288	7,525	7,490
56 Transaction balances other than demand deposits[4]	70,994	67,187	65,918	66,764	66,830	65,540	62,592	61,837	59,292
57 Nontransaction balances	881,091	894,084	899,422	895,062	890,550	909,629	909,014	905,765	900,537
58 Individuals, partnerships, and corporations	852,344	864,990	870,444	866,554[r]	862,248[r]	880,558	879,825	877,405	871,893
59 Other holders	28,747	29,094	28,979	28,508[r]	28,302[r]	29,072	29,188	28,360	28,644
60 States and political subdivisions	22,489	22,831	22,570	21,970[r]	21,938[r]	22,744	22,843	21,966	22,020
61 U.S. government	4,438	4,123	4,107	4,088	4,076	4,087	4,073	4,091	4,108
62 Depository institutions in the United States	1,684	1,716	1,851	1,998	1,826	1,783	1,794	1,813	2,027
63 Foreign governments, official institutions, and banks	136	424	451	451	462	458	478	491	488
64 Liabilities for borrowed money[5]	407,122	390,314	396,442	391,651[r]	395,684[r]	397,410	398,620	402,951	418,981
65 Borrowings from Federal Reserve Banks	1,381	0	20	0	0	319	0	1	55
66 Treasury tax and loan notes	22,647	7,989	5,226	9,566	8,973	12,465	7,064	20,061	28,108
67 Other liabilities for borrowed money[6]	383,094	382,325	391,197	382,085[r]	386,711[r]	384,626	391,556	382,887	390,818
68 Other liabilities (including subordinated notes and debentures)	213,806[r]	209,319[r]	211,584	221,039	215,181	205,603	213,250	208,509	218,646
69 Total liabilities	**1,904,156[r]**	**1,873,675[r]**	**1,888,131**	**1,871,377[r]**	**1,872,622[r]**	**1,920,150**	**1,897,041**	**1,894,315**	**1,903,753**
70 Residual (total assets less total liabilities)[7]	208,058	206,862	207,413	208,289	207,435	209,263	209,958	210,607	209,242
MEMO									
71 Total loans and leases, gross, adjusted, plus securities[8]	1,711,201[r]	1,709,739	1,711,597	1,706,375[r]	1,701,126[r]	1,714,791	1,718,333	1,718,492	1,717,079
72 Time deposits in amounts of $100,000 or more	130,448	133,259	135,761[r]	136,350[r]	136,209[r]	138,181	138,295	139,516	140,140
73 Loans sold *outright to affiliates*[9]	951	942	934	926	919	912	903	886	879
74 Commercial and industrial	263	263	263	262	262	261	261	261	260
75 Other	689	680	671	663	656	651	642	625	618
76 Foreign branch credit extended to U.S. residents[10]	28,895	28,228	28,406	28,319	28,587	29,012	29,209	29,635	0
77 Net owed to related institutions abroad	71,789[r]	66,200[r]	62,858	74,169	68,097	56,920	64,826	65,915	0

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								
	July 31	Aug. 7	Aug. 14	Aug. 21	Aug. 28	Sept. 4	Sept. 11	Sept. 18	Sept. 25
ASSETS									
1 Cash and balances due from depository institutions	15,508	15,790	15,450	15,070	15,557	15,613	15,825	15,955	15,411
2 U.S. Treasury and government agency securities	52,247	52,858	54,089	53,680	54,683	52,973	54,006	52,667	54,737
3 Other securities	41,159[r]	42,142[r]	40,407[r]	40,535[r]	39,614	39,867	38,366	37,449	36,917
4 Federal funds sold[1]	26,710	26,954	27,591	20,926	23,724	21,780	22,679	25,154	29,329
5 To commercial banks in the United States	3,674	3,827	5,117	3,006	6,078	4,101	5,481	5,609	8,687
6 To others[2]	23,036	23,127	22,474	17,920	17,646	17,679	17,198	19,546	20,642
7 Other loans and leases, gross	194,729[r]	194,301[r]	193,547	194,350	193,996	195,581	195,286	198,030	199,455
8 Commercial and industrial	122,399[r]	122,092	121,474	122,284	122,473	123,581	124,087	125,954	126,506
9 Bankers acceptances and commercial paper	4,718	4,653	4,543	4,540	4,555	4,667	4,721	4,693	4,672
10 All other	117,681[r]	117,439	116,931	117,745	117,918	118,915	119,366	121,261	121,834
11 U.S. addressees	110,744[r]	110,525[r]	110,509	111,202	111,333	111,991	112,193	114,052	114,819
12 Non U.S. addressees	6,937[r]	6,914[r]	6,422	6,543	6,585	6,923	7,173	7,209	7,014
13 Loans secured by real estate	19,889[r]	19,846[r]	19,995	20,085	20,067	20,167	20,056	20,034	20,017
14 Loans to depository and financial institutions	39,340	38,918	39,330	38,990	38,849	39,054	38,559	37,989	38,173
15 Commercial banks in the United States	2,584	2,641	2,584	2,553	3,197	2,997	2,831	2,793	2,880
16 Banks in foreign countries	3,370	3,057	3,176	3,155	3,195	3,322	3,301	3,302	3,272
17 Nonbank financial institutions	33,385	33,220	33,570	33,282	32,457	32,736	32,428	31,894	32,021
18 For purchasing and carrying securities	5,472	5,609	5,032	5,316	5,131	5,357	5,115	5,506	6,800
19 To foreign governments and official institutions	933	976	934	840	867	879	849	879	877
20 All other	6,696	6,859	6,782	6,834	6,609	6,543	6,619	7,668	7,083
21 Other assets (claims on nonrelated parties)	35,653[r]	35,150[r]	36,715[r]	35,054[r]	38,657	36,880	38,346	34,148	34,418
22 **Total assets**[3]	**393,851[r]**	**393,272[r]**	**395,737[r]**	**391,292[r]**	**396,478**	**390,215**	**397,237**	**393,547**	**399,802**
LIABILITIES									
23 Deposits or credit balances owed to other than directly related institutions	109,190	107,388	107,220	110,536	113,839	112,171	109,954	113,313	115,662
24 Demand deposits[4]	4,192	3,982	3,894	3,973	4,102	4,270	3,967	3,754	3,948
25 Individuals, partnerships, and corporations	3,416	3,365	3,224	3,317	3,434	3,475	3,354	3,125	3,237
26 Other	776	617	670	656	668	795	613	628	712
27 Nontransaction accounts	104,997	103,405	103,327	106,563	109,737	107,901	105,987	109,559	111,714
28 Individuals, partnerships, and corporations	75,518	75,487	76,829	78,953	81,717	81,400	80,229	83,170	84,313
29 Other	29,439	27,918	26,498	27,610	28,020	26,501	25,757	26,388	27,401
30 Borrowings from other than directly related institutions	86,068	87,963	84,257	81,837	81,345	82,310	81,044	75,531	78,882
31 Federal funds purchased[5]	53,673	56,351	53,072	50,919	47,147	50,958	52,360	47,916	51,029
32 From commercial banks in the United States	13,688	13,339	12,363	12,699	10,186	16,347	13,909	8,934	11,956
33 From others	39,985	43,012	40,710	38,220	36,961	34,611	38,451	38,982	39,073
34 Other liabilities for borrowed money	32,395	31,612	31,185	30,917	34,198	31,352	28,684	27,615	27,853
35 To commercial banks in the United States	3,641	3,820	3,597	3,591	3,643	4,053	3,418	3,711	3,134
36 To others	28,754	27,793	27,588	27,326	30,555	27,299	25,265	23,904	24,718
37 Other liabilities to nonrelated parties	58,170[r]	57,251[r]	57,652[r]	56,374[r]	57,650	57,840	58,309	54,121	55,993
38 **Total liabilities**[6]	**393,851[r]**	**393,272[r]**	**395,737[r]**	**391,292[r]**	**396,478**	**390,215**	**397,237**	**393,547**	**399,802**
MEMO									
39 Total loans (gross) and securities, adjusted[7]	306,587[r]	309,787[r]	307,934[r]	303,932[r]	302,742	303,104	302,025	304,898	308,871
40 Net owed to related institutions abroad	112,579[r]	111,593[r]	118,671[r]	110,869[r]	113,398	110,372	115,202	120,438	119,730

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					1996					
	1991	1992	1993	1994	1995	Mar	Apr	May	June	July	Aug
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**528,832**	**545,619**	**555,075**	**595,382**	**674,904**	**695,230**	**710,690**	**719,069**	**731,027**	**734,730**[r]	**753,277**
Financial companies[1]											
2 Dealer placed paper[2], total	212,999	226,456	218,947	223,038	275,815	291,600	302,504	301,670	310,524	317,425[r]	329,026
3 Directly placed paper[3], total	182,463	171,605	180,389	207,701	210,829	208,880	211,833	221,463	223,236	222,583	230,318
4 Nonfinancial companies[4]	133,370	147,558	155,739	161,643	188,260	194,750	196,352	195,936	197,267	194,722	193,933
	Bankers dollar acceptances (not seasonally adjusted)[5]										
5 **Total**	**43,770**	**38,194**	**32,348**	**29,835**	**29,242**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By holder											
6 Accepting banks	11,017	10,555	12,421	11,783	n.a.						
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							
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 are 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 June	9.00
		1994	7.15	Feb.	6.00	July	8.80
1994 Mar. 24	6.25	1995	8.83	Mar.	6.06	Aug	8.75
Apr 19	6.75			Apr.	6.45	Sept	8.75
May 17	7.25	1993 Jan	6.00	May	6.99	Oct.	8.75
Aug 16	7.75	Feb.	6.00	June	7.25	Nov.	8.75
Nov 15	8.50	Mar	6.00	July	7.25	Dec.	8.65
		Apr.	6.00	Aug.	7.51		
1995 Feb 1	9.00	May	6.00	Sept	7.75	1996 Jan.	8.50
July 7	8.75	June	6.00	Oct.	7.75	Feb	8.25
Dec 20	8.50	July	6.00	Nov.	8.15	Mar	8.25
		Aug	6.00	Dec.	8.50	Apr	8.25
1996 Feb 1	8.25	Sept	6.00			May	8.25
		Oct	6.00	1995 Jan.	8.50	June	8.25
		Nov	6.00	Feb	9.00	July	8.25
		Dec	6.00	Mar	9.00	Aug.	8.25
				Apr	9.00	Sept	8.25
				May	9.00	Oct.	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				
				June	July	Aug.	Sept.	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	3.02	4.21	5.83	5.27	5.40	5.22	5.30	5.21	5.39	5.16	5.22	5.34
2 Discount window borrowing[2,4]	3.00	3.60	5.21	5.00	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	5.45	5.44	5.39	5.45	5.39	5.45	5.45	5.45	5.47
4 3-month	3.22	4.66	5.93	5.49	5.53	5.42	5.52	5.43	5.55	5.52	5.52	5.52
5 6-month	3.30	4.93	5.93	5.57	5.67	5.51	5.66	5.54	5.70	5.68	5.65	5.62
Finance paper, directly placed[3,5,7]												
6 1-month	3.12	4.33	5.81	5.35	5.33	5.28	5.33	5.27	5.34	5.34	5.33	5.33
7 3-month	3.16	4.53	5.78	5.37	5.43	5.31	5.38	5.31	5.44	5.39	5.36	5.35
8 6-month	3.15	4.56	5.68	5.35	5.44	5.33	5.40	5.32	5.44	5.42	5.38	5.38
Bankers acceptances[3,5,8]												
9 3-month	3.13	4.56	5.81	5.38	5.45	5.32	5.39	5.33	5.44	5.42	5.39	5.34
10 6-month	3.21	4.83	5.80	5.47	5.57	5.40	5.51	5.43	5.60	5.53	5.50	5.44
Certificates of deposit, secondary market[3,9]												
11 1-month	3.11	4.38	5.87	5.37	5.37	5.32	5.38	5.32	5.37	5.38	5.38	5.38
12 3-month	3.17	4.63	5.92	5.46	5.53	5.40	5.51	5.42	5.55	5.51	5.49	5.49
13 6-month	3.28	4.96	5.98	5.64	5.75	5.57	5.71	5.61	5.80	5.74	5.69	5.66
14 Eurodollar deposits, 3-month[3,10]	3.18	4.63	5.92r	5.46	5.49	5.41	5.49	5.40	5.51	5.50	5.48	5.48
U.S. Treasury bills												
Secondary market[3,5]												
15 3-month	3.00	4.25	5.49	5.09	5.15	5.05	5.09	5.09	5.19	5.13	5.12	4.98
16 6-month	3.12	4.64	5.56	5.25	5.30	5.13	5.24	5.18	5.35	5.28	5.25	5.13
17 1-year	3.29	5.02	5.60	5.48	5.52	5.35	5.50	5.48	5.61	5.54	5.50	5.40
Auction average[3,5,11]												
18 3-month	3.02	4.29	5.51	5.11	5.17	5.09	5.15	5.07	5.19	5.17	5.07	5.18
19 6-month	3.14	4.66	5.59	5.26	5.32	5.17	5.29	5.16	5.38	5.30	5.19	5.30
20 1-year	3.33	5.02	5.69	5.56	5.49	5.36	5.57	n.a.	n.a.	n.a.	5.57	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	3.43	5.32	5.94	5.81	5.85	5.67	5.83	5.81	5.95	5.88	5.82	5.72
22 2-year	4.05	5.94	6.15	6.30	6.27	6.03	6.23	6.22	6.36	6.27	6.23	6.12
23 3-year	4.44	6.27	6.25	6.49	6.45	6.21	6.41	6.41	6.55	6.45	6.40	6.29
24 5-year	5.14	6.69	6.38	6.69	6.64	6.39	6.60	6.60	6.73	6.64	6.59	6.48
25 7-year	5.54	6.91	6.50	6.83	6.76	6.52	6.73	6.73	6.85	6.78	6.72	6.62
26 10-year	5.87	7.09	6.57	6.91	6.87	6.64	6.83	6.84	6.95	6.88	6.82	6.73
27 20-year	6.29	7.49	6.95	7.22	7.14	6.97	7.17	7.17	7.26	7.22	7.15	7.07
28 30-year	6.59	7.37	6.88	7.06	7.03	6.84	7.03	7.03	7.11	7.07	7.01	6.95
Composite												
29 More than 10 years (long-term)	6.45	7.41	6.93	7.20	7.13	6.94	7.13	7.14	7.23	7.19	7.12	7.04
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
30 Aaa	5.38	5.77	5.80	5.67	5.83	5.64	5.57	5.61	5.64	5.59	5.51	5.54
31 Baa	5.83	6.17	6.10	5.98	5.96	5.85	5.79	5.82	5.85	5.80	5.71	5.78
32 *Bond Buyer* series[14]	5.60	6.18	5.95	6.02	5.92	5.76	5.87	5.86	5.95	5.89	5.88	5.76
CORPORATE BONDS												
33 Seasoned issues, all industries[15]	7.54	8.26	7.83	8.00	7.95	7.76	7.95	7.95	8.03	8.00	7.93	7.87
Rating group												
34 Aaa	7.22	7.97	7.59	7.71	7.65	7.46	7.66	7.66	7.75	7.71	7.63	7.58
35 Aa	7.40	8.15	7.72	7.87	7.82	7.63	7.82	7.82	7.91	7.87	7.80	7.75
36 A	7.58	8.28	7.83	8.02	7.97	7.77	7.95	7.95	8.03	8.01	7.94	7.88
37 Baa	7.93	8.63	8.20	8.40	8.35	8.18	8.35	8.35	8.43	8.40	8.33	8.27
38 A-rated, recently offered utility bonds[16]	7.46	8.29	7.86	8.13	8.07	7.87	8.06	8.16	8.14	7.99	8.08	7.96
MEMO												
Dividend–price ratio[17]												
39 Common stocks	2.78	2.82	2.56	2.21	2.28	2.22	2.20	2.21	2.26	2.22	2.17	2.16

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	1996								
				Jan	Feb	Mar.	Apr.	May	June	July	Aug.	Sept.
	Prices and trading volume (averages of daily figures)[1]											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	249.71	254.16	291.18	329.22	346.46	346.73	347.50	354.84	358.32	345.06	354.59	360.96
2 Industrial	300.10	315.32	367.40	413.05	435.92	439.55	441.99	452.63	458.30	438.58	444.91	459.69
3 Transportation	242.68	247.17	270.14	300.43	315.29	324.77	326.42	334.66	331.57	316.57	321.61	323.12
4 Utility	114.55	104.96	110.64	127.09	135.51	122.83	122.44	124.86	123.60	122.66	122.37	121.12
5 Finance	216.55	209.75	238.48	274.96	290.97	290.44	287.92	290.43	294.42	287.89	302.95	308.16
6 Standard & Poor's Corporation (1941–43 = 10)[2]	451.63	460.42	541.72	614.42	649.54	647.07	647.17	661.23	668.50	644.06	662.68	674.88
7 American Stock Exchange (Aug. 31, 1973 = 50)[3]	438.77	449.49	498.13	540.48	562.34	565.69	580.60	600.93	591.99	550.16	554.88	564.87
Volume of trading (thousands of shares)												
8 New York Stock Exchange	263,374	290,652	345,729	416,048	434,607	426,198	419,941	404,184	392,413	398,245	333,343	400,951
9 American Stock Exchange	18,188	17,951	20,387	21,069	27,107	22,988	24,886	28,127	23,903	21,281	17,916	19,449
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[4]	**60,310**	**61,160**	**76,680**	**73,530**	**77,090**	**78,308**	**81,170**	**86,100**	**87,160**	**79,860**	**82,980**	**89,300**
Free credit balances at brokers[5]												
11 Margin accounts[6]	12,360	14,095	16,250	14,950	15,840	15,770	15,780	16,890	16,800	17,700	17,520	17,940
12 Cash accounts	27,715	28,870	34,340	32,465	34,700	33,113	33,100	33,760	33,775	32,935	32,680	35,360

	Margin requirements (percent of market value and effective date)[7]					
	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. Daily data on prices are available upon request to the Board of Governors. For ordering address, see inside front cover.

2. 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.

3. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.

4. 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.

5. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.

6. Series initiated in June 1984.

7. 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					
				1996					
	1993	1994	1995	Apr.	May	June	July	Aug.	Sept.
U.S. budget[1]									
1 Receipts, total	1,153,535	1,257,737	1,355,213	203,468	90,122	151,995	103,893	99,996	157,668
2 On-budget	841,601	922,711	1,004,134	160,856	60,184	116,794	75,282	71,505	125,806
3 Off-budget	311,934	335,026	351,079	42,612	29,938	35,201	28,611	28,491	31,862
4 Outlays, total	1,408,675	1,460,841	1,519,133	131,064r	147,173r	117,654r	130,749r	141,828	122,298
5 On-budget	1,142,088	1,181,469	1,230,469	105,201r	114,316r	103,997r	104,215r	113,840	90,309
6 Off-budget	266,587	279,372	288,664	25,862	28,856	13,657	26,535r	27,987	31,989
7 Surplus or deficit (−), total	−255,140	−203,104	−163,920	72,404r	−53,051r	34,340r	−26,856r	−41,831	35,370
8 On-budget	−300,487	−258,758	−226,335	55,654r	−54,133r	12,797r	−28,932r	−42,335	35,496
9 Off-budget	45,347	55,654	62,415	16,750	1,082	21,544	2,076r	504	−127
Source of financing (total)									
10 Borrowing from the public	248,619	185,344	171,288	−35,466	20,633	−8,619	29,098	16,160	−5,892
11 Operating cash (decrease, or increase (−))	6,283	16,564	−2,007	−26,449	43,809	−33,519	1,262	23,705	−31,159
12 Other[2]	238	1,196	−5,361	−10,489r	−11,391r	7,798r	−3,504r	1,966	1,681
MEMO									
13 Treasury operating balance (level, end of period)	52,506	35,942	37,949	48,323	4,514	38,033	36,771	13,066	44,225
14 Federal Reserve Banks	17,289	6,848	8,620	11,042	3,757	7,701	6,836	5,149	7,700
15 Tax and loan accounts	35,217	29,094	29,329	37,281	757	30,332	29,936	7,917	36,525

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 H2	Calendar year 1995 H1	Calendar year 1995 H2[r]	Calendar year 1996 H1	Calendar year 1996 July	Calendar year 1996 Aug.	Calendar year 1996 Sept.
RECEIPTS									
1 **All sources**	**1,257,737**	**1,355,213**	**625,781**	**711,003**	**656,865**	**767,099**	**103,893**	**99,996**	**157,668**
2 Individual income taxes, net	543,055	590,244	273,315	307,498	292,393	347,285	49,814	46,105	68,672
3 Withheld	459,699	499,927	240,063	251,398	256,916	264,177	48,072	43,834	39,537
4 Nonwithheld	160,433	175,855	42,029	132,001	45,521	162,782	3,631	4,007	30,629
5 Refunds	77,077	85,538	8,787	75,959	10,058	79,735	1,893	1,737	1,495
Corporation income taxes									
6 Gross receipts	154,205	174,422	78,393	92,132	88,302	96,480	5,656	3,718	36,378
7 Refunds	13,820	17,418	7,747	10,399	7,518	9,704	681	644	1,274
8 Social insurance taxes and contributions, net	461,475	484,473	220,140	261,837	224,269	277,767	39,258	40,953	43,372
9 Employment taxes and contributions[2]	428,810	451,045	206,615	241,557	211,323	257,446	36,946	36,562	42,817
10 Unemployment insurance	28,004	28,878	11,177	18,001	10,702	18,068	1,939	3,994	206
11 Other net receipts[3]	4,661	4,550	2,349	2,279	2,247	2,254	372	397	348
12 Excise taxes	55,225	57,484	30,178	27,452	30,014	25,682	4,508	4,033	5,315
13 Customs deposits	20,099	19,301	11,041	8,848	9,849	8,731	1,712	1,807	1,604
14 Estate and gift taxes	15,225	14,763	7,067	7,425	7,718	8,775	1,259	1,566	1,698
15 Miscellaneous receipts[4]	22,274	31,944	13,395[r]	16,211[r]	11,839	12,087[r]	2,368[r]	2,459	1,902
OUTLAYS									
16 **All types**	**1,460,841**	**1,519,133**	**752,378**	**761,289**	**752,856**	**785,367[r]**	**130,749[r]**	**141,828**	**122,298**
17 National defense	281,642	272,066	141,885	135,648	132,886	132,600[r]	22,301[r]	26,000	19,738
18 International affairs	17,083	16,434	11,889	4,797	6,908	8,074	497	969	1,007
19 General science, space, and technology	16,227	16,724	7,604	8,611	7,970	8,897	1,660	1,526	1,689
20 Energy	5,219	4,936	2,923	2,358	1,992	1,355	187	153	563
21 Natural resources and environment	21,064	22,105	11,911	10,273	11,384	10,238	2,062	1,821	1,914
22 Agriculture	15,046	9,773	7,623	4,039	3,072	71	843	627	3,309
23 Commerce and housing credit	5,118	14,441	4,042	13,471	3,941	6,861	223	1,678	1,559
24 Transportation	38,066	39,350	21,835	18,193	20,725	18,291	3,648	3,583	3,540
25 Community and regional development	10,454	10,641	6,283	5,073	5,570	5,237	959	1,021	1,191
26 Education, training, employment, and social services	46,307	54,263	27,150	25,893	26,295	26,137	3,108	5,037	5,082
27 Health	107,122	115,418	54,147	59,057	57,111	59,957	10,077	10,352	10,004
28 Social security and Medicare	464,312	495,701	236,817	251,975	251,388	264,649	45,376	46,205	41,693
29 Income security	214,031	220,449	101,806	117,190	104,760	121,032	18,189	20,125	13,664
30 Veterans benefits and services	37,642	37,938	19,761	19,269	18,687	18,164	3,255	4,657	1,641
31 Administration of justice	15,256	16,223	7,753	8,051	8,091	9,021	1,989	1,460	1,382
32 General government	11,303	13,835	7,355	5,796	7,602	4,641	53	1,390	1,548
33 Net interest[5]	202,957	232,173	109,431	116,169	119,349	120,579	20,311	21,460	19,243
34 Undistributed offsetting receipts[6]	37,772	44,455	20,066	17,631	26,995	16,716	3,543	2,880	6,466

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. Federal employee retirement contributions and civil service retirement and disability fund.

4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.

5. Includes interest received by trust funds.

6. 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		
	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30
1 **Federal debt outstanding**	**4,721**	**4,827**	**4,891**	**4,978**	**5,001**	**5,017**	**5,153**	**5,197**	**5,260[r]**
2 Public debt securities	4,693	4,800	4,864	4,951	4,974	4,989	5,118	5,161	5,225[r]
3 Held by public	3,480	3,543	3,610	3,635	3,653	3,684	3,764	3,739	n.a.[r]
4 Held by agencies	1,213	1,257	1,255	1,317	1,321	1,305	1,354	1,422	n.a.[r]
5 Agency securities	29	27	27	27	27	28	36	36	35[r]
6 Held by public	29	27	26	27	27	28	28	28	n.a.[r]
7 Held by agencies	0	0	0	0	0	0	8	8	n.a.[r]
8 **Debt subject to statutory limit**	**4,605**	**4,711**	**4,775**	**4,861**	**4,885**	**4,900**	**5,030**	**5,073**	**5,137[r]**
9 Public debt securities	4,605	4,711	4,774	4,861	4,885	4,900	5,030	5,073	5,137[r]
10 Other debt[1]	0	0	0	0	0	0	0	0	0[r]
MEMO									
11 Statutory debt limit	4,900	4,900	4,900	4,900	4,900	4,900	5,500	5,500	5,500[r]

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		
					Q4	Q1	Q2	Q3
1 **Total gross public debt**	**4,177.0**	**4,535.7**	**4,800.2**	**4,988.7**	**4,988.7**	**5,117.8**	**5,161.1**	**5,224.8**
By type								
2 Interest-bearing	4,173.9	4,532.3	4,769.2	4,964.4	4,964.4	5,083.0	5,126.8	5,220.8
3 Marketable	2,754.1	2,989.5	3,126.0	3,307.2	3,307.2	3,375.1	3,348.4	3,418.4
4 Bills	657.7	714.6	733.8	760.7	760.7	811.9	773.6	761.2
5 Notes	1,608.9	1,764.0	1,867.0	2,010.3	2,010.3	2,014.1	2,025.8	2,098.7
6 Bonds	472.5	495.9	510.3	521.2	521.2	534.1	534.1	543.5
7 Nonmarketable[1]	1,419.8	1,542.9	1,643.1	1,657.2	1,657.2	1,707.9	1,778.3	1,802.4
8 State and local government series	153.5	149.5	132.6	104.5	104.5	96.5	97.8	95.7
9 Foreign issues[2]	37.4	43.5	42.5	40.8	40.8	40.4	37.8	37.5
10 Government	37.4	43.5	42.5	40.8	40.8	40.4	37.8	37.5
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	155.0	169.4	177.8	181.9	181.9	183.0	183.8	184.2
13 Government account series[3]	1,043.5	1,150.0	1,259.8	1,299.6	1,299.6	1,357.7	1,428.5	1,454.7
14 Non-interest-bearing	3.1	3.4	31.0	24.3	24.3	34.8	34.3	4.0
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	1,304.5	1,353.8	1,422.4	
16 Federal Reserve Banks	302.5	334.2	374.1	391.0	391.0	381.0	391.0	
17 Private investors	2,839.9	3,047.4	3,168.0	3,294.9	3,294.9	3,382.8	3,347.3	
18 Commercial banks	294.4	322.2	290.1	278.3	278.3	283.8	285.0	
19 Money market funds	79.7	80.8	67.6	71.3	71.3	87.3	82.2	
20 Insurance companies	197.5	234.5	240.1	250.8	250.8	256.0	258.0	
21 Other companies	192.5	213.0	226.5	228.8	228.8	229.0	230.9	n.a.
22 State and local treasuries[5,6]	563.3	605.9	483.4	352.2	352.2	336.8	340.0	
Individuals								
23 Savings bonds	157.3	171.9	180.5	185.0	185.0	185.8	186.5	
24 Other securities	131.9	137.9	150.7	162.7	162.7	161.4	161.1	
25 Foreign and international[7]	549.7	623.0	688.7	862.1	862.1	930.2	958.6	
26 Other miscellaneous investors[6,8]	673.5	658.3	840.5	903.7	903.7	912.5	845.0	

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								
	June	July	Aug.	July 31	Aug. 7	Aug. 14	Aug. 21	Aug. 28	Sept. 4	Sept. 11	Sept. 18	Sept. 25
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	51,894[r]	45,934[r]	45,218	45,143	47,041	43,231	46,545	39,674	56,170	54,019	59,295	49,581
Coupon securities, by maturity												
2 Five years or less	98,258[r]	92,815[r]	91,717	76,322	104,567	83,093	77,785	97,868	100,599	95,349	108,974	98,959
3 More than five years	43,178[r]	44,863[r]	44,894	37,812	62,312	49,012	30,936	35,349	49,807	47,706	51,582	41,368
4 Federal agency	33,225	35,258	33,593	34,819	34,653	32,270	34,576	32,101	35,519	31,362	33,591	33,469
5 Mortgage-backed	35,542	34,569	35,793	24,319	50,491	45,748	21,839	25,725	34,219	63,451	36,515	21,814
By type of counterparty												
With interdealer broker												
6 U.S. Treasury	113,378	106,573	106,811	91,951	125,877	104,309	89,581	103,422	116,945	118,229	128,047	111,151
7 Federal agency	704	664	713	665	732	749	624	752	697	933	826	604
8 Mortgage-backed	13,267	12,537	13,496	7,890	18,927	18,508	8,450	8,664	12,083	21,414	13,105	8,016
With other												
9 U.S. Treasury	79,951[r]	77,040[r]	75,018	67,327	88,043	71,027	65,685	69,470	89,631	78,845	91,805	78,757
10 Federal agency	32,521	34,593	32,880	34,154	33,921	31,521	33,951	31,349	34,822	30,429	32,765	32,865
11 Mortgage-backed	22,275	22,032	22,297	16,429	31,565	27,240	13,389	17,060	22,136	42,037	23,409	13,798
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
12 U.S. Treasury bills	539	229	429	100	501	185	492	489	546	972	193	73
Coupon securities, by maturity												
13 Five years or less	1,761	1,607	1,649[r]	1,086	1,411	1,180	1,016	2,457	2,982	2,003	1,713	1,161
14 More than five years	12,742	10,873	11,373	9,513	13,547	12,263	7,848	10,634	14,372	15,658	15,990	10,848
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	2,779[r]	1,898[r]	2,194[r]	1,588	2,433[r]	948	2,239	3,213	2,053	3,328	2,410	5,657
19 More than five years	4,490[r]	4,016[r]	4,408[r]	3,644	4,514	3,633	3,922	5,295	5,076	4,936	3,145	3,219
20 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
21 Mortgage-backed	786	688	848	489	1,468	679	347	784	1,129	341	759	1,340

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 June	1996 July	1996 Aug.	1996, week ending July 31	Aug. 7	Aug. 14	Aug. 21	Aug. 28	Sept. 4	Sept. 11	Sept. 18
						Positions[2]					
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	13,791	15,044	13,673	18,225	19,424	12,998	11,995	9,362	15,801	7,620	3,213
Coupon securities, by maturity											
2 Five years or less	4,136	9,294	3,839	7,432	1,032	7,984	5,983	1,302	6,217	8,083	2,870
3 More than five years	20,940	19,269	14,771	19,916	16,741	14,345	13,114	13,132	18,857	20,885	21,048
4 Federal agency	22,350	22,053	22,836	24,804	23,371	26,541	21,955	22,048	16,832	23,053	21,896
5 Mortgage backed	35,493[r]	38,241[r]	36,468	37,511[r]	36,780	37,482	37,422	35,009	34,550	35,138	38,513
NET FUTURES POSITIONS[4]											
By type of deliverable security											
6 U.S. Treasury bills	2,006	2,592	4,401	3,183	4,692	4,535	4,764	4,064	3,352	1,009	224
Coupon securities, by maturity											
7 Five years or less	254	1,701	473	1,518	2,528	1,703	1,148	2,213	2,501	2,134	2,693
8 More than five years	7,798	13,999	19,325	17,018	23,152	23,643	20,824	14,288	8,575	5,893	7,350
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	2,515	1,205	647	1,684	715	1,656	108	161	522	915	1,109
13 More than five years	670	2,650	2,759	4,124	6,180	5,375	3,682	1,931	2,542	2,281	702
14 Federal agency	0	0	0	0	0	0	0	0	0	0	0
15 Mortgage backed	3,075	2,614	2,003	2,497	2,808	1,659	1,384	2,102	2,142	1,917	1,539
						Financing[5]					
Reverse repurchase agreements											
16 Overnight and continuing	240,787	260,875	280,269	274,411	285,085	291,849	278,152	265,900	280,478	274,380	272,331
17 Term	460,370	477,948	480,446	463,241	507,603	517,732	444,359	475,913	424,900	460,311	450,714
Securities borrowed											
18 Overnight and continuing	179,225	181,614	179,112	179,293	180,119	181,528	179,466	175,519	178,612	185,212	191,774
19 Term	60,592	60,925	67,680	61,216	63,113	64,606	69,349	73,989	66,898	63,622	67,570
Securities received as pledge											
20 Overnight and continuing	5,063	4,636	4,034	4,048	4,097	4,219	4,188	3,620	4,065	4,253	3,943
21 Term	82	51	78	41	58	49	150	57	72	66	63
Repurchase agreements											
22 Overnight and continuing	532,929	554,486[r]	580,621	563,340[r]	584,929	591,179	579,684	566,864	580,223	565,807	576,726
23 Term	406,928	421,168[r]	429,700	414,721[r]	459,451	469,594	396,729	421,859	362,530	399,657	395,454
Securities loaned											
24 Overnight and continuing	5,341	4,471	4,210	3,801	4,115	3,871	4,512	4,218	4,502	3,830	3,521
25 Term	3,160	3,258	3,541	0	0	0	3,565	3,536	3,495	3,574	3,597
Securities pledged											
26 Overnight and continuing	46,541	38,698	41,671	36,189	38,115	41,662	43,917	42,364	43,127	42,761	41,084
27 Term	6,584	6,917	5,795	6,517	6,032	6,167	5,496	5,395	6,010	6,695	6,728
Collateralized loans											
28 Overnight and continuing	10,828	14,943	n.a.	14,584	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
29 Term	1,327	1,419	n.a.	1,459	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
30 Total	12,155	16,304	21,030	15,843	18,666	18,755	23,795	22,676	21,561	16,796	13,690
MEMO: Matched book[6]											
Securities in											
31 Overnight and continuing	243,844[r]	270,197[r]	278,385	277,085[r]	297,079	287,724	268,821	263,733	269,482	267,460	267,173
32 Term	446,416[r]	467,911[r]	476,525	455,237[r]	492,452	517,847	448,065	470,319	423,128	458,967	446,364
Securities out											
33 Overnight and continuing	339,390[r]	363,148[r]	369,543	364,249[r]	381,823	381,332	365,050	352,696	363,172	356,988	358,125
34 Term	350,879[r]	370,555[r]	384,256	363,030[r]	407,702	423,956	355,390	376,239	322,971	362,156	350,491

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	1996				
					Mar.	Apr.	May	June	July
1 **Federal and federally sponsored agencies**	**483,970**	**570,711**	**738,928**	**844,611**	**846,807**	n.a.	**868,599**	**879,355**	n.a.
2 Federal agencies	41,829	45,193	39,186	37,347	31,284	31,449	31,029	31,448	30,939
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	2,015	2,015	2,015	1,853	1,853
5 Federal Housing Administration[4]	374	255	116	97	52	56	56	62	62
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	300	300	n.a.	n.a.	n.a.
8 Tennessee Valley Authority	23,580	29,885	27,536	29,429	28,911	29,072	28,952	29,465	28,956
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	815,523	832,823	837,570	847,807	854,461
11 Federal Home Loan Banks	114,733	139,512	205,817	243,194	239,253	242,437	243,389	249,240	251,169
12 Federal Home Loan Mortgage Corporation	29,631	49,993	93,279	119,961	124,278	136,185	141,248	143,363	146,534
13 Federal National Mortgage Association	166,300	201,112	257,230	299,174	306,815	306,361	305,050	308,385	310,503
14 Farm Credit Banks[8]	51,910	53,123	53,175	57,379	59,428	60,815	61,197	62,182	60,294
15 Student Loan Marketing Association[9]	39,650	39,784	50,335	47,529	45,723	47,052	46,735	44,718	46,053
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**	**66,725**	**66,079**	**64,931**	**63,654**	**62,233**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	7,202	5,309	3,449	2,044	2,009	2,009	2,009	1,847	1,847
21 Postal Service[6]	10,440	9,732	8,073	5,765	300	300	n.a.	n.a.	n.a.
22 Student Loan Marketing Association	4,790	4,760	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
23 Tennessee Valley Authority	6,975	6,325	3,200	3,200	n.a.	n.a.	n.a.	n.a.	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	21,015	21,015	21,015	20,625	19,575
26 Rural Electrification Administration	18,172	17,578	17,392	17,144	17,049	16,940	16,944	16,952	16,844
27 Other	64,436	45,864	37,984	29,513	26,352	25,815	24,964	24,230	23,967

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	1996[1] Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
1 **All issues, new and refunding**[1]	**279,945**	**153,950**	**145,657**	**12,196**	**15,794**	**13,673**	**15,647**	**17,496**	**11,788**	**12,528**	**11,594**
By type of issue											
2 General obligation	90,599	54,404	56,980	5,231	4,944	5,145	5,491	6,709	4,157	4,109	3,459
3 Revenue	189,346	99,546	88,677	6,965	10,850	8,528	10,156	10,787	7,631	8,419	8,135
By type of issuer											
4 State	27,999	19,186	14,665	712	910	818	2,803	1,038	671	376	870
5 Special district or statutory authority[2]	178,714	95,896	93,500	8,135	10,522	10,097	10,313	10,722	7,567	8,449	8,069
6 Municipality, county, or township	73,232	38,868	37,492	3,349	4,362	2,758	2,531	5,736	3,550	3,703	2,655
7 **Issues for new capital**	**91,434**	**105,972**	**102,390**	**6,644**	**10,599**	**9,767**	**9,468**	**14,193**	**8,934**	**7,673**	**7,852**
By use of proceeds											
8 Education	16,831	21,267	23,964	2,227	1,896	2,241	2,840	3,396	2,199	2,324	1,505
9 Transportation	9,167	10,836	11,890	370	1,281	964	799	1,400	581	623	846
10 Utilities and conservation	12,014	10,192	9,618	584	981	613	1,375	972	822	408	780
11 Social welfare	13,837	20,289	19,566	975	2,724	1,796	1,633	3,086	2,516	2,610	2,033
12 Industrial aid	6,862	8,161	6,581	137	713	618	382	610	407	286	509
13 Other purposes	32,723	35,227	30,771	2,351	3,004	3,535	2,439	4,729	2,409	1,422	2,179

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts.

SOURCE. Securities Data Company beginning January 1990; *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	1996 Jan.	Feb.	Mar.	Apr.	May	June	July[r]	Aug.
1 **All issues**[1]	**769,088**	**583,240**	n.a.	**49,464**[r]	**61,884**[r]	**55,792**[r]	**49,029**[r]	**69,250**[r]	**66,700**	**38,917**	**42,439**
2 **Bonds**[2]	**646,634**	**498,039**	n.a.	**44,759**[r]	**52,930**[r]	**48,363**[r]	**36,333**[r]	**55,844**[r]	**53,786**	**31,483**	**36,836**
By type of offering											
3 Public, domestic	487,029	365,222	408,806	35,438[r]	45,947[r]	41,526[r]	30,574[r]	46,775[r]	45,138	25,718	31,601
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	9,321	6,984	6,837	5,759	9,069	8,648	5,765	5,235
By industry group											
6 Manufacturing	88,160	43,423	42,950	3,952	2,522	3,435[r]	2,503	5,887	5,942	3,861	2,697
7 Commercial and miscellaneous	58,559	40,735	37,139	2,277	2,840	3,803	2,663	4,933	4,272	2,720	4,007
8 Transportation	10,816	6,867	5,727	664	584	137	120	819	906	525	293
9 Public utility	56,330	13,322	11,974	1,926[r]	965	788	444	691	1,144	1,046	129
10 Communication	31,950	13,340	18,158	748	2,641	2,253	724	1,097	2,231	647	1,375
11 Real estate and financial	400,820	380,352	369,769	35,192	43,379[r]	37,948[r]	29,879[r]	42,416[r]	39,292	22,684	28,335
12 **Stocks**[2]	**122,454**	**85,155**	n.a.	**4,705**[r]	**8,954**[r]	**7,429**[r]	**12,696**[r]	**13,406**[r]	**12,914**	**7,434**	**5,603**
By type of offering											
13 Public preferred	18,897	12,570	10,964	2,167	3,258	967	2,000	1,660	3,309	1,647	1,164
14 Common	82,657	47,828	57,809	2,538[r]	5,696[r]	6,462[r]	10,696[r]	11,746[r]	9,605	5,787	4,439
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		295	1,633[r]	2,051[r]	3,982[r]	2,794[r]	2,649	1,731	984
17 Commercial and miscellaneous	25,761	15,713	n.a.	2,452[r]	2,512[r]	3,597[r]	4,125[r]	5,103[r]	6,629	2,549	2,070
18 Transportation	2,237	2,203		38	141	232	37	322	190	104	143
19 Public utility	7,050	2,214		15[r]	809	319	149	147	569	299	21
20 Communication	3,439	494		200	140[r]	100	144	1,205	837	1,073	51
21 Real estate and financial	61,004	46,733		1,706[r]	3,719	1,130	4,258[r]	3,834[r]	2,039	1,668	2,335

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	1996							
			Jan	Feb	Mar	Apr.	May	June	July[r]	Aug.
1 **Sales of own shares**[2]	**841,286**	**871,415**	**112,332**	**90,370**	**93,856**	**101,310**	**96,501**	**88,115**	**93,053**	**86,225**
2 Redemptions of own shares	699,823	699,497	75,354	60,398	65,748	81,005	69,419	69,072	76,485	64,993
3 Net sales[3]	141,463	171,918	36,978	29,972	28,108	20,305	27,082	19,044	16,568	21,232
4 **Assets**[4]	**1,550,490**	**2,067,337**	**2,143,185**	**2,181,711**	**2,212,517**	**2,293,491**	**2,356,307**	**2,363,024**	**2,297,216**	**2,366,030**
5 Cash[5]	121,296	142,572	150,772	144,520	142,697	148,777	145,554	144,275	148,647	155,129
6 Other	1,429,195	1,924,765	1,992,414	2,037,191	2,069,820	2,144,713	2,201,752	2,218,749	2,147,337	2,210,901

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		1995				1996	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1 Profits with inventory valuation and capital consumption adjustment	464.4	529.5	586.6	553.1	570.9	560.0	562.3	612.5	611.8	645.1	655.8
2 Profits before taxes	464.3	531.2	598.9	550.8	572.4	594.5	589.6	607.2	604.2	642.2	644.6
3 Profits-tax liability	163.8	195.3	218.7	203.4	213.5	217.3	214.2	224.5	218.7	233.4	236.4
4 Profits after taxes	300.5	335.9	380.2	347.4	358.8	377.2	375.3	382.8	385.5	408.8	408.1
5 Dividends	197.3	211.0	227.4	212.5	218.5	221.7	224.6	228.5	234.7	239.9	243.1
6 Undistributed profits	103.2	124.8	152.8	134.9	140.3	155.5	150.8	154.3	150.8	168.9	165.1
7 Inventory valuation	6.6	13.3	28.1	16.5	22.8	51.9	42.3	9.3	8.8	-17.4	11.0
8 Capital consumption adjustment	6.7	11.6	15.9	18.8	21.3	17.4	15.0	14.6	16.5	20.4	22.3

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 Q4	1995 Q1	1995 Q2	1995 Q3	1995 Q4	1996 Q1	1996 Q2
ASSETS										
1 Accounts receivable, gross[2]	482.8	551.0	614.6	551.0	568.5	586.9	594.7	614.6	621.8	631.4
2 Consumer	116.5	134.8	152.0	134.8	135.8	141.7	146.2	152.0	151.9	154.6
3 Business	294.6	337.6	375.9	337.6	351.9	361.8	362.4	375.9	380.9	383.7
4 Real estate	71.7	78.5	86.6	78.5	80.8	83.4	86.1	86.6	89.1	93.1
5 LESS: Reserves for unearned income	50.7	55.0	63.2	55.0	58.9	62.1	61.2	63.2	61.5	65.1
6 Reserves for losses	11.2	12.4	14.1	12.4	12.9	13.7	13.8	14.1	14.2	14.9
7 Accounts receivable, net	420.9	483.5	537.3	483.5	496.7	511.1	519.7	537.3	546.1	551.4
8 All other	170.9	183.4	210.7	183.4	194.6	198.1	198.1	210.7	212.8	216.1
9 **Total assets**	**591.8**	**666.9**	**748.0**	**666.9**	**691.4**	**709.2**	**717.8**	**748.0**	**758.9**	**767.5**
LIABILITIES AND CAPITAL										
10 Bank loans	25.3	21.2	23.1	21.2	21.0	21.5	21.8	23.1	23.5	26.2
11 Commercial paper	159.2	184.6	184.5	184.6	181.3	181.3	178.0	184.5	184.8	183.0
Debt										
12 Owed to parent	42.7	51.0	62.3	51.0	52.5	57.5	59.0	62.3	62.3	61.0
13 Not elsewhere classified	206.0	235.0	284.7	235.0	254.4	264.4	272.1	284.7	291.4	301.8
14 All other liabilities	87.1	99.5	106.2	99.5	102.5	102.1	102.4	106.2	105.7	101.9
15 Capital, surplus, and undivided profits	71.4	75.7	87.2	75.7	79.7	82.5	84.4	87.2	91.1	93.6
16 **Total liabilities and capital**	**591.8**	**666.9**	**748.0**	**666.9**	**691.4**	**709.2**	**717.8**	**748.0**	**758.9**	**767.5**

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	1996 Mar.	1996 Apr.	1996 May	1996 June	1996 July	1996 Aug.
	Seasonally adjusted								
1 **Total**	**546,103**	**615,618**	**691,616**	**703,398**	**708,343**	**710,367**	**719,536**	**724,717**	**727,673**
2 Consumer	160,227	176,085	198,861	203,280	205,184	207,027	210,341	212,814	211,542
3 Real estate[2]	72,043	78,910	87,077	89,502	89,943	90,180	93,917	95,088	96,480
4 Business	313,833	360,624	405,678	410,616	413,216	413,160	415,278	416,815	419,652
	Not seasonally adjusted								
5 **Total**	**550,751**	**620,975**	**697,340**	**705,650**	**710,762**	**712,429**	**722,597**	**718,052**	**721,388**
6 Consumer	162,770	178,999	202,101	202,337	203,532	205,678	209,851	210,777	210,781
7 Motor vehicles	56,057	61,609	70,061	72,129	73,810	74,327	74,286	75,038	74,433
8 Other consumer[3]	60,396	73,221	81,988	79,779	79,489	80,435	80,344	81,311	81,036
9 Securitized motor vehicles[4]	36,024	31,897	33,633	31,093	30,476	31,435	34,826	33,731	34,636
10 Securitized other consumer[4]	10,293	12,272	16,419	19,336	19,757	19,481	20,395	20,697	20,676
11 Real estate[2]	71,727	78,479	86,606	89,056	89,975	90,182	93,100	95,336	96,952
12 Business	316,254	363,497	408,633	414,257	417,255	416,569	419,646	411,939	413,655
13 Motor vehicles	95,173	118,197	133,277	134,098	134,500	134,196	137,477	132,543	134,044
14 Retail loans[5]	18,091	21,514	25,304	27,140	27,954	27,151	29,032	28,373	28,404
15 Wholesale loans[6]	31,148	35,037	36,427	33,910	32,155	31,360	32,095	26,506	27,428
16 Leases	45,934	61,646	71,546	73,048	74,391	75,685	76,350	77,664	78,212
17 Equipment	145,452	157,953	177,297	177,285	178,507	178,151	178,983	177,949	178,278
18 Loans[7]	43,514	49,358	59,109	57,909	57,576	57,327	58,788	57,621	54,865
19 Leases	101,938	108,595	118,188	119,376	120,931	120,824	120,195	120,328	123,413
20 Other business[8]	53,997	61,495	65,363	69,497	69,193	68,112	67,210	66,548	67,246
21 Securitized business assets[4]	21,632	25,852	32,696	33,377	35,055	36,110	35,976	34,899	34,087
22 Retail loans	2,869	4,494	4,723	4,067	4,367	4,790	4,688	4,613	4,700
23 Wholesale loans	10,584	14,826	21,327	22,622	24,327	25,028	24,950	23,988	23,151
24 Leases	8,179	6,532	6,646	6,688	6,361	6,292	6,338	6,298	6,236

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. Beginning with the June 1996 data, retail and wholesale business equipment loans have been combined and are no longer separately available.

8. 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	1996 Mar.	1996 Apr.	1996 May	1996 June	1996 July	1996 Aug.	1996 Sept.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	163.1	170.4	175.8	184.5	175.2	179.5	180.1	194.0	184.8	187.1
2 Amount of loan (thousands of dollars)	123.0	130.8	134.5	141.5	133.2	137.6	139.4	144.2	141.1	141.7
3 Loan-to-price ratio (percent)	78.0	78.8	78.6	77.8	78.4	79.3	78.7	76.2	77.7	77.2
4 Maturity (years)	26.1	27.5	27.7	26.4	27.1	27.2	25.8	26.7	27.2	27.7
5 Fees and charges (percent of loan amount)[2]	1.30	1.29	1.21	1.30	1.17	1.16	1.31	1.25	1.38	1.28
Yield (percent per year)										
6 Contract rate[1]	7.03	7.26	7.65	7.25	7.57	7.61	7.75	7.80	7.85	7.77
7 Effective rate[1,3]	7.24	7.47	7.85	7.49	7.76	7.80	8.05	8.01	8.08	7.98
8 Contract rate (HUD series)[4]	7.37	8.58	8.05	7.97	8.22	8.34	8.37	8.28	8.45	8.23
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	7.46	8.68	8.18	8.09	8.52	8.57	8.55	8.56	8.58	8.56
10 GNMA securities[6]	6.65	7.96	7.57	7.40	7.63	7.81	7.91	7.84	7.68	7.85
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	190,861	222,057	253,511	262,014	263,809	267,330	270,042	272,458	275,133	278,003
12 FHA/VA insured	23,857	27,558	28,762	28,744	29,132	30,442	30,936	30,830	30,803	30,840
13 Conventional	167,004	194,499	224,749	233,270	234,677	236,888	239,106	241,628	244,330	247,163
14 Mortgage transactions purchased (during period)	92,037	62,389	56,598	7,681	5,339	6,720	5,421	5,345	5,360	5,353
Mortgage commitments (during period)										
15 Issued[7]	92,537	54,038	56,092	6,293	5,599	5,228	5,280	5,036	5,673	4,264
16 To sell[8]	5,097	1,820	360	29	0	13	0	0	0	53
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	55,012	72,693	107,424	117,420	119,520	121,058	123,806	125,574	127,345	129,427
18 FHA/VA insured	321	276	267	220	216	212	209	205	205	205
19 Conventional	54,691	72,416	107,157	117,200	119,304	120,846	123,597	125,369	127,140	129,222
Mortgage transactions (during period)										
20 Purchases	229,242	124,697	98,470	11,984	12,740	12,385	10,266	9,934	9,643	8,687
21 Sales	208,723	117,110	85,877	11,384	11,958	11,904	9,969	9,496	8,994	8,167
22 Mortgage commitments contracted (during period)[9]	274,599	136,067	118,659	14,520	13,009	11,075	11,164	10,626	8,992	9,315

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	1995			1996	
				Q2	Q3	Q4	Q1	Q2[p]
1 **All holders**	**4,091,827**	**4,266,657**	**4,472,693**	**4,581,594**	**4,657,832**	**4,706,654**	**4,775,361**	**4,859,561**
By type of property								
2 One- to four-family residences	3,036,251	3,225,371	3,429,616	3,521,129	3,587,678	3,626,772	3,682,227	3,749,867
3 Multifamily residences	274,234	270,796	275,304	280,429	284,276	287,935	291,979	296,888
4 Nonfarm, nonresidential	700,604	689,296	684,803	696,228	701,525	707,328	715,940	726,308
5 Farm	80,738	81,194	82,971	83,808	84,352	84,620	85,215	86,498
By type of holder								
6 Major financial institutions	1,769,187	1,767,835	1,815,810	1,868,175	1,895,285	1,888,977	1,894,809	1,916,216
7 Commercial banks[2]	894,513	940,444	1,004,280	1,053,048	1,072,780	1,080,373	1,087,216	1,099,554
8 One- to four-family	507,780	556,538	611,697	648,705	662,126	663,588	665,405	669,925
9 Multifamily	38,024	38,635	38,916	40,593	43,003	43,846	44,705	45,222
10 Nonfarm, nonresidential	328,826	324,409	331,100	340,176	343,826	349,109	353,174	359,845
11 Farm	19,882	20,862	22,567	23,575	23,824	23,829	23,931	24,561
12 Savings institutions[3]	627,972	598,330	596,199	599,745	604,614	596,789	595,908	606,163
13 One- to four-family	489,622	469,959	477,499	482,005	489,150	482,765	483,367	492,692
14 Multifamily	69,791	67,362	64,400	64,404	63,569	61,926	60,427	60,720
15 Nonfarm, nonresidential	68,235	60,704	54,011	53,054	51,604	51,809	51,814	52,433
16 Farm	324	305	289	282	291	288	300	317
17 Life insurance companies	246,702	229,061	215,332	215,382	217,892	211,815	211,686	210,499
18 One- to four-family	11,441	9,458	7,910	7,610	7,701	7,476	7,472	7,428
19 Multifamily	27,770	25,814	24,306	24,347	24,638	23,920	23,906	23,764
20 Nonfarm, nonresidential	198,269	184,305	173,539	173,830	175,910	170,783	170,681	169,670
21 Farm	9,222	9,484	9,577	9,596	9,643	9,636	9,627	9,637
22 Federal and related agencies	286,263	327,014	319,327	313,039	314,353	313,760	312,950	314,694
23 Government National Mortgage Association	30	22	6	7	2	2	2	2
24 One- to four-family	30	15	6	7	2	2	2	2
25 Multifamily	0	7	0	0	0	0	0	0
26 Farmers Home Administration[4]	41,695	41,386	41,781	41,917	41,858	41,791	41,594	41,547
27 One- to four-family	16,912	15,303	13,826	13,217	12,914	12,643	12,327	11,982
28 Multifamily	10,575	10,940	11,319	11,512	11,557	11,617	11,636	11,645
29 Nonfarm, nonresidential	5,158	5,406	5,670	5,949	6,096	6,248	6,365	6,552
30 Farm	9,050	9,739	10,966	11,239	11,291	11,282	11,266	11,369
31 Federal Housing and Veterans' Administrations	12,581	12,215	10,964	10,098	9,535	9,809	8,439	8,052
32 One- to four-family	5,153	5,364	4,753	4,838	4,918	5,180	4,228	3,861
33 Multifamily	7,428	6,851	6,211	5,260	4,617	4,629	4,211	4,191
34 Resolution Trust Corporation	32,045	17,284	10,428	6,456	4,889	1,864	0	0
35 One- to four-family	12,960	7,203	5,200	2,870	2,299	691	0	0
36 Multifamily	9,621	5,327	2,859	1,940	1,420	647	0	0
37 Nonfarm, nonresidential	9,464	4,754	2,369	1,645	1,170	525	0	0
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	0	14,112	7,821	6,039	5,015	4,303	5,553	5,016
40 One- to four-family	0	2,367	1,049	731	618	492	839	840
41 Multifamily	0	1,426	1,595	1,135	722	428	1,100	955
42 Nonfarm, nonresidential	0	10,319	5,177	4,173	3,674	3,383	3,614	3,221
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	137,584	166,642	178,059	178,462	182,229	183,782	183,531	186,041
45 One- to four-family	124,016	151,310	162,160	162,674	166,393	168,122	167,895	170,572
46 Multifamily	13,568	15,332	15,899	15,788	15,836	15,660	15,636	15,469
47 Federal Land Banks	28,664	28,460	28,555	28,005	28,151	28,428	28,891	29,362
48 One- to four-family	1,687	1,675	1,671	1,648	1,656	1,673	1,700	1,728
49 Farm	26,977	26,785	26,885	26,357	26,495	26,755	27,191	27,634
50 Federal Home Loan Mortgage Corporation	33,665	46,892	41,712	42,055	42,673	43,781	44,939	44,674
51 One- to four-family	31,032	44,345	38,882	38,794	39,239	39,929	40,877	40,477
52 Multifamily	2,633	2,547	2,830	3,261	3,434	3,852	4,062	4,197
53 Mortgage pools or trusts[5]	1,433,183	1,562,925	1,717,991	1,759,039	1,795,041	1,853,632	1,894,711	1,946,036
54 Government National Mortgage Association	419,516	414,066	450,934	457,108	463,654	472,317	475,854	485,454
55 One- to four-family	410,675	404,864	441,198	446,862	453,114	461,472	464,675	473,963
56 Multifamily	8,841	9,202	9,736	10,246	10,540	10,845	11,179	11,491
57 Federal Home Loan Mortgage Corporation	407,514	447,147	490,851	498,216	503,370	515,051	524,327	536,671
58 One- to four-family	401,525	442,612	487,725	495,182	500,417	512,238	521,722	534,238
59 Multifamily	5,989	4,535	3,126	3,034	2,953	2,813	2,605	2,433
60 Federal National Mortgage Association	444,979	495,525	530,343	543,669	559,585	582,959	599,546	621,285
61 One- to four-family	435,979	486,804	520,763	533,091	548,400	569,724	585,527	606,271
62 Multifamily	9,000	8,721	9,580	10,578	11,185	13,235	14,019	15,014
63 Farmers Home Administration[4]	38	28	19	13	12	11	10	9
64 One- to four-family	8	5	3	2	2	2	1	1
65 Multifamily	0	0	0	0	0	0	0	0
66 Nonfarm, nonresidential	17	13	9	6	5	5	5	4
67 Farm	13	10	7	5	5	4	4	4
68 Private mortgage conduits	161,136	206,159	245,844	260,033	268,420	283,294	294,974	302,616
69 *One- to four-family*[6]	*139,637*	*171,988*	*194,145*	*202,658*	*207,679*	*214,635*	*219,392*	*221,380*
70 Multifamily	6,305	8,701	14,925	17,281	18,903	21,279	24,477	26,696
71 Nonfarm, nonresidential	15,194	25,469	36,774	40,094	41,838	47,380	51,101	54,541
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[7]	603,194	608,884	619,565	641,341	653,153	650,286	672,891	682,615
74 One- to four-family	447,795	455,560	461,130	480,234	491,050	486,140	506,798	514,507
75 Multifamily	64,688	65,397	69,601	71,051	71,898	73,237	74,015	75,090
76 Nonfarm, nonresidential	75,441	73,917	76,153	77,301	77,401	78,084	79,182	80,042
77 Farm	15,270	14,009	12,681	12,755	12,804	12,824	12,896	12,975

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. Includes securitized home equity loans.
7. 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 and other sources.

1.55 CONSUMER INSTALLMENT CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1993	1994	1995	1996[r] Mar.	Apr.	May	June	July	Aug.
				Seasonally adjusted					
1 **Total**	**844,118**	**966,457**	**1,103,296**	**1,135,732**	**1,143,251**	**1,149,203**	**1,155,887**	**1,163,187**	**1,166,538**
2 Automobile	279,786	317,182	350,848	357,752	360,081	360,875	366,059	368,113	368,262
3 Revolving	287,011	339,337	413,894	431,249	437,643	443,054	444,382	450,008	452,824
4 Other[2]	277,321	309,939	338,554	346,731	345,527	345,275	345,117	345,066	345,452
				Not seasonally adjusted					
5 **Total**	**863,924**	**990,247**	**1,131,881**	**1,125,387**	**1,132,513**	**1,139,449**	**1,148,737**	**1,153,478**	**1,163,374**
By major holder									
6 Commercial banks	399,683	462,923	507,753	500,929	506,600	505,211	507,715	511,219	516,813
7 Finance companies	116,453	134,830	152,624	151,749	153,299	155,893	155,864	156,430	155,469
8 Credit unions	101,634	119,594	131,939	130,837	131,844	133,367	131,582	136,669	138,646
9 Savings institutions	37,855	38,468	40,106	40,762	41,000	41,000	40,323	40,323	40,000
10 Nonfinancial business[3]	77,229	86,621	85,061	76,681	73,765	74,680	72,063	71,232	72,249
11 Pools of securitized assets[4]	131,070	147,811	214,398	224,429	226,005	229,298	238,190	237,605	240,197
By major type of credit[5]									
12 Automobile	281,538	319,715	354,055	354,061	355,640	358,201	364,576	366,952	369,691
13 Commercial banks	122,000	141,895	139,094	148,455	150,060	150,524	152,921	154,639	156,308
14 Finance companies	56,057	61,609	70,626	72,129	73,810	74,327	74,286	75,119	74,433
15 Pools of securitized assets[4]	39,561	36,376	44,411	42,800	40,545	41,021	44,543	42,822	43,318
16 Revolving	302,201	357,307	435,674	425,875	430,929	437,189	439,514	443,655	449,875
17 Commercial banks	139,920	182,021	210,298	196,836	201,122	203,432	204,049	207,926	211,012
18 Nonfinancial business[3]	50,125	56,790	53,525	47,116	44,526	45,182	42,574	44,715	42,508
19 Pools of securitized assets[4]	80,242	96,130	147,934	157,901	161,396	164,509	168,844	169,716	171,847
20 Other	280,185	313,225	342,152	345,451	345,944	344,059	344,647	342,871	343,808
21 Commercial banks	127,763	139,007	148,361	155,638	155,418	151,255	150,745	148,654	149,493
22 Finance companies	60,396	73,221	81,998	79,620	79,489	81,566	81,578	81,311	81,036
23 Nonfinancial business[3]	27,104	29,831	31,536	29,265	29,239	29,498	29,489	29,517	29,741
24 Pools of securitized assets[4]	11,267	15,305	22,053	23,728	24,064	23,768	24,803	25,067	25,032

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	1996 Feb.	Mar.	Apr.	May	June	July	Aug.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	8.09	8.12	9.57	9.12	n.a.	n.a.	8.93	n.a.	n.a.	9.11
2 24-month personal	13.47	13.19	13.94	13.63	n.a.	n.a.	13.52	n.a.	n.a.	13.37
Credit card plan										
3 All accounts	n.a.	15.69	16.02	15.82	n.a.	n.a.	15.44	n.a.	n.a.	15.65
4 Accounts assessed interest	n.a.	15.77	15.79	15.41	n.a.	n.a.	15.41	n.a.	n.a.	15.64
Auto finance companies										
5 New car	9.48	9.79	11.19	9.86	9.77	9.64	9.37	9.53	9.81	10.49
6 Used car	12.79	13.49	14.48	13.28	13.19	13.26	13.49	13.62	13.77	13.92
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.5	54.0	54.1	52.3	51.8	51.5	50.8	50.4	50.5	51.4
8 Used car	48.8	50.2	52.2	52.1	52.0	51.8	51.7	51.6	51.7	51.3
Loan-to-value ratio										
9 New car	91	92	92	91	91	91	91	91	91	92
10 Used car	98	99	99	98	98	99	99	100	100	100
Amount financed (dollars)										
11 New car	14,332	15,375	16,210	16,627	16,530	16,605	16,686	16,854	16,926	16,927
12 Used car	9,875	10,709	11,590	11,990	11,934	12,024	12,233	12,249	12,242	12,132

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				1996	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**481.7**	**543.0**	**628.5**	**620.4**	**722.3**	**652.7**	**846.0**	**869.3**	**582.5**	**591.3**	**869.8**	**689.4**
By sector and instrument												
2 Federal government	278.2	304.0	256.1	155.9	144.4	166.8	247.8	184.7	86.0	59.3	239.9	62.4
3 Treasury securities	292.0	303.8	248.3	155.7	142.9	172.5	249.0	183.1	85.6	54.1	242.2	60.2
4 Budget agency securities and mortgages	13.8	.2	7.8	.2	1.5	-5.7	1.2	1.6	.4	5.1	2.3	2.2
5 Nonfederal	203.5	239.0	372.3	464.5	577.8	485.9	598.2	684.6	496.5	532.1	630.0	627.0
By instrument												
6 Commercial paper	18.4	8.6	10.0	21.4	18.1	30.7	12.3	39.1	13.9	7.2	42.2	15.4
7 Municipal securities	87.8	30.5	74.8	29.3	41.3	53.5	54.9	2.2	100.3	7.6	15.2	40.1
8 Corporate bonds	78.8	67.6	75.2	23.3	73.3	6.2	53.0	98.4	59.8	82.0	58.9	70.0
9 Bank loans n.e.c.	40.9	13.7	3.8	73.1	99.6	77.5	145.9	99.0	75.2	78.2	38.4	79.5
10 Other loans and advances	48.5	10.1	10.2	55.4	58.3	68.9	79.2	55.2	36.1	62.5	35.5	34.4
11 Mortgages	158.4	130.9	157.2	194.3	228.2	215.7	226.0	240.0	254.9	192.1	340.4	306.4
12 Home mortgages	173.6	187.6	187.9	202.4	196.7	221.9	199.2	207.7	221.4	158.7	292.9	245.9
13 Multifamily residential	5.5	10.4	6.0	1.3	10.9	4.2	2.8	14.2	13.7	12.8	14.4	17.7
14 Commercial	10.0	47.8	25.0	11.1	19.0	3.4	22.4	16.3	17.7	19.5	30.8	37.6
15 Farm	4	1.4	5	1.8	1.6	1.4	1.6	1.7	2.2	1.1	2.4	5.1
16 Consumer credit	13.7	5.0	61.5	126.3	141.6	140.5	136.7	155.1	156.9	117.7	129.7	81.1
By borrowing sector												
17 Household	183.8	198.4	254.6	368.7	380.6	399.1	366.1	401.2	414.9	340.2	435.9	391.0
18 Nonfinancial business	61.9	19.5	55.5	139.3	242.9	155.0	286.3	292.3	185.1	207.9	206.6	199.1
19 Corporate	53.0	34.1	46.5	124.3	208.5	139.4	239.0	258.8	155.0	181.3	166.4	157.3
20 Nonfarm noncorporate	11.0	16.0	7.0	12.1	32.8	16.4	46.6	30.5	26.5	27.6	40.1	34.8
21 Farm	2.1	1.3	2.0	2.8	1.6	.8	.8	3.0	3.5	1.0	.1	7.0
22 State and local government	81.6	21.1	62.3	43.4	45.7	68.2	54.2	9.0	103.5	16.0	12.5	36.8
23 Foreign net borrowing in United States	14.8	23.7	70.4	15.3	69.5	45.5	61.8	43.1	95.5	77.4	43.8	34.9
24 Open market paper	6.4	5.2	9.0	27.3	13.6	5.9	37.9	11.1	30.9	3.4	13.8	7.4
25 Bonds	15.0	16.8	82.9	12.2	48.3	39.1	13.9	51.2	55.2	72.7	47.9	11.4
26 Bank loans n.e.c.	3.1	2.3	.7	1.4	8.5	.5	8.1	5.6	8.2	11.9	8.7	15.2
27 Other loans and advances	9.8	-.6	4.2	1.6	.8	1.1	1.9	2.6	1.3	3.9	1.1	.9
28 **Total domestic plus foreign**	**496.5**	**566.7**	**698.9**	**605.1**	**791.7**	**698.2**	**907.7**	**912.4**	**678.0**	**668.7**	**913.6**	**724.4**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**155.6**	**240.0**	**291.1**	**467.9**	**447.2**	**534.2**	**267.7**	**439.9**	**507.1**	**574.0**	**319.9**	**686.6**
By instrument												
30 U.S. government related	145.7	155.8	164.2	288.6	205.1	316.1	86.7	196.5	227.7	309.6	143.8	302.0
31 Government-sponsored enterprise securities	9.2	40.3	80.6	176.9	106.9	249.0	62.9	127.2	101.5	136.1	37.4	132.9
32 Mortgage pool securities	136.6	115.6	83.6	116.5	98.2	67.1	23.8	69.3	126.2	173.5	106.5	169.1
33 Loans from U.S. government	.0	.0	0	4.8	.0	.0	0	.0	.0	.0	.0	.0
34 Private	9.8	84.2	126.9	179.2	242.1	218.1	181.0	243.4	279.4	264.4	176.0	384.6
35 Open market paper	32.0	.7	6.2	41.6	42.6	86.5	37.6	33.9	43.7	55.1	17.8	105.7
36 Corporate bonds	69.9	82.7	120.1	117.5	185.2	84.9	167.6	182.3	217.7	173.4	143.3	201.0
37 Bank loans n.e.c.	8.8	2.2	13.0	12.3	5.5	3.7	5.0	20.7	7.9	1.8	14.9	23.6
38 Other loans and advances	37.3	.6	22.4	22.6	3.4	38.1	24.5	1.3	4.9	32.0	5.5	48.6
39 Mortgages	.5	6	3.6	9.8	5.3	4.9	5.2	5.2	5.2	5.6	5.5	5.8
By borrowing sector												
40 Commercial banking	13.2	10.0	13.4	20.1	22.5	20.7	21.7	39.0	37.5	8.2	32.5	40.1
41 Savings institutions	-44.7	7.0	11.3	12.8	2.6	36.1	18.9	7.2	5.1	31.5	10.9	40.2
42 Credit unions	.0	.0	.2	.2	.1	2	.3	.1	.1	.0	.1	.2
43 Life insurance companies	.0	.0	.2	.3	1	1.3	.0	.1	1	.4	2.5	.3
44 Government-sponsored enterprises	9.1	40.2	80.6	172.1	106.9	249.0	62.9	127.2	101.5	136.1	37.4	132.9
45 Federally related mortgage pools	136.6	115.6	83.6	116.5	98.2	67.1	23.8	69.3	126.2	173.5	106.5	169.1
46 Issuers of asset-backed securities (ABSs)	54.0	58.5	83.3	68.5	132.8	62.8	67.6	113.2	166.4	183.9	132.4	127.2
47 Finance companies	17.7	1.6	.2	50.2	51.6	53.0	80.2	52.0	19.8	54.3	47.1	54.8
48 Mortgage companies	2.4	8.0	.0	11.5	.4	1.1	-7.4	14.8	4.0	10.0	10.0	16.0
49 Real estate investment trusts (REITs)	1.2	3	3.4	13.7	5.4	6.3	5.2	5.2	5.2	6.0	5.9	6.5
50 Brokers and dealers	3.7	2.7	12.0	.5	5.0	19.3	29.5	.1	2.1	7.7	31.8	13.1
51 Funding corporations	-6.5	13.2	2.9	24.2	32.0	17.2	62.5	26.4	39.4	.4	31.6	86.6

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1] Continued

Transaction category or sector	1991	1992	1993	1994	1995	1994	1995				1996	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
	All sectors											
52 **Total net borrowing, all sectors**	**652.1**	**806.7**	**990.0**	**1,073.0**	**1,238.9**	**1,232.4**	**1,175.4**	**1,352.3**	**1,185.1**	**1,242.7**	**1,233.5**	**1,411.0**
53 Open market paper	44.0	13.1	5.1	35.7	74.3	123.1	87.8	61.9	88.5	58.9	46.2	128.6
54 U.S. government securities	424.0	459.8	420.3	449.3	349.5	482.9	334.5	381.1	313.7	368.9	383.7	364.4
55 Municipal securities	87.8	30.5	74.8	29.3	41.3	53.5	54.9	2.2	100.3	7.6	15.2	40.1
56 Corporate and foreign bonds	163.6	167.1	278.2	153.0	306.8	130.1	234.5	331.9	332.6	328.2	250.1	282.4
57 Bank loans n.e.c.	29.1	9.3	8.5	62.2	113.5	80.7	149.0	125.3	91.3	88.3	61.9	118.3
58 Other loans and advances	95.6	8.9	8.0	71.7	60.8	108.1	56.5	53.9	42.2	90.7	31.1	83.9
59 Mortgages	158.9	131.5	160.8	204.1	233.6	220.6	231.2	245.2	260.2	197.6	345.9	312.1
60 Consumer credit	13.7	5.0	61.5	126.3	141.6	140.5	136.7	155.1	156.9	117.7	129.7	81.1
	Funds raised through mutual funds and corporate equities											
61 **Total net issues**	**209.4**	**296.6**	**445.0**	**156.2**	**162.6**	**−79.5**	**48.9**	**152.3**	**207.0**	**242.3**	**282.8**	**411.4**
62 Corporate equities	62.2	87.5	121.2	27.3	11.3	64.3	35.2	12.8	5.0	2.3	4.9	73.1
63 Nonfinancial corporations	18.3	27.0	21.3	44.9	74.2	118.0	60.0	71.3	92.8	72.8	106.8	16.8
64 Financial corporations	13.3	28.1	36.6	24.1	12.2	16.3	8.4	17.7	9.6	13.1	12.1	21.1
65 Foreign shares purchased by U.S. residents	30.7	32.4	63.4	48.1	50.7	37.4	16.4	40.8	88.2	57.4	89.8	68.9
66 Mutual funds	147.2	209.1	323.7	128.9	173.9	15.2	84.1	165.0	202.0	244.5	287.6	338.2

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				1996	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**652.1**	**806.7**	**990.0**	**1,073.0**	**1,238.9**	**1,232.4**	**1,175.4**	**1,352.3**	**1,185.1**	**1,242.7**	**1,233.5**	**1,411.0**
2 Domestic nonfederal nonfinancial sectors	105.2	88.7	82.5	251.4	−89.1	260.5	14.9	−153.0	−51.3	−166.9	−21.8	85.1
3 Households	29.0	82.5	69.1	295.7	43.5	375.8	161.4	−111.7	203.9	−79.7	81.4	90.3
4 Nonfinancial corporate business	30.7	27.8	9.1	49.6	−5.8	50.0	−42.6	39.5	−52.4	32.3	−5.0	14.1
5 Nonfarm noncorporate business	−5.3	−.1	.6	.7	1.0	.9	.5	1.1	1.1	1.2	1.1	1.1
6 State and local governments	50.8	−21.5	3.7	−94.6	−127.7	−166.1	−104.4	81.9	204.0	−120.7	−99.2	−20.4
7 Federal government	10.5	−11.9	−18.4	−24.2	−21.3	−24.3	−13.1	24.2	−24.0	−24.0	−20.0	−13.8
8 Rest of the world	13.3	98.4	128.5	133.2	271.8	209.0	246.6	320.2	361.6	158.8	343.9	269.7
9 Financial sectors	523.1	631.5	797.3	712.5	1,077.5	787.2	927.0	1,209.3	898.9	1,274.9	931.3	1,070.0
10 Monetary authority	31.1	27.9	36.2	31.5	12.7	25.5	18.4	16.7	−4.1	19.7	16.9	9.4
11 Commercial banking	80.8	95.3	142.2	163.4	265.9	179.8	333.0	319.4	244.8	166.2	121.7	191.2
12 U.S. chartered banks	35.7	69.5	149.6	148.1	186.5	178.4	178.7	222.4	227.0	118.1	80.5	125.5
13 Foreign banking offices in United States	48.5	16.5	−9.8	11.2	75.4	−4.5	153.5	86.6	25.6	36.1	44.2	58.6
14 Bank holding companies	−1.5	5.6	.0	.9	−.3	−2.4	−1.5	5.3	9.6	4.6	−5.1	5.3
15 Banks in U.S. affiliated areas	−1.9	3.7	2.4	3.3	4.2	8.3	2.4	5.2	1.8	7.4	2.1	1.7
16 Savings institutions	−158.9	−79.0	−23.4	6.8	−7.5	5.6	17.6	11.4	32.0	−68.4	−20.1	5.0
17 Credit unions	12.8	17.7	21.7	28.1	16.2	24.9	11.6	22.8	11.0	19.5	22.3	33.4
18 Bank personal trusts and estates	10.0	8.0	9.5	7.1	−18.8	1.4	−10.8	−20.6	23.7	−20.2	−18.1	−12.3
19 Life insurance companies	86.5	78.5	100.9	66.3	99.2	76.7	135.2	135.5	72.9	53.3	48.7	117.2
20 Other insurance companies	30.0	6.7	27.7	24.9	21.5	30.4	20.8	20.9	21.9	22.3	23.6	23.7
21 Private pension funds	35.4	41.1	45.9	47.0	61.3	74.7	58.9	57.2	50.5	78.5	65.8	84.3
22 State and local government retirement funds	41.1	23.0	19.8	29.0	21.4	41.8	59.4	4.6	2.7	18.9	55.5	76.1
23 Money market mutual funds	32.7	4.7	20.4	30.0	86.5	52.8	56.4	134.4	30.0	125.1	175.0	18.4
24 Mutual funds	80.1	126.2	159.5	−7.1	52.5	−78.6	−13.4	23.4	58.0	141.9	67.5	82.1
25 Closed-end funds	12.8	18.2	11.0	−5.5	5.8	−10.0	3.5	6.4	8.4	5.0	−1.2	3.8
26 Government sponsored enterprises	15.1	68.8	90.2	119.1	88.9	171.4	21.9	93.0	50.0	190.5	39.4	134.6
27 Federally related mortgage pools	136.6	115.6	83.6	116.5	98.2	67.1	23.8	69.3	126.2	173.5	106.5	169.1
28 Asset-backed securities issuers (ABSs)	50.0	53.7	80.8	61.9	112.1	42.6	55.5	100.9	154.4	137.4	112.4	119.3
29 Finance companies	−9.2	7.5	−9.0	68.2	64.2	80.7	85.1	67.2	50.8	53.7	40.9	38.9
30 Mortgage companies	11.2	.1	.0	−22.9	−3.4	2.1	−14.4	29.9	7.3	−36.4	51.0	−16.4
31 Real estate investment trusts (REITs)	−.7	1.1	.6	4.7	1.8	.2	1.8	1.8	1.8	1.9	1.9	1.7
32 Brokers and dealers	17.5	−1.3	14.8	−44.2	90.1	−8.0	30.5	146.2	−1.8	185.6	−109.0	−75.9
33 Funding corporations	8.2	17.7	−34.9	−12.2	9.1	6.2	32.1	−8.3	5.7	7.0	130.6	66.4
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
34 **Net flows through credit markets**	**652.1**	**806.7**	**990.0**	**1,073.0**	**1,238.9**	**1,232.4**	**1,175.4**	**1,352.3**	**1,185.1**	**1,242.7**	**1,233.5**	**1,411.0**
Other financial sources												
35 Official foreign exchange	−5.9	−1.6	.8	−5.8	8.8	−8.6	17.8	10.3	9.0	−1.9	−2.1	.0
36 Special drawing rights certificates	.0	−2.0	.0	.0	2.2	.0	.0	.0	8.6	.0	.0	.0
37 Treasury currency	.0	.2	.4	.7	.6	.7	.7	.7	.8	.2	.0	.0
38 Foreign deposits	−26.5	−3.5	−18.5	54.0	33.5	106.4	34.6	110.8	−29.5	18.2	85.0	8.7
39 Net interbank transactions	−3.4	49.4	50.5	89.7	10.1	108.5	−22.3	−4.5	−13.4	80.7	−90.3	−84.1
40 Checkable deposits and currency	86.3	113.5	117.3	−9.7	−12.8	−37.3	31.3	100.2	−113.1	−69.3	44.3	1.6
41 Small time and savings deposits	1.5	−57.2	−70.3	−40.0	96.5	−42.7	29.8	95.6	145.6	114.9	189.0	−10.2
42 Large time deposits	−58.5	−73.2	−23.5	19.6	65.6	36.2	108.8	74.4	80.2	−.9	43.0	85.4
43 Money market fund shares	41.6	4.5	20.2	43.3	142.3	81.1	74.2	221.1	122.9	151.1	244.0	4.1
44 Security repurchase agreements	−16.5	43.1	71.2	78.3	110.7	48.5	172.5	115.6	95.0	59.8	−23.7	70.4
45 Corporate equities	62.2	87.5	121.2	27.3	−11.3	−64.3	−35.2	−12.8	5.0	−2.3	−4.9	73.1
46 Mutual fund shares	147.2	209.1	323.7	128.9	173.9	−15.2	84.1	165.0	202.0	244.5	287.6	338.2
47 Trade payables	31.0	46.6	57.4	114.3	94.4	151.7	84.0	72.2	128.3	93.1	72.8	187.3
48 Security credit	51.4	4.6	61.4	−.1	26.7	32.7	−5.4	30.1	32.3	49.7	120.6	−48.3
49 Life insurance reserves	25.7	27.3	35.2	34.0	44.7	21.6	51.6	56.3	34.0	37.0	21.1	69.8
50 Pension fund reserves	198.2	238.6	247.3	248.0	241.9	294.0	268.1	286.7	213.9	199.0	243.6	208.1
51 Taxes payable	−7.4	9.7	5.2	3.2	1.3	4.1	12.0	1.0	2.4	−10.2	5.5	7.1
52 Investment in bank personal trusts	16.1	−7.1	1.6	18.8	−47.7	11.9	−44.3	−45.6	−63.9	−37.1	−47.3	−20.2
53 Noncorporate proprietors' equity	.5	16.7	3.4	23.5	42.9	18.5	30.6	42.3	54.9	43.6	40.6	30.0
54 Miscellaneous	278.2	280.3	358.9	260.8	500.1	363.1	316.0	484.8	396.9	802.6	542.0	280.7
55 **Total financial sources**	**1,474.0**	**1,793.0**	**2,353.5**	**2,161.9**	**2,763.3**	**2,343.3**	**2,384.5**	**3,156.5**	**2,497.0**	**3,015.3**	**3,004.4**	**2,613.0**
Liabilities not identified as assets (−)												
56 Treasury currency	−.6	−.2	−.2	−.2	−.5	−.2	−.2	−.4	−.3	−1.0	−1.1	−.9
57 Foreign deposits	−24.0	−2.8	−7.0	44.9	27.4	64.8	41.6	101.8	−55.7	21.9	61.1	44.5
58 Net interbank liabilities	26.2	−4.9	4.2	−2.7	−3.1	3.5	−.4	−.9	12.3	−23.6	10.9	−27.0
59 Security repurchase agreements	−9.5	3.6	34.3	31.5	2.5	84.4	66.2	−53.0	23.5	−26.8	−47.8	33.8
60 Taxes payable	−2.2	11.9	11.1	8.6	8.7	−.2	−7.5	31.0	9.3	2.2	−23.3	25.1
61 Miscellaneous	9.8	−.2	−133.8	−112.1	−13.2	−45.7	−264.2	51.6	−37.9	197.6	−195.6	−11.6
Floats not included in assets (−)												
62 Federal government checkable deposits	−13.1	.7	−1.5	−4.8	−6.0	−17.1	4.6	−18.6	3.8	−13.8	7.9	−11.3
63 Other checkable deposits	4.5	1.6	−1.3	−2.8	−3.8	−2.3	−3.6	−3.8	−3.2	−4.7	−3.8	−4.2
64 Trade credit	36.1	11.3	−3.6	−2.8	−23.7	−59.6	48.0	33.8	−55.6	−121.2	43.3	−21.2
65 **Total identified to sectors as assets**	**1,446.8**	**1,772.1**	**2,451.3**	**2,202.3**	**2,775.1**	**2,315.7**	**2,499.9**	**3,014.9**	**2,600.8**	**2,984.7**	**3,152.7**	**2,585.9**

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				1996	
					Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**11,894.5**	**12,537.8**	**13,164.4**	**13,886.7**	**13,164.4**	**13,339.1**	**13,546.6**	**13,701.3**	**13,886.7**	**14,077.8**	**14,223.8**
By sector and instrument											
2 Federal government	3,080.3	3,336.5	3,492.3	3,636.7	3,492.3	3,557.9	3,583.5	3,603.4	3,636.7	3,717.2	3,693.8
3 Treasury securities	3,061.6	3,309.9	3,465.6	3,608.5	3,465.6	3,531.5	3,556.7	3,576.5	3,608.5	3,689.6	3,665.5
4 Budget agency securities and mortgages	18.8	26.6	26.7	28.2	26.7	26.4	26.8	26.9	28.2	27.6	28.2
5 Nonfederal	8,814.2	9,201.3	9,672.1	10,249.9	9,672.1	9,781.2	9,963.1	10,097.9	10,249.9	10,360.6	10,530.0
By instrument											
6 Commercial paper	107.1	117.8	139.2	157.4	139.2	149.8	162.9	163.3	157.4	174.2	181.7
7 Municipal securities and loans	1,302.8	1,377.5	1,348.2	1,307.0	1,348.2	1,335.4	1,331.7	1,309.9	1,307.0	1,304.7	1,311.3
8 Corporate bonds	1,154.5	1,229.7	1,253.0	1,326.3	1,253.0	1,266.3	1,290.9	1,305.8	1,326.3	1,341.0	1,358.5
9 Bank loans n.e.c.	672.2	676.0	749.0	848.5	749.0	782.8	810.8	824.4	848.5	856.0	879.2
10 Other loans and advances	686.5	676.3	738.0	796.3	738.0	762.0	775.8	781.2	796.3	809.4	817.7
11 Mortgages	4,088.7	4,260.0	4,454.4	4,682.6	4,454.4	4,494.0	4,560.2	4,635.2	4,682.6	4,749.9	4,832.7
12 Home mortgages	3,037.4	3,227.6	3,430.0	3,626.8	3,430.0	3,462.9	3,521.1	3,587.7	3,626.8	3,682.2	3,749.9
13 Multifamily residential	272.5	267.8	269.1	280.0	269.1	269.8	273.4	276.8	280.0	283.6	288.0
14 Commercial	698.1	683.4	672.3	691.2	672.3	677.8	681.9	686.4	691.2	698.9	708.3
15 Farm	80.7	81.2	83.0	84.6	83.0	83.4	83.8	84.4	84.6	85.2	86.5
16 Consumer credit	802.4	863.9	990.2	1,131.9	990.2	990.9	1,030.8	1,078.2	1,131.9	1,125.4	1,148.8
By borrowing sector											
17 Households	4,021.4	4,278.4	4,646.7	5,027.3	4,646.7	4,688.0	4,795.3	4,917.2	5,027.3	5,080.1	5,186.6
18 Nonfinancial business	3,696.8	3,764.8	3,910.6	4,153.5	3,910.6	3,991.0	4,071.0	4,106.6	4,153.5	4,213.0	4,270.1
19 Corporate	2,437.6	2,496.5	2,627.4	2,836.0	2,627.4	2,698.6	2,766.9	2,794.3	2,836.0	2,888.0	2,931.2
20 Nonfarm noncorporate	1,122.9	1,129.9	1,142.0	1,174.8	1,142.0	1,153.5	1,161.3	1,167.4	1,174.8	1,184.7	1,193.6
21 Farm	136.3	138.3	141.2	142.7	141.2	138.9	142.8	144.8	142.7	140.3	145.3
22 State and local government	1,095.9	1,158.2	1,114.8	1,069.1	1,114.8	1,102.2	1,096.8	1,074.1	1,069.1	1,067.5	1,073.3
23 **Foreign credit market debt held in United States**	**315.2**	**385.6**	**370.4**	**439.9**	**370.4**	**385.7**	**396.8**	**419.8**	**439.9**	**450.8**	**459.7**
24 Commercial paper	77.7	68.7	41.4	55.0	41.4	50.9	48.1	55.8	55.0	51.5	53.4
25 Bonds	147.2	230.1	242.3	290.6	242.3	245.8	258.6	272.4	290.6	302.5	305.4
26 Bank loans n.e.c.	23.9	24.6	26.1	34.6	26.1	28.2	29.6	31.6	34.6	36.8	40.5
27 Other loans and advances	66.4	62.1	60.6	59.7	60.6	60.8	60.5	60.0	59.7	60.0	60.4
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**12,209.7**	**12,923.4**	**13,534.8**	**14,326.6**	**13,534.8**	**13,724.7**	**13,943.4**	**14,121.1**	**14,326.6**	**14,528.6**	**14,683.5**
	Financial sectors										
29 **Total credit market debt owed by financial sectors**	**3,025.0**	**3,321.5**	**3,794.6**	**4,244.4**	**3,794.6**	**3,861.5**	**3,971.9**	**4,096.3**	**4,244.4**	**4,322.6**	**4,494.3**
By instrument											
30 Federal government related	1,720.0	1,884.1	2,172.7	2,377.9	2,172.7	2,196.2	2,247.1	2,300.1	2,377.9	2,416.6	2,493.5
31 Government-sponsored enterprises securities	443.1	523.7	700.6	807.5	700.6	716.3	748.1	773.5	807.5	816.9	850.1
32 Mortgage pool securities	1,272.0	1,355.6	1,472.1	1,570.3	1,472.1	1,479.9	1,499.0	1,526.6	1,570.3	1,599.7	1,643.4
33 Loans from U.S. government	4.8	4.8	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	1,305.1	1,437.4	1,621.9	1,866.5	1,621.9	1,665.3	1,724.8	1,796.2	1,866.5	1,906.0	2,000.8
35 Open market paper	394.3	393.5	442.8	488.0	442.8	454.1	462.8	473.6	488.0	491.9	518.5
36 Corporate bonds	738.4	858.5	973.5	1,158.7	973.5	1,012.3	1,056.4	1,112.7	1,158.7	1,191.2	1,240.0
37 Bank loans n.e.c.	80.5	67.6	55.3	60.8	55.3	53.4	58.4	60.3	60.8	63.9	69.7
38 Other loans and advances	86.6	108.9	131.6	135.0	131.6	125.4	125.7	127.0	135.0	133.6	145.8
39 Mortgages	5.4	8.9	18.7	24.0	18.7	20.0	21.3	22.6	24.0	25.4	26.9
By borrowing sector											
40 Commercial banks	80.0	84.6	94.5	102.6	94.5	95.0	99.9	102.0	102.6	100.5	103.6
41 Bank holding companies	114.6	123.4	133.6	148.0	133.6	137.7	142.9	150.0	148.0	141.4	148.4
42 Savings institutions	88.4	99.6	112.4	115.0	112.4	107.7	105.9	107.2	115.0	117.8	127.8
43 Credit unions	.0	.2	.5	.4	.5	.4	.3	.4	.4	.4	.3
44 Life insurance companies	.0	.2	.6	.5	.6	.6	.6	.6	.5	1.1	1.2
45 Government-sponsored enterprises	447.9	528.5	700.6	807.5	700.6	716.3	748.1	773.5	807.5	816.9	850.1
46 Federally related mortgage pools	1,272.0	1,355.6	1,472.1	1,570.3	1,472.1	1,479.9	1,499.0	1,526.6	1,570.3	1,599.7	1,643.4
47 Issuers of asset-backed securities (ABSs)	404.3	487.6	556.1	688.9	556.1	570.0	596.8	640.2	688.9	718.6	749.0
48 Brokers and dealers	21.7	33.7	34.3	29.3	34.3	26.9	26.8	27.4	29.3	21.4	24.6
49 Finance companies	390.4	390.5	440.7	492.3	440.7	456.7	467.2	471.9	492.3	499.8	511.0
50 Mortgage companies	30.2	30.2	18.7	19.1	18.7	16.9	20.6	21.6	19.1	21.6	25.6
51 Real estate investment trusts (REITs)	13.9	17.4	31.1	36.5	31.1	32.4	33.7	35.0	36.5	38.0	39.6
52 Funding corporations	161.6	169.9	199.3	233.9	199.3	221.1	230.0	239.9	233.9	245.6	269.5
	All sectors										
53 **Total credit market debt, domestic and foreign**	**15,234.7**	**16,244.8**	**17,329.4**	**18,570.9**	**17,329.4**	**17,586.2**	**17,915.3**	**18,217.4**	**18,570.9**	**18,851.2**	**19,177.8**
54 Open market paper	579.0	580.0	623.5	700.4	623.5	654.7	673.8	692.7	700.4	717.6	753.6
55 U.S. government securities	4,795.5	5,215.8	5,665.0	6,014.6	5,665.0	5,754.1	5,830.6	5,903.5	6,014.6	6,133.8	6,187.2
56 Municipal securities	1,302.8	1,377.5	1,348.2	1,307.0	1,348.2	1,335.4	1,331.7	1,309.9	1,307.0	1,304.7	1,311.3
57 Corporate and foreign bonds	2,040.1	2,318.3	2,468.8	2,775.6	2,468.8	2,524.4	2,605.9	2,690.9	2,775.6	2,834.8	2,903.9
58 Bank loans n.e.c.	776.6	768.2	830.4	943.9	830.4	864.4	898.8	916.3	943.9	956.7	989.4
59 Other loans and advances	844.2	852.1	930.1	991.0	930.1	948.2	962.1	968.2	991.0	1,003.0	1,023.9
60 Mortgages	4,094.1	4,269.0	4,473.1	4,706.7	4,473.1	4,514.0	4,581.6	4,657.8	4,706.7	4,775.4	4,859.6
61 Consumer credit	802.4	863.9	990.2	1,131.9	990.2	990.9	1,030.8	1,078.2	1,131.9	1,125.4	1,148.8

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 Q4	1995 Q1	1995 Q2	1995 Q3	1995 Q4	1996 Q1	1996 Q2
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**15,234.7**	**16,244.8**	**17,329.4**	**18,570.9**	**17,329.4**	**17,586.2**	**17,915.3**	**18,217.4**	**18,570.9**	**18,851.2**	**19,177.8**
2 Domestic nonfederal nonfinancial sectors	2,672.4	2,737.8	3,029.6	2,905.3	3,029.6	2,995.5	2,946.8	2,953.3	2,905.3	2,871.3	2,867.1
3 Households	1,619.3	1,676.7	2,002.7	2,011.0	2,002.7	2,025.2	1,981.5	2,052.7	2,011.0	2,030.8	2,017.4
4 Nonfinancial corporate business	257.8	271.5	321.1	315.3	321.1	292.6	303.9	291.0	315.3	291.1	298.1
5 Nonfarm noncorporate business	38.1	38.8	39.5	40.4	39.5	39.6	39.9	40.2	40.4	40.7	41.0
6 State and local governments	757.2	760.8	666.3	538.5	666.3	638.1	621.6	569.4	538.5	511.1	510.6
7 Federal government	236.0	231.7	207.6	186.2	207.6	201.2	198.2	192.2	186.2	181.2	177.7
8 Rest of the world	1,023.0	1,117.0	1,254.9	1,561.1	1,254.9	1,323.3	1,400.9	1,492.1	1,561.1	1,633.6	1,718.6
9 Financial sectors	11,303.2	12,118.3	12,837.3	13,918.3	12,837.3	13,063.2	13,369.3	13,579.5	13,918.3	14,112.2	14,414.4
10 Monetary authority	300.4	336.7	368.2	380.8	368.2	367.1	375.7	370.6	380.8	379.6	386.3
11 Commercial banking	2,948.6	3,090.8	3,254.3	3,520.1	3,254.3	3,327.8	3,410.1	3,473.2	3,520.1	3,541.6	3,591.1
12 U.S. chartered banks	2,571.9	2,721.5	2,869.6	3,056.1	2,869.6	2,906.5	2,963.7	3,023.7	3,056.1	3,068.8	3,101.3
13 Foreign banking offices in United States	335.8	326.0	337.1	412.6	337.1	373.6	396.0	401.1	412.6	422.2	437.4
14 Bank holding companies	17.5	17.5	18.4	18.0	18.4	18.0	19.3	16.9	18.0	16.8	18.1
15 Banks in U.S. affiliated areas	23.4	25.8	29.2	33.4	29.2	29.8	31.1	31.5	33.4	33.9	34.3
16 Savings institutions	937.4	914.0	920.9	913.3	920.9	925.3	922.4	930.1	913.3	908.3	909.5
17 Credit unions	197.1	218.7	246.8	263.0	246.8	248.1	255.0	258.5	263.0	267.1	276.6
18 Bank personal trusts and estates	231.5	240.9	248.0	229.2	248.0	245.3	240.2	231.2	229.2	224.7	221.6
19 Life insurance companies	1,309.1	1,420.6	1,487.0	1,586.2	1,487.0	1,523.1	1,557.1	1,575.5	1,586.2	1,600.5	1,629.7
20 Other insurance companies	389.4	422.7	436.4	468.7	436.4	451.9	457.3	463.0	468.7	474.5	480.2
21 Private pension funds	571.7	617.6	664.6	725.9	664.6	679.3	693.6	706.2	725.9	742.3	763.4
22 State and local government retirement funds	417.5	437.3	466.3	487.7	466.3	480.7	482.1	481.8	487.7	501.1	520.6
23 Money market mutual funds	408.6	429.0	459.0	545.5	459.0	480.6	508.0	505.7	545.5	595.6	591.7
24 Mutual funds	566.4	725.9	718.8	771.3	718.8	719.3	724.8	739.2	771.3	792.1	812.5
25 Closed end funds	67.7	78.6	73.1	78.9	73.1	71.0	75.6	77.7	78.9	78.6	79.6
26 Government sponsored enterprises	457.8	548.0	667.1	756.0	667.1	671.9	695.9	708.1	756.0	765.2	799.5
27 Federally related mortgage pools	1,272.0	1,356.6	1,472.1	1,570.3	1,472.1	1,479.9	1,499.0	1,526.6	1,570.3	1,599.7	1,643.4
28 Asset backed securities issuers (ABSs)	378.0	458.8	520.7	632.7	520.7	531.5	555.2	595.7	632.7	667.5	685.9
29 Finance companies	496.3	482.8	551.0	615.2	551.0	568.5	586.9	591.7	615.2	621.7	632.6
30 Mortgage companies	60.5	60.1	37.5	34.1	37.5	33.9	31.1	33.2	34.1	46.8	42.7
31 Real estate investment trusts (REITs)	8.1	8.6	13.3	15.1	13.3	13.8	14.2	14.7	15.1	15.6	16.1
32 Brokers and dealers	122.7	137.5	93.3	183.1	93.3	101.0	137.5	137.0	183.1	156.2	137.2
33 Funding corporations	162.5	133.6	129.2	140.9	129.2	140.3	137.1	143.1	140.9	173.1	191.2
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
34 **Total credit market debt**	**15,234.7**	**16,244.8**	**17,329.4**	**18,570.9**	**17,329.4**	**17,586.2**	**17,915.3**	**18,217.4**	**18,570.9**	**18,851.2**	**19,177.8**
Other liabilities											
35 Official foreign exchange	51.8	53.4	53.2	63.7	53.2	61.1	67.1	65.1	63.7	62.1	61.4
36 Special drawing rights certificates	8.0	8.0	8.0	10.2	8.0	8.0	8.0	10.2	10.2	10.2	10.2
37 Treasury currency	16.5	17.0	17.6	18.2	17.6	17.8	18.0	18.2	18.2	18.2	18.2
38 *Foreign deposits*	267.7	271.8	324.6	361.4	324.6	333.3	361.0	353.6	361.4	382.7	384.9
39 Net interbank liabilities	138.5	189.3	280.0	290.8	280.0	272.8	265.9	267.3	290.8	266.1	241.8
40 Checkable deposits and currency	1,134.4	1,251.7	1,242.0	1,229.3	1,242.0	1,193.7	1,216.2	1,200.3	1,229.3	1,183.6	1,211.9
41 Small time and savings deposits	2,293.5	2,223.2	2,183.3	2,279.7	2,183.3	2,200.2	2,222.6	2,255.8	2,279.7	2,336.1	2,332.9
42 Large time deposits	415.2	391.7	411.2	476.9	411.2	441.2	456.3	477.5	476.9	490.6	508.6
43 Money market fund shares	539.5	559.6	602.9	745.3	602.9	634.0	678.5	702.7	745.3	816.9	809.5
44 Security repurchase agreements	399.9	471.1	549.1	660.1	549.1	603.1	629.3	655.5	660.1	665.0	679.2
45 Mutual fund shares	992.5	1,375.4	1,477.3	1,852.8	1,477.3	1,553.3	1,661.0	1,782.0	1,852.8	1,994.3	2,112.0
46 Security credit	217.7	279.0	279.0	305.6	279.0	269.5	277.9	286.2	305.6	326.9	316.0
47 Life insurance reserves	433.0	468.2	502.2	546.9	502.2	515.1	529.1	537.7	546.9	552.2	569.6
48 Pension fund reserves	4,055.1	4,471.6	4,691.4	5,426.6	4,691.4	4,885.7	5,084.1	5,298.1	5,426.6	5,559.2	5,714.6
49 Trade payables	995.1	1,053.3	1,167.6	1,262.0	1,167.6	1,160.2	1,180.5	1,213.9	1,262.0	1,252.0	1,299.8
50 Taxes payable	79.7	84.9	88.0	89.3	88.0	91.3	89.2	91.9	89.3	94.2	90.4
51 Investment in bank personal trusts	660.6	691.3	699.4	767.4	699.4	719.7	739.7	758.6	767.4	781.6	791.0
52 Miscellaneous	4,785.7	5,174.1	5,435.9	5,848.2	5,435.9	5,511.9	5,590.1	5,695.3	5,848.2	5,973.2	5,998.3
53 **Total liabilities**	**32,719.0**	**35,279.4**	**37,342.7**	**40,805.2**	**37,342.7**	**38,067.5**	**39,020.2**	**39,887.2**	**40,805.2**	**41,616.7**	**42,327.7**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	19.6	20.1	21.1	22.1	21.1	22.7	22.9	22.1	22.1	22.1	22.2
55 Corporate equities	5,462.9	6,278.5	6,293.4	8,345.4	6,293.4	6,835.8	7,393.0	8,013.8	8,345.4	8,820.5	9,181.0
56 Household equity in noncorporate business	2,458.3	2,476.3	2,565.1	2,612.6	2,565.1	2,572.1	2,599.3	2,607.1	2,612.6	2,657.0	2,665.0
Liabilities not identified as assets (−)											
57 Treasury currency	4.9	5.1	5.4	5.8	5.4	5.4	5.5	5.6	5.8	6.1	6.3
58 Foreign deposits	217.6	232.6	278.7	309.2	278.7	289.1	314.5	300.6	309.2	324.4	335.6
59 Net interbank transactions	9.3	4.7	6.5	9.0	6.5	2.7	2.9	.1	9.0	2.6	8.0
60 Security repurchase agreements	43.0	77.3	108.8	111.3	108.8	130.4	109.8	129.9	111.3	103.3	102.7
61 Taxes payable	25.2	26.8	25.0	33.7	25.0	10.0	25.6	28.7	33.7	13.4	27.8
62 Miscellaneous	514.0	660.9	733.1	783.3	733.1	749.7	699.7	660.9	783.3	758.2	773.2
Floats not included in assets (−)											
63 Federal government checkable deposits	6.8	5.6	3.4	3.1	3.4	4.2	2.0	.6	3.1	.0	3.4
64 Other checkable deposits	42.0	40.7	38.0	34.2	38.0	33.3	35.7	27.3	34.2	29.6	34.8
65 Trade credit	251.1	247.6	251.3	275.0	251.3	294.3	304.5	330.7	275.0	326.1	337.5
66 **Total identified to sectors as assets**	**41,104.4**	**44,589.6**	**46,764.6**	**52,397.0**	**46,764.6**	**48,083.5**	**49,560.6**	**51,040.2**	**52,397.0**	**53,738.6**	**54,836.5**

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	1996 Jan.	Feb.	Mar.	Apr.	May	June[r]	July[r]	Aug.	Sept.
1 **Industrial production**[1]	**111.5**	**118.1**	**121.9**	**122.5**	**124.2**	**123.6**	**124.5**	**125.4**	**126.4**	**126.4**	**126.8[r]**	**127.1**
Market groupings												
2 Products, total	110.0	115.6	118.3	118.6	120.7	120.0	120.8	121.3	122.3	122.6	122.4	122.9
3 Final, total	112.7	118.3	121.4	121.9	124.5	123.4	124.8	125.1	126.0	126.7	126.5[r]	126.8
4 Consumer goods	109.5	113.7	115.1	114.6	116.6	115.3	115.9	116.3	116.8	117.4	116.6[r]	116.6
5 Equipment	117.5	125.3	131.4	133.7	137.3	136.5	139.2	139.2	140.8	141.8	142.6	143.4
6 Intermediate	101.8	107.3	109.0	108.5	109.3	109.6	108.6	110.1	111.3	110.2	110.3[r]	111.1
7 Materials	113.8	122.0	127.4	128.5	129.4	129.1	130.3	131.6	132.6	132.3	133.7[r]	133.7
Industry groupings												
8 Manufacturing	112.3	119.7	123.9	124.5	126.2	125.2	126.5	127.4	128.5	129.0	129.1	129.4
9 Capacity utilization, manufacturing (percent)[2]	80.6	83.3	83.0	81.4	82.3	81.3	81.9	82.1	82.6	82.5	82.3	82.2
10 Construction contracts[3]	105.1[r]	111.2	118.3[r]	120.0	114.0	127.0[r]	130.0[r]	128.0[r]	125.0	126.0	128.0[r]	121.0
11 Nonagricultural employment, total[4]	108.6	112.0	115.0	115.8	116.3	116.5	116.7	117.0	117.3	117.5	117.7	117.7
12 Goods producing, total	94.6	96.9	98.1	97.7	98.3	98.1	98.1	98.3	98.4	98.3	98.5	98.3
13 Manufacturing, total	95.1	96.4	97.2	96.4	96.5	96.2	96.2	96.3	96.3	96.2	96.3	96.0
14 Manufacturing, production workers	95.3	97.5	98.7	97.7	97.8	97.4	97.5	97.5	97.5	97.4	97.4[r]	97.2
15 Service producing	113.1	116.8	120.3	121.6	122.1	122.3	122.6	123.0	123.3	123.6	123.9	123.9
16 Personal income, total	141.3	148.4	157.7	161.7	162.9	163.5	164.3	165.2	166.6	166.8	167.7	n.a.
17 Wages and salary disbursements	136.0	142.6	150.9	154.4	156.0	156.7	157.5	158.3	160.3	160.0	161.3	n.a.
18 Manufacturing	119.3	124.9	130.4	130.8	132.5	131.8	134.4	135.1	135.8	135.9	137.4	n.a.
19 Disposable personal income[5]	142.4	149.3	158.2	162.2	163.2	163.7	162.8[r]	165.1[r]	166.4	166.6	167.4	n.a.
20 Retail sales[5]	134.7	144.8	152.2	155.3	158.6	159.3	159.1	160.4	159.4	159.6	159.3[r]	160.4
Prices[6]												
21 Consumer (1982–84 = 100)	144.5	148.2	152.4	154.4	154.9	155.7	156.3	156.6	156.7	157.0	157.3	157.8
22 Producer finished goods (1982 = 100)	124.7	125.5	127.9	129.4	129.4	130.1	130.6	131.3[r]	131.6	131.5	131.9	131.6

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	1996 Feb.	Mar.	Apr.	May	June	July[r]	Aug.[r]	Sept.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	129,200	131,056	132,304	133,018	133,655	133,361	133,910	133,669	134,181	133,885	134,340
Employment											
2 Nonagricultural industries[3]	117,144	119,651	121,460	122,143	122,664	122,726	122,971	123,228	123,382	123,635	123,833
3 Agriculture	3,115	3,409	3,440	3,519	3,487	3,368	3,491	3,382	3,502	3,421	3,535
Unemployment											
4 Number	8,940	7,996	7,404	7,355	7,504	7,266	7,448	7,060	7,297	6,830	6,971
5 Rate (percent of civilian labor force)	6.9	6.1	5.6	5.5	5.6	5.4	5.6	5.3	5.4	5.1	5.2
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**110,730**	**114,172**	**117,203**	**118,579**	**118,737**	**118,928**	**119,335**	**119,554**	**119,789**	**120,030**	**119,990**
7 Manufacturing	18,075	18,321	18,468	18,332	18,282	18,283	18,302	18,297	18,268	18,286	18,229
8 Mining	610	601	580	573	574	573	576	575	570	571	569
9 Contract construction	4,668	4,986	5,158	5,349	5,340	5,353	5,384	5,403	5,427	5,438	5,447
10 Transportation and public utilities	5,829	5,993	6,165	6,270	6,289	6,294	6,311	6,327	6,335	6,340	6,343
11 Trade	25,755	26,670	27,585	27,869	27,891	27,972	28,066	28,151	28,257	28,274	28,301
12 Finance	6,757	6,896	6,830	6,919	6,932	6,942	6,964	6,967	6,987	6,998	7,005
13 Service	30,197	31,579	33,107	33,902	34,035	34,114	34,274	34,383	34,463	34,532	34,586
14 Government	18,841	19,128	19,310	19,365	19,394	19,397	19,458	19,451	19,482	19,591	19,510

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	1996			1995	1996			1995	1996		
	Q4	Q1	Q2[r]	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2[r]	Q3
	Output (1987 = 100)				Capacity (percent of 1987 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**122.5**	**123.4**	**125.4**	**126.8**	**147.7**	**149.1**	**150.6**	**152.0**	**82.9**	**82.8**	**83.3**	**83.4**
2 Manufacturing	124.6	125.3	127.5	129.2	151.9	153.5	155.1	156.8	82.0	81.6	82.2	82.4
3 Primary processing[3]	117.1	116.7	118.6	119.7	136.1	136.9	137.8	138.6	86.1	85.2	86.1	86.4
4 Advanced processing[4]	128.1	129.4	131.7	133.6	159.5	161.5	163.5	165.6	80.3	80.1	80.5	80.7
5 Durable goods	134.2	136.0	139.5	142.0	164.2	166.7	169.4	172.1	81.7	81.6	82.4	82.5
6 Lumber and products	105.8	104.6	108.9	108.4	120.9	121.7	122.4	123.1	87.5	85.9	89.0	88.1
7 Primary metals	118.8	118.9	119.6	119.8	129.5	130.3	131.4	132.4	91.8	91.2	91.0	90.4
8 Iron and steel	121.3	122.6	122.7	123.7	133.5	134.4	135.7	137.0	90.9	91.2	90.4	90.3
9 Nonferrous	115.3	113.8	115.3	114.4	124.0	124.8	125.5	126.3	93.0	91.2	91.8	90.6
10 Industrial machinery and equipment	186.8	195.3	201.8	208.9	212.0	218.1	224.5	231.2	88.1	89.5	89.9	90.4
11 Electrical machinery	182.9	186.3	189.0	191.0	213.9	221.8	229.9	238.3	85.5	84.0	82.2	80.1
12 Motor vehicles and parts	140.5	132.6	145.9	151.2	179.2	181.3	182.9	184.6	78.4	73.2	79.8	81.9
13 Aerospace and miscellaneous transportation equipment	79.0	84.0	85.8	88.8	129.3	128.6	128.1	127.6	61.1	65.3	67.0	69.6
14 Nondurable goods	113.9	113.5	114.2	115.0	138.4	139.0	139.6	140.1	82.3	81.7	81.8	82.1
15 Textile mill products	109.4	106.4	109.4	111.6	132.8	133.7	134.2	134.8	82.4	79.6	81.5	82.8
16 Paper and products	118.1	114.6	119.3	120.0	133.9	134.9	135.8	136.8	88.2	85.0	87.8	87.8
17 Chemicals and products	126.4	126.9	127.3	129.2	156.5	157.5	158.5	159.5	80.7	80.6	80.3	81.0
18 Plastics materials	123.1	126.9	132.2	...	137.1	138.6	139.9	...	89.7	91.6	94.6	...
19 Petroleum products	107.7	109.7	110.0	110.9	116.6	116.8	117.1	117.3	92.4	93.9	93.9	94.6
20 Mining	98.2	98.7	101.2	102.9	111.9	111.9	111.8	111.8	87.8	88.2	90.5	92.1
21 Utilities	121.1	126.7	127.1	124.7	135.6	136.0	136.5	137.0	91.5	93.2	93.1	91.0
22 Electric	123.7	126.4	127.0	124.4	133.0	133.4	133.9	134.5	93.1	94.8	94.8	92.5

Series	1973	1975	Previous cycle[5]		Latest cycle[6]		1995	1996					
	High	Low	High	Low	High	Low	Sept.	Apr.	May	June[r]	July[r]	Aug.	Sept.[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.8**	**84.9**	**78.0**	**83.7**	**83.0**	**83.3**	**83.7**	**83.4**	**83.4**	**83.3**
2 Manufacturing	88.9	70.8	87.3	70.0	85.2	76.6	82.8	81.9	82.1	82.6	82.5	82.3	82.2
3 Primary processing[3]	92.2	68.9	89.7	66.8	89.0	77.9	86.9	85.5	86.1	86.8	86.6	86.3	86.2
4 Advanced processing[4]	87.5	72.0	86.3	71.4	83.5	76.1	81.1	80.4	80.5	80.8	80.8	80.7	80.5
5 Durable goods	88.8	68.5	86.9	65.0	84.0	73.7	82.7	82.1	82.1	82.9	82.7	82.6	82.3
6 Lumber and products	90.1	62.2	87.6	60.9	93.3	76.1	88.4	88.7	88.0	90.2	88.0	88.4	87.9
7 Primary metals	100.6	66.2	102.4	46.8	92.8	74.2	93.8	91.0	90.3	91.9	90.1	90.7	90.5
8 Iron and steel	105.8	66.6	110.4	38.3	95.7	72.0	95.4	90.8	89.2	91.2	90.3	90.6	90.1
9 Nonferrous	92.9	61.3	90.5	62.2	88.7	75.2	91.7	91.1	91.6	92.7	89.7	90.9	91.1
10 Industrial machinery and equipment	96.4	74.5	92.1	64.9	84.0	71.8	87.2	89.5	89.7	90.6	89.8	90.8	90.5
11 Electrical machinery	87.8	63.8	89.4	71.1	84.9	77.0	86.6	82.5	82.1	82.1	81.0	80.1	79.3
12 Motor vehicles and parts	93.4	51.1	93.0	44.5	85.1	56.6	80.7	79.1	79.1	81.1	83.9	82.0	79.8
13 Aerospace and miscellaneous transportation equipment	77.0	66.6	81.1	66.9	88.4	78.8	66.2	67.0	66.9	67.1	68.4	69.5	71.0
14 Nondurable goods	87.9	71.8	87.0	76.9	86.7	80.3	82.9	81.5	82.0	82.0	82.3	81.8	82.1
15 Textile mill products	92.0	60.4	91.7	73.8	92.1	78.8	83.7	80.7	81.0	82.7	83.7	82.6	82.2
16 Paper and products	96.9	69.0	94.2	82.0	94.8	86.7	89.0	87.7	88.0	87.7	89.1	86.8	87.4
17 Chemicals and products	87.9	69.9	85.1	70.1	85.9	79.0	80.4	79.7	80.6	80.7	81.3	80.6	81.0
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	88.7	93.4	94.5	95.8	94.7	...	...
19 Petroleum products	96.7	81.1	89.5	68.2	88.5	84.6	94.5	93.8	93.8	94.2	93.3	95.1	95.3
20 Mining	94.4	88.4	96.6	80.6	86.5	86.1	89.3	89.7	89.8	91.9	90.7	92.9	92.7
21 Utilities	95.6	82.5	88.3	76.2	92.6	83.1	90.7	92.7	94.1	92.6	90.0	91.4	91.6
22 Electric	99.0	82.7	88.3	78.7	94.8	86.7	92.5	94.0	96.1	94.5	91.4	93.0	93.3

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 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.	1996 May	1996 June[r]	1996 July[r]	1996 Aug.	1996 Sept.[p]
			Index (1987 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**121.9**	**122.8**	**122.2**	**122.6**	**122.8**	**122.5**	**124.2**	**123.6**	**124.5**	**125.4**	**126.4**	**126.4**	**126.8**	**127.1**
2 Products	60.6	118.3	119.4	118.3	118.8	119.2	118.6	120.7	120.0	120.8	121.3	122.3	122.6	122.4	122.9
3 Final products	46.3	121.4	122.6	121.3	121.9	122.1	121.9	124.5	123.4	124.8	125.1	126.0	126.7	126.5	126.8
4 Consumer goods, total	28.6	115.1	116.0	114.9	115.9	115.7	114.6	116.6	115.3	115.9	116.3	116.8	117.4	116.6	116.6
5 Durable consumer goods	5.6	124.2	125.8	123.4	124.9	126.3	120.3	125.4	119.3	125.5	126.2	130.4	131.4	128.3	126.1
6 Automotive products	2.5	130.7	132.9	128.5	130.5	132.8	125.9	133.1	120.3	133.5	134.1	138.4	143.4	138.0	135.3
7 Autos and trucks	1.6	131.4	133.1	128.6	129.8	132.1	124.1	133.5	111.1	135.9	135.4	138.9	149.6	141.2	136.4
8 Autos, consumer	.9	103.1	102.6	100.2	100.2	99.5	92.8	99.7	77.0	104.1	106.2	110.4	116.1	111.1	107.4
9 Trucks, consumer	.7	181.7	187.7	179.1	182.8	190.6	180.4	191.4	173.1	192.7	187.3	189.2	209.3	194.7	188.0
10 Auto parts and allied goods	.9	127.8	130.8	126.7	130.2	132.7	128.1	130.7	137.2	127.2	129.9	136.0	129.3	129.9	131.5
11 Other	3.0	118.6	119.6	118.9	119.9	120.5	115.5	118.1	118.5	118.5	119.3	123.4	120.9	119.8	118.1
12 Appliances, televisions, and air conditioners	.7	135.5	139.4	140.1	145.3	141.9	132.2	137.5	138.3	139.7	138.9	151.4	146.2	142.0	139.5
13 Carpeting and furniture	.8	105.8	106.9	105.6	104.4	107.4	101.1	103.4	105.7	104.1	106.0	109.4	105.5	105.8	105.2
14 Miscellaneous home goods	1.5	118.2	117.8	116.9	117.6	118.3	116.2	117.7	116.9	117.1	118.2	118.7	118.4	117.7	115.9
15 Nondurable consumer goods	23.0	112.9	113.7	112.9	113.8	113.2	113.3	114.5	114.4	113.6	114.0	113.5	113.9	113.7	114.3
16 Foods and tobacco	10.3	111.3	111.6	111.1	110.9	110.6	110.6	112.0	112.3	112.2	112.0	111.7	111.9	111.1	111.8
17 Clothing	2.4	91.8	93.4	92.9	91.5	89.7	88.2	90.3	88.9	88.8	89.2	88.5	88.4	88.0	88.3
18 Chemical products	4.5	131.3	134.0	135.7	135.0	136.5	138.1	138.1	136.7	133.8	135.2	134.5	137.8	137.1	138.5
19 Paper products	2.9	106.6	107.3	106.6	108.4	106.3	104.9	106.0	105.8	106.1	107.2	106.3	108.2	108.0	108.4
20 Energy	2.9	116.5	119.0	113.1	121.1	119.5	121.0	122.6	123.9	121.8	121.8	121.6	118.1	120.5	120.4
21 Fuels	.9	108.8	111.1	107.3	108.2	108.6	108.6	111.8	112.2	111.5	111.7	111.6	111.1	113.3	112.2
22 Residential utilities	2.1	119.6	122.2	115.4	126.6	124.1	126.1	127.2	128.8	126.2	126.0	125.7	120.9	123.5	123.8
23 Equipment	17.7	131.4	133.1	131.5	131.4	132.3	133.7	137.3	136.5	139.2	139.2	140.8	141.8	142.6	143.4
24 Business equipment	13.7	155.7	158.2	156.5	156.9	158.4	160.5	164.8	162.7	166.3	166.0	168.6	170.1	170.8	172.1
25 Information processing and related	5.7	198.1	203.0	206.5	208.1	209.4	213.3	220.5	221.6	224.9	226.2	232.0	232.9	236.0	239.8
26 Computer and office equipment	1.1	373.5	390.0	402.9	417.8	431.7	442.9	463.3	476.0	491.1	505.0	522.0	537.5	552.0	564.6
27 Industrial	4.0	127.5	128.7	128.6	129.1	129.5	129.6	131.3	130.3	129.9	129.4	128.2	127.9	128.3	128.3
28 Transit	2.6	136.3	137.9	122.3	119.6	124.5	128.1	133.2	121.2	136.1	133.4	136.9	141.2	141.7	141.4
29 Autos and trucks	1.2	140.1	143.3	135.7	134.2	135.3	129.1	136.0	113.6	140.0	138.2	141.9	151.8	143.6	138.5
30 Other	1.4	123.2	123.3	120.9	121.4	121.7	122.1	123.5	122.5	122.1	121.1	123.3	122.9	121.7	121.3
31 Defense and space equipment	3.3	65.9	65.2	64.4	62.9	62.0	61.6	63.1	64.2	64.0	61.3	63.7	64.5	65.2	65.3
32 Oil and gas well drilling	.6	87.1	88.3	83.5	83.1	83.8	85.1	89.7	96.3	100.6	104.3	102.3	99.1	99.9	96.2
33 Manufactured homes	.2	152.7	158.0	158.9	161.8	164.4	158.1	157.8	168.2	170.7	170.4	172.4	164.8	173.7	...
34 Intermediate products, total	14.3	109.0	109.5	109.2	109.3	110.1	108.5	109.3	109.6	108.6	110.1	111.3	110.2	110.3	111.1
35 Construction supplies	5.3	108.2	108.4	108.3	108.7	110.5	107.2	109.3	111.5	109.2	111.0	113.9	112.5	113.2	113.5
36 Business supplies	9.0	109.6	110.3	109.9	109.9	110.0	109.6	109.5	108.6	108.4	109.6	109.8	109.0	108.6	109.7
37 Materials	39.4	127.4	128.1	128.1	128.4	128.4	128.5	129.4	129.1	130.3	131.6	132.6	132.3	133.7	133.7
38 Durable goods materials	20.8	141.5	144.1	143.9	145.3	144.8	145.8	147.3	145.5	147.3	148.8	150.5	150.4	152.2	152.2
39 Durable consumer parts	4.0	138.5	139.8	138.6	140.1	139.3	140.6	141.1	132.5	142.1	143.5	148.3	147.6	151.0	149.4
40 Equipment parts	7.5	163.0	169.1	169.4	171.0	170.8	171.7	176.3	176.8	177.2	179.0	180.9	181.1	183.0	183.1
41 Other	9.2	126.2	126.8	126.5	127.9	127.2	128.2	127.8	127.4	126.8	128.1	128.2	128.2	129.3	129.6
42 Basic metal materials	3.1	125.7	127.0	124.3	128.1	126.6	125.7	123.7	124.4	123.7	123.9	125.1	123.7	124.6	124.9
43 Nondurable goods materials	8.9	119.8	117.8	118.7	116.6	117.4	115.7	116.1	116.3	118.8	120.0	120.1	120.9	120.0	120.1
44 Textile materials	1.1	109.2	106.2	107.3	104.8	103.3	100.3	101.8	103.0	104.9	106.2	106.3	108.7	108.6	107.9
45 Paper materials	1.8	120.5	117.0	121.4	114.3	115.2	113.4	113.4	113.7	118.9	118.7	115.2	120.8	118.8	120.0
46 Chemical materials	3.9	124.4	123.3	122.9	122.7	121.9	121.8	121.3	121.6	123.6	125.8	126.8	126.1	125.7	125.8
47 Other	2.1	116.5	115.1	114.6	114.1	118.9	115.2	117.1	116.4	117.8	118.2	119.7	118.2	117.0	116.5
48 Energy materials	9.7	106.6	105.8	105.5	105.7	106.0	105.9	106.1	108.2	107.0	108.1	108.7	106.6	109.2	109.3
49 Primary energy	6.3	101.9	101.2	101.7	100.8	101.0	100.6	101.3	103.9	103.1	102.7	103.7	101.8	104.8	103.9
50 Converted fuel materials	3.3	116.0	115.0	113.1	115.4	116.2	116.6	115.5	116.7	114.9	118.9	118.7	116.3	117.8	118.2
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.2	121.5	122.4	121.9	122.3	122.5	122.4	123.8	123.9	124.1	125.0	126.0	125.7	126.4	126.8
52 Total excluding motor vehicles and parts	95.2	120.9	121.8	121.3	121.7	121.9	121.9	123.3	123.7	123.5	124.4	125.2	125.0	125.6	126.1
53 Total excluding computer and office equipment	98.2	118.2	118.9	118.1	118.4	118.5	118.0	119.5	118.7	119.5	120.2	121.1	120.9	121.2	121.3
54 Consumer goods excluding autos and trucks	27.0	114.0	114.9	114.0	115.0	114.7	114.0	115.5	115.6	114.6	115.1	115.4	115.2	114.9	115.3
55 Consumer goods excluding energy	25.7	114.9	115.7	115.1	115.3	115.3	113.9	115.9	114.3	115.2	115.7	116.3	117.3	116.1	116.2
56 Business equipment excluding autos and trucks	12.5	157.0	159.5	158.4	159.0	160.5	163.5	167.5	167.5	168.7	168.6	171.1	171.7	173.3	175.3
57 Business equipment excluding computer and office equipment	12.2	133.0	131.3	131.6	130.8	131.3	132.6	135.5	132.3	134.8	133.5	134.9	135.2	134.8	135.1
58 Materials excluding energy	29.7	134.9	136.1	136.2	136.6	136.4	136.6	137.8	136.6	138.6	140.0	141.2	141.4	142.4	142.4

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1] —Continued

Group	SIC code[2]	1992 proportion	1995 avg.	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.	1996 May	1996 June[r]	1996 July[r]	1996 Aug.	1996 Sept.[p]
				Index (1987 = 100)												
MAJOR INDUSTRIES																
59 **Total index**		**100.0**	**121.9**	**122.8**	**122.2**	**122.6**	**122.8**	**122.5**	**124.2**	**123.6**	**124.5**	**125.4**	**126.4**	**126.4**	**126.8**	**127.1**
60 Manufacturing		85.4	123.9	124.9	124.4	124.5	124.8	124.5	126.2	125.2	126.5	127.4	128.5	129.0	129.1	129.4
61 Primary processing		26.6	117.6	117.8	117.0	117.1	117.3	116.7	116.3	117.1	117.5	118.5	119.7	119.7	119.6	119.8
62 Advanced processing		58.9	126.8	128.2	127.9	128.0	128.4	128.2	131.0	129.0	130.8	131.5	132.7	133.3	133.6	133.9
63 Durable goods	...	45.0	132.5	134.4	133.5	134.3	134.8	134.9	137.5	135.6	138.3	139.1	141.1	141.5	142.2	142.4
64 Lumber and products	24	2.0	104.5	106.2	105.7	104.8	106.9	103.1	103.3	107.5	108.4	107.7	110.6	108.1	108.8	108.4
65 Furniture and fixtures	25	1.4	111.6	112.0	110.9	109.8	109.3	109.3	110.5	107.7	108.9	112.1	111.9	110.1	110.5	110.9
66 Stone, clay, and glass products	32	2.1	104.1	103.8	104.5	104.9	104.3	105.5	104.1	102.9	103.6	105.0	105.8	108.0	105.2	105.9
67 Primary metals	33	3.1	119.2	121.0	115.7	120.8	120.0	121.5	117.1	118.0	119.2	118.6	121.0	118.9	120.1	120.2
68 Iron and steel	331,2	1.7	122.4	127.0	115.1	126.1	122.7	128.1	119.5	120.2	122.9	121.0	124.2	123.3	124.1	123.8
69 Raw steel	331PT	.1	114.7	118.6	111.3	116.4	118.0	113.9	112.5	114.9	112.9	113.2	115.7	112.9	114.5	115.2
70 Nonferrous	333–6,9	1.4	114.8	113.2	115.8	113.8	116.2	113.0	113.6	114.8	114.2	115.1	116.6	113.1	114.8	115.3
71 Fabricated metal products	34	5.0	113.9	115.1	114.0	114.5	115.0	115.6	117.0	116.1	115.5	116.7	117.3	117.3	117.7	117.7
72 Industrial machinery and equipment	35	8.0	177.8	181.3	183.8	186.5	190.1	191.9	196.1	197.8	199.0	201.2	205.2	205.4	210.0	211.3
73 Computer and office equipment	357	1.8	373.5	390.0	402.9	417.8	431.7	442.9	463.3	476.0	491.1	505.0	522.0	537.5	552.0	564.6
74 Electrical machinery	36	7.2	174.9	180.8	182.4	183.6	182.8	182.4	188.7	187.9	187.3	188.8	191.0	190.6	190.8	191.4
75 Transportation equipment	37	9.5	113.3	114.1	109.3	108.6	109.7	108.3	112.1	103.1	114.6	114.6	116.6	120.3	119.4	118.6
76 Motor vehicles and parts	371	4.8	141.9	143.3	139.7	140.7	141.2	135.5	141.1	121.3	144.3	144.7	148.7	154.5	151.4	147.8
77 Autos and light trucks	371PT	2.5	131.3	132.8	128.4	129.6	131.5	123.5	132.8	109.9	135.5	135.3	138.9	149.4	141.3	136.5
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.7	85.8	85.9	80.0	77.7	79.4	82.2	84.2	85.7	86.0	85.7	85.8	87.3	88.6	90.5
79 Instruments	38	5.4	110.7	111.3	111.4	111.5	109.7	111.0	113.4	112.9	112.8	112.4	113.7	112.3	113.3	113.5
80 Miscellaneous	39	1.3	122.7	122.9	122.2	123.3	123.5	122.1	124.0	124.0	122.6	123.0	124.4	124.1	124.4	123.0
81 Nondurable goods	...	40.5	114.3	114.4	114.3	113.7	113.8	113.1	113.8	113.6	113.5	114.4	114.6	115.1	114.6	115.1
82 Foods	20	9.4	115.3	115.5	115.4	114.8	114.8	114.8	116.0	115.6	115.4	115.6	115.1	115.7	114.5	115.1
83 Tobacco products	21	1.6	90.2	90.2	88.2	88.9	88.4	87.1	90.9	92.6	94.6	91.9	93.0	90.8	92.1	93.1
84 Textile mill products	22	1.8	112.6	110.5	111.1	108.9	108.3	104.1	106.2	109.0	108.2	108.8	111.1	112.7	111.3	110.9
85 Apparel products	23	2.2	95.7	94.5	93.3	92.4	91.5	89.2	90.9	89.7	90.4	90.8	90.9	90.0	89.9	89.7
86 *Paper and products*	*26*	*3.6*	*119.8*	*118.5*	*119.7*	*116.2*	*118.2*	114.9	113.5	115.5	118.9	119.5	119.4	121.5	118.7	119.8
87 Printing and publishing	27	6.8	99.4	99.8	98.9	99.3	98.8	97.9	98.7	96.7	96.3	97.7	97.2	97.3	97.2	97.6
88 Chemicals and products	28	9.9	125.0	125.3	126.7	126.0	126.5	127.1	127.1	126.5	126.0	127.7	128.1	129.5	128.6	129.5
89 Petroleum products	29	1.4	108.3	110.0	106.9	107.4	108.9	108.9	110.2	109.9	109.7	109.8	110.3	109.4	111.6	111.9
90 Rubber and plastic products	30	3.5	139.4	139.8	139.7	140.3	139.3	139.0	139.7	140.5	137.6	140.7	142.4	142.3	144.2	144.1
91 Leather and products	31	.3	81.3	80.5	79.7	78.2	76.8	75.6	77.1	76.7	76.2	75.6	76.3	75.5	75.0	74.2
92 Mining	...	6.9	99.9	100.0	98.2	98.3	98.1	97.1	98.0	101.1	100.4	100.5	102.8	101.4	103.8	103.6
93 Metal	10	.5	169.3	170.8	178.3	175.9	172.8	159.5	157.1	166.1	158.3	161.6	161.3	168.2	166.7	168.8
94 Coal	12	1.0	112.9	116.2	112.3	109.5	108.5	103.3	108.0	114.8	109.5	111.9	113.2	107.1	120.8	120.5
95 Oil and gas extraction	13	4.8	91.9	91.2	89.2	90.1	90.1	90.8	90.2	92.6	93.3	93.2	95.5	94.8	95.4	94.9
96 Stone and earth minerals	14	.6	112.3	113.1	112.4	110.9	112.4	108.9	117.2	117.4	115.6	112.7	118.0	114.6	115.8	116.3
97 Utilities	...	7.7	122.0	122.7	121.6	125.4	125.1	125.6	126.6	128.0	126.4	128.4	126.6	123.1	125.2	125.7
98 Electric	491,493PT	6.1	122.1	122.7	123.7	123.6	123.9	125.5	126.6	127.1	125.7	128.7	126.7	122.7	125.1	125.6
99 Gas	492,493PT	1.6	121.7	122.4	113.6	132.5	129.9	125.6	126.3	131.5	128.9	127.5	125.8	124.6	125.7	126.3
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts		80.6	122.8	123.8	123.4	123.6	123.9	123.9	125.4	125.4	125.5	126.3	127.3	127.4	127.8	128.3
101 Manufacturing excluding office and computing machines	...	83.7	119.5	120.3	119.6	119.6	119.7	119.3	120.7	119.5	120.7	121.3	122.3	122.5	122.4	122.6
		Gross value (billions of 1992 dollars, annual rates)														
MAJOR MARKETS																
102 **Products, total**	...	**2,002.9**	**2,245.6**	**2,268.1**	**2,240.3**	**2,255.8**	**2,265.7**	**2,248.9**	**2,293.1**	**2,269.5**	**2,300.3**	**2,307.8**	**2,327.6**	**2,335.5**	**2,329.8**	**2,331.8**
103 Final	...	1,552.2	1,748.7	1,768.2	1,741.9	1,756.8	1,761.9	1,753.0	1,794.2	1,766.8	1,801.5	1,804.4	1,817.1	1,830.6	1,824.7	1,822.3
104 Consumer goods	...	1,033.4	1,130.5	1,141.1	1,125.1	1,139.3	1,139.0	1,124.7	1,148.4	1,129.5	1,144.9	1,147.2	1,151.5	1,156.9	1,148.7	1,143.4
105 *Equipment*	...	518.8	618.3	627.1	616.7	617.5	622.9	628.4	645.8	637.3	656.6	657.1	665.6	673.7	675.9	678.8
106 Intermediate	...	450.7	496.9	499.9	498.4	499.0	503.8	495.9	498.8	502.7	498.8	503.4	510.5	504.9	505.2	509.5

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							
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July[p]	Aug.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,199	1,372	1,332	1,450	1,487	1,378	1,417	1,423	1,459	1,452	1,415	1,457	1,423
2 One-family	987	1,068	997	1,073	1,123	1,056	1,087	1,097	1,115	1,098	1,085	1,073	1,078
3 Two-family or more	213	303	335	377	364	322	330	326	344	354	330	384	345
4 Started	1,288	1,457	1,354	1,458	1,425	1,453	1,514	1,439	1,511	1,478	1,490	1,470	1,529
5 One-family	1,126	1,198	1,076	1,129	1,150	1,146	1,183	1,163	1,209	1,144	1,209	1,150	1,232
6 Two-family or more	162	259	278	329	275	307	331	276	302	334	281	320	297
7 Under construction at end of period[1]	680	762	776	790	800	803	800	816	826	826	829	826	827
8 One-family	543	558	547	562	569	569	565	581	591	590	596	594	598
9 Two-family or more	137	204	229	228	231	234	235	235	235	236	233	232	229
10 Completed	1,193	1,347	1,313	1,360	1,225	1,403	1,328	1,391	1,350	1,408	1,418	1,446	1,418
11 One-family	1,040	1,160	1,066	1,081	1,003	1,113	1,052	1,112	1,073	1,120	1,128	1,141	1,126
12 Two-family or more	153	187	247	279	222	290	276	279	277	288	290	305	292
13 Mobile homes shipped	254	304	340	355	352	352	341	364	378	369	372	372	369
Merchant builder activity in one-family units													
14 Number sold	666	670	665	679	683	713	784	713	740	731	733	785	820
15 Number for sale at end of period[1]	293	337	372	368	372	370	355	368	369	362	356	356	339
Price of units sold (thousands of dollars)[2]													
16 Median	126.1	130.4	133.4	137.0	138.6	131.9	139.4	137.0	140.0	136.4	140.0	143.5	136.5
17 Average	147.6	153.7	157.6	160.7	165.6	155.3	163.7	162.1	170.0	163.3	166.5	167.0	158.4
EXISTING UNITS (one-family)													
18 Number sold	3,800	3,946	3,801	4,000	3,870	3,720	3,940	4,200	4,200	4,280	4,160	4,150	4,130
Price of units sold (thousands of dollars)[2]													
19 Median	106.5	109.6	112.2	114.3	113.9	114.8	114.0	115.7	116.5	117.6	122.9	121.5	122.3
20 Average	133.1	136.4	138.4	139.5	138.7	131.2	138.7	140.1	141.9	144.4	150.2	139.6	139.9
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 **Total put in place**	**482,737**	**527,063**	**547,079**	**549,745**	**555,701**	**558,952**	**544,577**	**556,983**	**564,623[r]**	**558,481**	**563,122**	**556,925**	**562,081**
22 Private	362,587	400,007	410,197	411,015	417,191	418,896	411,248	419,726	424,233[r]	418,120	423,106	417,918	423,393
23 Residential	210,455	238,873	236,598	239,938	243,104	242,474	238,558	245,881	248,013[r]	247,486	246,909	244,084	243,993
24 Nonresidential	152,132	161,134	173,599	171,077	174,087	176,422	172,690	173,845	176,220[r]	170,634	176,197	173,834	179,400
25 Industrial buildings	26,482	28,917	32,301	32,032	31,996	32,495	30,792	30,593	30,285[r]	27,310	28,755	28,543	27,816
26 Commercial buildings	53,375	59,728	67,528	65,555	66,447	66,475	66,461	65,503	67,565[r]	65,834	69,280	67,995	70,636
27 Other buildings	26,219	26,961	26,923	27,418	28,197	28,103	27,470	27,884	27,457[r]	27,723	28,533	28,385	29,195
28 Public utilities and other	46,056	45,498	46,847	46,072	47,447	49,349	47,967	49,865	50,913[r]	49,767	49,629	48,911	51,753
29 Public	120,151	127,056	136,884	138,729	138,510	140,056	133,329	137,257	140,390[r]	140,361	140,016	139,007	138,688
30 Military	2,454	2,319	3,005	3,217	3,211	3,554	3,982	3,126	3,168[r]	3,020	3,140	3,044	2,907
31 Highway	34,342	37,673	38,161	38,314	40,402	39,444	40,956	39,527	39,454[r]	37,715	38,308	38,596	36,046
32 Conservation and development	5,908	6,370	6,389	5,888	6,014	5,352	5,455	5,811	5,956[r]	5,756	6,004	5,508	5,315
33 Other	77,447	80,694	89,329	91,280	88,883	91,706	82,936	88,793	91,812[r]	93,870	92,564	91,859	94,420

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, Sept. 1996[1]
	1995 Sept.	1996 Sept.	1995	1996			1996					
			Dec.	Mar.	June	Sept.	May[r]	June[r]	July	Aug.	Sept.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**2.5**	**3.0**	**2.4**	**4.0**	**3.1**	**2.6**	**.3**	**.1**	**.3**	**.1**	**.3**	**157.8**
2 Food	2.7	3.8	1.9	3.2	4.6	5.3	.1	.7	.5	.4	.5	154.6
3 Energy items	−1.8	5.2	1.9	15.8	8.4	−3.9	1.1	−2.2	−.4	−.6	.0	111.7
4 All items less food and energy	2.9	2.7	2.2	3.5	2.2	2.7	.2	.2	.3	.1	.3	166.4
5 Commodities	1.5	1.2	1.7	2.6	−.3	.9	.0	.0	.0	−.1	.4	141.4
6 Services	3.6	3.3	2.5	3.4	3.9	3.2	.3	.3	.3	.2	.2	180.7
PRODUCER PRICES (1982=100)												
7 Finished goods	1.8	2.9	4.4	2.5	1.9	2.2	.2	.1	.0	.3	.2	131.6
8 Consumer foods	3.0	4.2	4.4	.6	4.9	6.1	.2	1.5	.2	1.0	.2	135.6
9 Consumer energy	−.8	7.1	10.8	17.8	.0	.5	−.4	−2.3	−.9	.7	.2	84.6
10 Other consumer goods	2.2	1.6	3.4	−.3	2.5	.6	.4	.2	−.1	.0	.2	143.5
11 Capital equipment	1.6	1.1	2.9	.0	−.3	2.0	.0	−.1	.3	−.1	.3	137.2
Intermediate materials												
12 Excluding foods and feeds	5.0	−.2	−.6	−1.0	.0	.3	.3	−.6	−.4	.2	.2	126.1
13 Excluding energy	6.1	−1.6	−2.9	−3.5	.0	−.3	.1	.0	−.3	.1	.1	133.9
Crude materials												
14 Foods	7.4	14.6	20.8	−4.1	58.1	−6.1	6.3	1.1	2.7	−.3	−3.8	124.7
15 Energy	−5.5	20.9	33.9	52.8	−15.0	22.9	−4.6	−7.1	3.9	.7	.6	81.5
16 Other	7.2	−10.3	−18.4	−10.6	−7.9	−3.6	.6	−1.5	−1.6	.1	.6	153.1

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			1996	
				Q2	Q3	Q4	Q1	Q2[p]
GROSS DOMESTIC PRODUCT								
1 **Total**	**6,553.0**	**6,935.7**	**7,253.8**	**7,204.9**	**7,309.8**	**7,350.6**	**7,426.8**	**7,545.1**
By source								
2 Personal consumption expenditures	4,454.1	4,700.9	4,924.9	4,910.5	4,957.9	4,990.5	5,060.5	5,139.4
3 Durable goods	530.7	580.9	606.4	604.0	615.8	612.8	625.2	637.6
4 Nondurable goods	1,368.9	1,429.7	1,485.9	1,486.7	1,491.2	1,494.2	1,522.1	1,544.7
5 Services	2,554.6	2,690.3	2,832.6	2,819.8	2,850.9	2,883.5	2,913.2	2,957.1
6 Gross private domestic investment	871.1	1,014.4	1,065.3	1,050.3	1,074.8	1,064.0	1,068.9	1,096.0
7 Fixed investment	850.5	954.9	1,028.2	1,016.3	1,036.6	1,046.2	1,070.7	1,088.0
8 Nonresidential	598.8	667.2	738.5	734.4	746.3	749.7	769.0	773.8
9 Structures	171.8	180.2	199.7	197.6	202.5	204.0	208.4	207.4
10 Producers' durable equipment	427.0	487.0	538.8	536.8	543.8	545.7	560.6	566.3
11 Residential structures	251.7	287.7	289.8	281.9	290.3	296.5	301.7	314.2
12 Change in business inventories	20.6	59.5	37.0	34.0	38.2	17.8	1.7	8.0
13 *Nonfarm*	*26.8*	*48.0*	*39.6*	*36.1*	*41.5*	*19.9*	*2.7*	*11.3*
14 Net exports of goods and services	62.7	94.4	-94.7	115.3	87.6	67.2	86.3	99.2
15 Exports	657.8	719.1	807.4	797.3	819.0	837.0	839.5	850.0
16 Imports	720.5	813.5	902.0	912.6	906.6	904.2	925.8	949.2
17 Government consumption expenditures and gross investment	1,290.4	1,314.7	1,358.3	1,359.4	1,364.6	1,363.4	1,383.7	1,408.8
18 Federal	522.6	516.4	516.6	522.0	516.8	507.7	518.6	529.6
19 State and local	767.8	798.4	841.7	837.3	847.7	855.7	865.1	879.2
By major type of product								
20 Final sales, total	6,532.4	6,876.2	7,216.7	7,170.9	7,271.5	7,332.8	7,428.6	7,537.1
21 Goods	2,401.4	2,534.4	2,662.2	2,646.2	2,688.8	2,698.0	2,749.3	2,782.0
22 Durable	1,014.3	1,086.2	1,147.3	1,138.6	1,167.2	1,166.4	1,192.1	1,219.1
23 Nondurable	1,387.2	1,448.3	1,515.0	1,507.7	1,521.6	1,531.7	1,557.1	1,562.9
24 Services	3,584.0	3,746.5	3,926.9	3,908.9	3,950.2	3,992.4	4,027.9	4,087.0
25 Structures	547.0	595.3	627.6	615.7	632.6	642.3	651.4	668.0
26 Change in business inventories	20.6	59.5	37.0	34.0	38.2	17.8	1.7	8.0
27 Durable goods	15.7	31.9	34.9	28.5	29.2	27.3	12.3	9.9
28 Nondurable goods	4.9	27.7	2.2	5.4	9.1	9.4	14.0	1.9
MEMO								
29 **Total GDP in chained 1992 dollars**	**6,386.4**	**6,608.7**	**6,742.9**	**6,713.5**	**6,776.4**	**6,780.7**	**6,814.3**	**6,892.6**
NATIONAL INCOME								
30 **Total**	**5,195.3**	**5,501.6**	**5,813.5**	**5,755.4**	**5,861.4**	**5,927.4**	**6,015.3**	**6,118.7**
31 Compensation of employees	3,809.5	4,009.8	4,222.7	4,191.6	4,247.7	4,301.1	4,344.3	4,420.9
32 Wages and salaries	3,095.3	3,257.3	3,433.2	3,406.0	3,454.0	3,501.1	3,540.2	3,606.5
33 Government and government enterprises	584.2	602.5	621.7	619.6	624.1	626.9	634.0	638.9
34 Other	2,511.1	2,654.8	2,811.5	2,786.4	2,829.9	2,874.2	2,906.1	2,967.5
35 Supplement to wages and salaries	714.2	752.4	789.5	785.6	793.7	800.1	804.1	814.4
36 Employer contributions for social insurance	333.3	350.2	365.5	363.6	367.8	369.8	375.0	380.4
37 Other labor income	380.9	402.2	424.0	422.0	425.9	430.2	429.1	434.0
38 Proprietors' income[1]	420.0	450.9	478.3	474.7	479.6	486.7	499.5	515.2
39 Business and professional[1]	388.1	415.9	449.3	447.1	451.5	454.9	461.1	469.4
40 Farm[1]	32.0	35.0	29.0	27.6	28.1	31.8	38.4	45.8
41 Rental income of persons[2]	102.5	116.6	122.2	121.6	120.9	125.8	126.9	124.5
42 Corporate profits[1]	464.4	529.5	586.6	562.3	612.5	611.8	645.1	655.8
43 Profits before tax[3]	464.3	531.2	598.9	589.6	607.2	604.2	642.2	644.6
44 Inventory valuation adjustment	6.6	13.3	28.1	42.3	9.3	8.8	17.4	11.0
45 Capital consumption adjustment	6.7	11.6	15.9	15.0	14.6	16.5	20.4	22.3
46 Net interest	398.9	394.9	403.6	405.2	400.7	401.9	399.5	402.3

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 Q2	1995 Q3	1995 Q4	1996 Q1	1996 Q2[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**5,480.1**	**5,753.1**	**6,115.1**	**6,074.4**	**6,146.9**	**6,234.5**	**6,308.5**	**6,412.4**
2 Wage and salary disbursements	3,090.7	3,241.8	3,430.6	3,403.1	3,451.2	3,500.2	3,538.2	3,606.5
3 Commodity-producing industries	781.3	824.9	863.5	858.7	866.7	873.9	878.7	900.3
4 Manufacturing	593.1	621.1	648.4	645.3	650.1	654.7	654.8	671.8
5 Distributive industries	698.4	739.2	783.7	777.3	789.3	800.7	810.5	822.3
6 Service industries	1,026.7	1,075.2	1,161.6	1,147.5	1,171.1	1,198.6	1,215.1	1,244.9
7 Government and government enterprises	584.2	602.5	621.7	619.6	624.1	626.9	634.0	638.9
8 Other labor income	380.9	402.2	424.0	422.0	425.9	430.2	429.1	434.0
9 Proprietors' income[1]	420.0	450.9	478.3	474.7	479.6	486.7	499.5	515.2
10 Business and professional[1]	388.1	415.9	449.3	447.1	451.5	454.9	461.1	469.4
11 Farm[1]	32.0	35.0	29.0	27.6	28.1	31.8	38.4	45.8
12 Rental income of persons[2]	102.5	116.6	122.2	121.6	120.9	125.8	126.9	124.5
13 Dividends	186.8	199.6	214.8	212.2	215.8	221.7	226.6	229.3
14 Personal interest income	648.1	663.7	717.1	716.6	719.9	727.2	726.1	733.1
15 Transfer payments	910.7	956.3	1,022.6	1,016.8	1,029.9	1,041.4	1,063.0	1,075.6
16 Old-age survivors, disability, and health insurance benefits	444.4	472.9	507.4	505.1	510.7	516.1	529.9	536.3
17 LESS: Personal contributions for social insurance	259.6	278.1	294.5	292.7	296.2	298.8	301.0	305.8
18 EQUALS: Personal income	5,480.1	5,753.1	6,115.1	6,074.4	6,146.9	6,234.5	6,308.5	6,412.4
19 LESS: Personal tax and nontax payments	689.9	731.4	794.3	801.5	798.4	807.2	824.9	870.6
20 EQUALS: Disposable personal income	4,790.2	5,021.7	5,320.8	5,272.9	5,348.5	5,427.3	5,483.5	5,541.8
21 LESS: Personal outlays	4,575.8	4,832.3	5,071.5	5,054.4	5,106.6	5,144.7	5,218.1	5,300.7
22 EQUALS: Personal saving	214.4	189.4	249.3	218.5	241.9	282.6	265.4	241.1
MEMO								
Per capita (chained 1992 dollars)								
23 Gross domestic product	24,734.3	25,349.8	25,628.8	25,555.9	25,726.7	25,684.5	25,753.3	25,990.0
24 Personal consumption expenditures	16,806.7	17,158.2	17,399.6	17,395.8	17,453.8	17,459.9	17,570.2	17,675.7
25 Disposable personal income	18,078.0	18,330.0	18,799.0	18,676.0	18,829.0	18,986.0	19,041.0	19,063.0
26 Saving rate (percent)	4.5	3.8	4.7	4.1	4.5	5.2	4.8	4.3
GROSS SAVING								
27 **Gross saving**	**935.5**	**1,056.3**	**1,151.8**	**1,102.9**	**1,168.6**	**1,220.6**	**1,217.9**	**1,244.5**
28 Gross private saving	962.4	1,006.7	1,071.8	1,018.5	1,085.9	1,138.9	1,133.8	1,121.6
29 Personal saving	214.4	189.4	249.3	218.5	241.9	282.6	265.4	241.1
30 Undistributed corporate profits[1]	103.3	123.2	140.6	123.5	159.6	158.4	171.8	176.3
31 Corporate inventory valuation adjustment	−6.6	−13.3	−28.1	−42.3	−9.3	−8.8	−17.4	−11.0
Capital consumption allowances								
32 Corporate	417.0	441.0	454.0	451.3	456.9	463.6	465.6	471.0
33 Noncorporate	223.1	237.7	225.2	222.4	224.7	233.4	229.1	233.2
34 Gross government saving	−26.9	49.6	80.0	84.4	82.7	81.7	84.1	122.9
35 Federal	−187.4	−119.6	−87.9	−86.9	−84.6	−80.7	−82.0	−54.1
36 Consumption of fixed capital	68.2	70.6	73.8	74.2	73.8	73.8	73.2	72.6
37 Current surplus or deficit (−), national accounts	−255.6	−190.2	−161.7	−161.1	−158.5	−154.5	−155.2	−126.7
38 State and local	160.5	169.2	167.9	171.3	167.3	162.4	166.1	177.0
39 Consumption of fixed capital	65.6	69.4	72.9	72.3	73.4	74.3	75.1	76.0
40 Current surplus or deficit (−), national accounts	94.9	99.7	95.0	99.0	93.9	88.1	91.0	101.0
41 **Gross investment**	**993.5**	**1,090.4**	**1,150.9**	**1,123.2**	**1,161.5**	**1,173.9**	**1,167.9**	**1,187.0**
42 Gross private domestic investment	871.1	1,014.4	1,065.3	1,050.3	1,074.8	1,064.0	1,068.9	1,096.0
43 Gross government investment	210.6	212.3	221.9	223.7	224.7	220.1	228.8	235.1
44 Net foreign investment	−88.2	−136.4	−136.3	−150.8	−138.1	−110.2	−129.9	−144.2
45 **Statistical discrepancy**	**58.0**	**34.1**	**−.9**	**20.3**	**−7.1**	**−46.7**	**−50.0**	**−57.5**

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	1995 Q2	1995 Q3	1995 Q4	1996 Q1	1996 Q2^p
1 Balance on current account	99,937	148,405	148,154	40,976	37,688	30,435	34,869	38,779
2 Merchandise trade balance[2]	-132,609	166,121	173,424	47,927	42,548	38,026	42,730	46,830
3 Merchandise exports	456,832	502,463	575,940	142,983	144,984	149,422	150,028	153,316
4 Merchandise imports	589,441	668,584	749,364	190,910	187,532	187,448	192,758	200,146
5 Military transactions, net	881	1,963	3,585	859	1,120	978	489	835
6 Other service transactions, net	59,690	59,779	61,775	15,244	17,093	17,657	18,014	18,120
7 Investment income, net	9,742	4,160	8,016	862	4,361	1,890	262	1,604
8 U.S. government grants	16,823	15,816	10,959	2,381	2,933	2,799	4,259	2,274
9 U.S. government pensions and other transfers	4,081	4,544	3,420	967	964	731	960	1,025
10 Private remittances and other transfers	16,736	19,506	20,696	4,942	5,095	5,624	5,685	6,001
11 Change in U.S. government assets other than official reserve assets, net (increase,)	342	341	280	179	252	199	152	429
12 Change in U.S. official reserve assets (increase,)	1,379	5,346	9,742	2,722	1,893	191	17	523
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	537	441	808	156	362	147	199	133
15 Reserve position in International Monetary Fund	44	494	2,466	786	991	163	849	220
16 Foreign currencies	797	5,293	6,468	1,780	1,264	501	1,065	170
17 Change in U.S. private assets abroad (increase,)	192,890	155,701	297,834	105,398	37,954	98,206	68,615	48,213
18 Bank-reported claims[3]	29,947	8,161	69,146	41,236	8,476	7,272	1,714	5,149
19 Nonbank-reported claims	1,581	32,804	34,219	22,904	7,500	14,278	12,707	...
20 U.S. purchases of foreign securities, net	146,253	60,270	98,960	23,011	35,839	32,539	34,420	20,081
21 U.S. direct investments abroad, net	78,165	54,466	95,509	18,247	18,091	44,117	23,202	22,983
22 Change in foreign official assets in United States (increase, +)	72,153	40,253	109,757	37,380	39,186	11,369	52,021	13,197
23 U.S. Treasury securities	48,952	30,745	68,813	25,208	20,489	12,984	55,600	3,384
24 Other U.S. government obligations	4,062	6,077	3,734	1,326	518	764	52	1,258
25 Other U.S. government liabilities[4]	1,713	2,344	1,082	235	71	1,249	156	197
26 Other U.S. liabilities reported by U.S. banks[3]	14,841	3,560	32,862	7,662	18,478	3,908	3,264	13,841
27 Other foreign official assets[5]	2,585	2,473	3,266	2,949	228	280	211	1,285
28 Change in foreign private assets in United States (increase, +)	178,843	245,123	314,705	78,041	79,630	87,860	47,450	67,118
29 U.S. bank-reported liabilities[3]	20,859	111,842	25,283	10,200	21,542	32,765	35,571	3,862
30 U.S. nonbank reported liabilities	10,489	7,710	34,578	7,285	6,945	11,272	6,506	.
31 Foreign private purchases of U.S. Treasury securities, net	24,381	34,225	99,340	30,368	37,269	1,734	11,832	31,680
32 Foreign purchases of other U.S. securities, net	80,092	57,006	95,268	20,496	31,971	27,321	35,993	28,567
33 Foreign direct investments in United States, net	43,022	49,760	60,236	9,692	24,987	14,768	28,690	10,733
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	43,550	13,724	31,548	33,854	41,533	29,420	4,148	7,629
36 Due to seasonal adjustment	...	.	.	266	7,407	1,153	6,279	743
37 Before seasonal adjustment	43,550	13,724	31,548	34,120	34,126	28,267	2,131	8,372
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase,)	1,379	5,346	9,742	2,722	1,893	191	17	523
39 Foreign official assets in United States, excluding line 25 (increase, +)	70,440	37,909	108,675	37,145	39,257	10,120	52,177	13,000
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	3,717	1,529	3,959	341	6,147	1,435	992	5,126

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	1996 Feb.	1996 Mar.	1996 Apr.	1996 May	1996 June	1996 July	1996 Aug.[p]
1 Goods and services, balance	-72,037	-104,381	-105,064	-6,783	-7,873	-9,396	-10,455	-8,190	-11,597	-10,831
2 Merchandise	-132,607	-166,123	-173,424	-12,784	-14,448	-15,584	-16,791	-14,620	-17,492	-16,985
3 Services	60,570	61,742	68,360	6,001	6,575	6,188	6,336	6,430	5,895	6,154
4 Goods and services, exports	642,953	698,301	786,529	69,226	69,332	69,200	70,170	69,730	67,306	69,315
5 Merchandise	456,834	502,462	575,939	50,883	50,492	50,741	51,384	50,972	48,779	50,662
6 Services	186,119	195,839	210,590	18,343	18,840	18,459	18,786	18,758	18,527	18,653
7 Goods and services, imports	-714,990	-802,682	-891,593	-76,009	-77,205	-78,596	-80,625	-77,920	-78,903	-80,146
8 Merchandise	-589,441	-668,585	-749,363	-63,667	-64,940	-66,325	-68,175	-65,592	-66,271	-67,647
9 Services	-125,549	-134,097	-142,230	-12,342	-12,265	-12,271	-12,450	-12,328	-12,632	-12,499

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	1993	1994	1995	1996 Feb.	1996 Mar.	1996 Apr.	1996 May	1996 June	1996 July	1996 Aug.	1996 Sept.[p]
1 **Total**	**73,442**	**74,335**	**85,832**	**84,270**	**84,212**	**83,710**	**83,468**	**83,455**	**85,099**	**76,781**	**75,509**
2 Gold stock, including Exchange Stabilization Fund[1]	11,053	11,051	11,050	11,053	11,053	11,052	11,051	11,050	11,050	11,050	11,050
3 Special drawing rights[2,3]	9,039	10,039	11,037	11,106	11,049	10,963	11,037	11,016	11,216	10,307	10,177
4 Reserve position in International Monetary Fund[2]	11,818	12,030	14,649	14,813	15,249	15,117	15,227	15,282	15,665	15,597	15,421
5 Foreign currencies[4]	41,532	41,215	49,096	47,298	46,861	46,578	46,153	46,077	47,168	39,827	38,861

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	1993	1994	1995	1996 Feb.	1996 Mar.	1996 Apr.	1996 May	1996 June	1996 July	1996 Aug.	1996 Sept.[p]
1 **Deposits**	**386**	**250**	**386**	**209**	**191**	**166**	**160**	**182**	**166**	**171**	**265**
Held in custody											
2 U.S. Treasury securities[2]	379,394	441,866	522,170	559,741	573,435	573,924	578,608	572,839	580,277	590,367	609,801
3 Earmarked gold[3]	12,327	12,033	11,702	11,689	11,590	11,445	11,339	11,296	11,273	11,217	11,210

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	1994	1995	1996 Feb.	1996 Mar.	1996 Apr.	1996 May	1996 June[r]	1996 July	1996 Aug.[p]
1 **Total**[1]	**520,934**	**630,867[r]**	**670,236[r]**	**683,025[r]**	**687,239[r]**	**689,733[r]**	**696,373**	**699,496[r]**	**704,002**
By type									
2 Liabilities reported by banks in the United States[2]	73,386	107,343[r]	103,242	104,060[r]	111,032[r]	104,941	118,247	113,416[r]	111,161
3 U.S. Treasury bills and certificates[3]	139,571	168,534	191,188	198,382	186,638	188,321	187,171	186,061	189,726
U.S. Treasury bonds and notes									
4 Marketable	254,059	293,691[r]	314,987[r]	319,735[r]	327,988[r]	334,470[r]	327,822	337,451[r]	341,038
5 Nonmarketable[4]	6,109	6,491	6,159	6,199	6,238	5,903	5,941	5,980	6,018
6 U.S. securities other than U.S. Treasury securities[5]	47,809	54,808	54,660	54,649	55,343	56,098	57,192	56,588	56,059
By area									
7 Europe[1]	215,374	222,406[r]	231,291[r]	243,517[r]	241,089[r]	241,222[r]	235,368	245,406[r]	246,761
8 Canada	17,235	19,473	18,850	20,846	20,878	21,670	21,250	20,153	21,803
9 Latin America and Caribbean	41,492	66,720	70,602[r]	73,184[r]	71,381[r]	68,013[r]	70,142	67,990[r]	69,061
10 Asia	236,824	310,966	338,999	335,006	341,148	343,206	336,103	350,747	354,266
11 Africa	4,180	6,296	6,574	6,584	7,388	7,173	6,997	6,910	6,722
12 Other countries	5,827	5,001	3,918	4,886	5,353	5,417	6,511	8,288	5,387

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[r]	1995[r] Sept.	1995[r] Dec.	1996[r] Mar.	1996[r] June
1 Banks' liabilities	72,796	78,259	89,308	102,220	109,647	107,514	111,651
2 Banks' claims	62,799	62,017	60,711	69,558	74,015	69,159	65,864
3 Deposits	24,240	20,993	19,661	25,768	22,696	22,208	20,876
4 Other claims	38,559	41,024	41,050	43,790	51,319	46,951	44,988
5 Claims of banks' domestic customers[2]	4,432	12,854	10,878	6,624	6,145	6,353	7,377

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]	1996 Feb.	1996 Mar.[r]	1996 Apr.	1996 May	1996 June[r]	1996 July	1996 Aug.[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**926,672**	**1,015,076[r]**	**1,099,790**	**1,102,424[r]**	**1,101,069**	**1,100,589[r]**	**1,096,031[r]**	**1,097,820**	**1,084,451**	**1,062,478**
2 Banks' own liabilities	626,919	718,671[r]	753,652	733,434[r]	730,448	735,749[r]	723,534[r]	731,289	715,848	691,695
3 Demand deposits	21,569	23,386	24,448	23,497[r]	23,359	23,962[r]	23,325[r]	27,368	24,991	23,497
4 Time deposits[2]	175,106	186,512	192,702	192,098[r]	193,623	191,999[r]	181,016[r]	189,705	193,415	196,062
5 Other[3]	111,971	113,215[r]	139,965	149,009	138,321	146,589	144,051	149,070	144,504	129,373
6 Own foreign offices[4]	318,273	395,558	396,537	368,830[r]	375,145	373,199[r]	375,142[r]	365,146	352,938	342,763
7 Banks' custodial liabilities[5]	299,753	296,405[r]	346,138	368,990	370,621	364,840	372,497	366,531	368,603	370,783
8 U.S. Treasury bills and certificates[6]	176,739	162,938[r]	197,355	223,395	228,705	217,106	220,823	218,608	217,548	219,949
9 Other negotiable and readily transferable instruments[7]	36,289	42,539[r]	52,250	43,404	40,483	44,823	49,655	51,463	56,345	55,552
10 Other	86,725	90,928	96,533	102,191	101,433	102,911	102,019	96,460	94,710	95,282
11 Nonmonetary international and regional organizations[8]	10,936	8,606	11,039	11,156[r]	9,512	11,311[r]	11,994[r]	12,158	11,742	12,455
12 Banks' own liabilities	5,639	8,176	10,347	10,361[r]	8,594	10,485[r]	11,207[r]	10,914	10,545	11,864
13 Demand deposits	15	29	21	43	16	28	34	123	22	49
14 Time deposits[2]	2,780	3,298	4,656	3,526[r]	3,563	4,024[r]	3,442[r]	4,052	3,747	4,718
15 Other[3]	2,844	4,849	5,670	6,792	5,015	6,433	7,731	6,739	6,776	7,097
16 Banks' custodial liabilities[5]	5,297	430	692	795	918	826	787	1,244	1,197	591
17 U.S. Treasury bills and certificates[6]	4,275	281	350	555	564	426	376	874	865	345
18 Other negotiable and readily transferable instruments[7]	1,022	149	341	230	298	400	390	370	330	246
19 Other	0	0	1	10	56	0	21	0	2	0
20 Official institutions[9]	220,821	212,957	275,877	294,430	302,442	297,670[r]	293,262	305,418	299,477	300,887
21 Banks' own liabilities	64,144	59,935	83,396	84,077	88,603	91,617[r]	81,909	91,914	83,783	81,589
22 Demand deposits	1,600	1,564	2,098	1,655	1,423	1,679	1,504	2,211	2,211	1,459
23 Time deposits[2]	21,653	23,511	30,716	29,904	32,470	36,652[r]	32,671	38,929	36,841	37,032
24 Other[3]	40,891	34,860	50,582	52,518	54,710	53,286	47,734	50,774	44,731	43,098
25 Banks' custodial liabilities[5]	156,677	153,022	192,481	210,353	213,839	206,053	211,353	213,504	215,694	219,298
26 U.S. Treasury bills and certificates[6]	151,100	139,571	168,534	191,188	198,382	186,638	188,321	187,171	186,061	189,726
27 Other negotiable and readily transferable instruments[7]	5,482	13,245	23,603	18,138	14,970	19,065	22,661	25,835	29,262	29,281
28 Other	95	206	344	1,027	487	350	371	498	371	291
29 Banks[10]	592,171	678,612[r]	691,661	671,265[r]	667,354	665,516[r]	662,376[r]	654,269	642,273	623,073
30 Banks' own liabilities	478,755	563,697[r]	568,083	541,959[r]	540,272	537,453[r]	533,059[r]	530,569	521,107	499,887
31 Unaffiliated foreign banks	160,482	168,139[r]	171,546	173,129[r]	165,127	164,254[r]	157,917[r]	165,423	168,169	157,124
32 Demand deposits	9,718	10,633	11,758	10,948	10,971	11,468[r]	10,663	12,380	11,809	11,104
33 Time deposits[2]	105,262	111,171	103,623	104,228[r]	101,047	96,238[r]	89,120[r]	90,717	95,353	95,069
34 Other[3]	45,502	46,335[r]	56,165	57,953	53,109	56,548	58,134	62,326	61,007	50,951
35 Own foreign offices[4]	318,273	395,558	396,537	368,830[r]	375,145	373,199[r]	375,142[r]	365,146	352,938	342,763
36 Banks' custodial liabilities[5]	113,416	114,915[r]	123,578	129,306	127,082	128,063	129,317	123,700	121,166	123,186
37 U.S. Treasury bills and certificates[6]	10,712	11,264[r]	15,872	17,947	15,967	16,801	17,584	18,241	18,091	18,670
38 Other negotiable and readily transferable instruments[7]	17,020	14,506[r]	13,035	12,094	11,864	10,814	11,775	11,021	10,359	10,864
39 Other	85,684	89,145	94,671	99,265	99,251	100,448	99,958	94,438	92,716	93,652
40 Other foreigners	102,744	114,901[r]	121,213	125,573[r]	121,761	126,092[r]	128,399[r]	125,975	130,959	126,063
41 Banks' own liabilities	78,381	86,863	91,826	97,037[r]	92,979	96,194[r]	97,359[r]	97,892	100,413	98,355
42 Demand deposits	10,236	11,160	10,571	10,851[r]	10,949	10,787[r]	11,124[r]	12,654	10,949	10,885
43 Time deposits[2]	45,411	48,532	53,707	54,440[r]	56,543	55,085[r]	55,783[r]	56,007	57,474	59,243
44 Other[3]	22,734	27,171	27,548	31,746	25,487	30,322	30,452	29,231	31,990	28,227
45 Banks' custodial liabilities[5]	24,363	28,038[r]	29,387	28,536	28,782	29,898	31,040	28,083	30,546	27,708
46 U.S. Treasury bills and certificates[6]	10,652	11,822[r]	12,599	13,705	13,792	13,241	14,542	12,322	12,531	11,208
47 Other negotiable and readily transferable instruments[7]	12,765	14,639[r]	15,271	12,942	13,351	14,544	14,829	14,237	16,394	15,161
48 Other	946	1,577	1,517	1,889	1,639	2,113	1,669	1,524	1,621	1,339
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	17,567	17,895	9,103	10,544	10,005	8,306	9,284	9,580	7,907	8,276

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]	1996						
				Feb.	Mar.[r]	Apr.	May	June[r]	July	Aug.[p]
AREA										
50 **Total, all foreigners**	**926,672**	**1,015,076[r]**	**1,099,790**	**1,102,424[r]**	**1,101,069**	**1,100,589[r]**	**1,096,031[r]**	**1,097,820**	**1,084,451**	**1,062,478**
51 **Foreign countries**	**915,736**	**1,006,470[r]**	**1,088,751**	**1,091,268[r]**	**1,091,557**	**1,089,278[r]**	**1,084,037[r]**	**1,085,662**	**1,072,709**	**1,050,023**
52 Europe	377,911	390,949[r]	362,958	374,102[r]	370,662	375,522[r]	367,739[r]	363,744	357,900	356,309
53 Austria	1,917	3,588	3,537	2,996	2,848	3,477	3,624	3,209	3,002	4,733
54 Belgium and Luxembourg	28,670	21,877	24,842	27,182	25,584	27,572	25,955	20,856	22,093	25,105
55 Denmark	4,517	2,884	2,921	3,861	2,876	2,787	2,645	2,796	2,871	2,501
56 Finland	1,872	1,436	2,831	2,409	1,768	2,203	2,188	1,589	1,200	1,113
57 France	40,316	14,365[r]	39,218	41,095[r]	41,328	41,300[r]	39,636[r]	40,585	36,344	37,364
58 Germany	26,685	27,109	24,035	24,695	25,228	24,854	23,950	25,876	24,373	23,127
59 Greece	1,519	1,400[r]	2,014	2,062[r]	1,965	1,714	1,665	1,690	1,811	1,753
60 Italy	11,759	10,885	10,868	12,463[r]	11,469	10,172[r]	11,039[r]	12,103	12,804	12,546
61 Netherlands	16,096	16,033	13,745	12,168[r]	12,835	12,394[r]	12,575[r]	12,159	11,863	11,460
62 Norway	2,966	2,338	1,394	1,246	1,034	915	828	1,388	1,435	1,556
63 Portugal	3,366	2,846	2,761	2,931	2,843	2,529	1,858	1,401	1,783	1,328
64 Russia	2,511	2,726	7,948	9,178[r]	9,319	8,796[r]	7,259[r]	6,938	6,047	4,989
65 Spain	20,496	14,675	10,011	11,588[r]	18,975	19,547[r]	19,004[r]	20,314	19,366	17,507
66 Sweden	2,738	3,094	3,246	2,813	2,256	3,943	2,410	2,693	2,738	1,592
67 Switzerland	41,560	40,724[r]	43,625	42,008[r]	39,081	36,803[r]	37,097[r]	39,006	39,626	39,073
68 Turkey	3,227	3,341	4,124	4,559	4,103	4,453	4,669	4,926	5,619	7,272
69 United Kingdom	133,993	163,813[r]	139,272	146,985	144,136	146,627[r]	146,335	143,780	139,656	137,144
70 Yugoslavia[11]	372	245	177	163	143	145	146	217	208	207
71 Other Europe and other former U.S.S.R.[12]	33,331	27,770[r]	26,389	23,700[r]	22,871	25,291	24,856	22,218	25,061	25,939
72 Canada	20,235	24,768	30,468	32,029[r]	31,498	31,283[r]	33,176[r]	33,387	28,807	30,718
73 Latin America and Caribbean	362,238	423,847[r]	440,212	422,376[r]	434,144	430,878[r]	433,023[r]	432,725	430,342	410,817
74 Argentina	14,477	17,203	12,235	11,763[r]	11,984	14,116[r]	11,649[r]	13,579	12,501	13,237
75 Bahamas	73,820	104,014[r]	94,991	91,257[r]	88,162	85,749[r]	86,278[r]	85,227	85,973	76,231
76 Bermuda	8,117	8,424	4,897	4,702	5,035	4,262	4,998	4,312	4,205	4,214
77 Brazil	5,301	9,145	23,797	21,761	21,558	20,222	20,105	25,902	23,183	24,532
78 British West Indies	193,699	229,599	239,083	227,811[r]	240,950	239,169[r]	243,260[r]	234,391	233,131	225,192
79 Chile	3,183	3,127	2,826	2,773[r]	2,816	2,883[r]	2,868[r]	2,938	2,841	2,461
80 Colombia	3,171	4,615	3,659	3,627[r]	3,593	3,726[r]	3,393[r]	3,642	3,329	3,274
81 Cuba	33	13	8	7	7	13	8	10	10	14
82 Ecuador	880	875	1,314	1,200[r]	1,273	1,264[r]	1,283[r]	1,301	1,405	1,433
83 Guatemala	1,207	1,121	1,275	1,075	1,060	1,085	1,073	1,073	1,092	1,176
84 Jamaica	410	529	481	495	494	516	550	534	562	625
85 Mexico	28,019	12,227	24,560	23,898[r]	24,575	23,328[r]	23,212[r]	24,775	26,314	24,355
86 Netherlands Antilles	4,686	5,217	4,672	4,461	4,402	5,272	4,722	5,162	5,531	3,660
87 Panama	3,582	1,551	4,265	4,166	4,025	3,887	3,846	3,878	3,852	3,994
88 Peru	929	900	974	1,092	962	1,081	1,064	1,013	1,029	1,077
89 Uruguay	1,611	1,597	1,836	1,726	1,908	1,748	1,757	1,769	1,836	1,799
90 Venezuela	12,786	13,986[r]	11,808	12,609[r]	13,253	14,242[r]	14,645[r]	14,899	15,261	15,029
91 Other	6,327	6,704[r]	7,531	7,953[r]	8,087	8,315[r]	8,312	8,320	8,287	8,514
92 Asia	144,527	154,346[r]	240,698	249,410[r]	241,922	237,708[r]	235,910[r]	239,231	238,510	238,365
China										
93 People's Republic of China	4,011	10,066	33,750	32,200	24,430	25,861	24,857	25,483	28,587	34,224
94 Republic of China (Taiwan)	10,627	9,844	11,714	12,955	15,513	14,953	14,598	16,621	16,079	14,750
95 Hong Kong	17,132	17,104	20,303	22,286	20,187	18,378[r]	18,606	18,227	19,642	19,373
96 India	1,114	2,338	3,373	3,527	3,990	3,752	3,938	4,012	3,954	4,012
97 Indonesia	1,986	1,587	2,708	2,349	2,169	2,627	2,374	2,315	2,561	2,161
98 Israel	4,435	5,157	4,041	5,750[r]	5,315	5,420[r]	5,090[r]	5,168	4,444	4,364
99 Japan	61,466	62,981	109,193	113,361	117,325	111,635	111,500	113,800	112,684	109,284
100 Korea (South)	4,913	5,124	5,749	5,607	5,875	5,900[r]	5,703[r]	6,674	5,661	5,389
101 Philippines	2,035	2,714	3,089	2,366	2,336	2,467	2,897	2,970	3,041	2,532
102 Thailand	6,137	6,466	12,279	13,389	12,158	12,905	13,387	12,253	11,713	10,691
103 Middle Eastern oil exporting countries[13]	15,822	15,494[r]	15,582	13,491	13,741	14,895	14,234	13,379	12,942	13,890
104 Other	14,849	15,471	18,917	22,129[r]	18,883	18,915[r]	18,726[r]	18,329	17,202	17,695
105 Africa	6,633	6,524	7,641	7,843[r]	7,109	7,832	7,404	7,509	7,558	7,259
106 Egypt	2,208	1,879	2,136	2,375	2,057	2,002	1,873	1,831	2,114	1,920
107 Morocco	99	97	104	52	65	114	113	115	133	121
108 South Africa	451	433	739	665	413	1,001	745	666	648	632
109 Zaire	12	9	10	8	9	8	16	6	13	6
110 Oil-exporting countries[14]	1,303	1,343	1,797	1,968	1,706	1,904	1,887	2,013	1,928	2,075
111 Other	2,560	2,763	2,855	2,775[r]	2,859	2,803	2,770	2,878	2,722	2,505
112 Other	4,192	6,036	6,774	5,508[r]	6,222	6,055[r]	6,785	9,066	9,592	6,555
113 Australia	3,308	5,142	5,647	4,502[r]	5,238	4,895[r]	5,757	7,981	8,387	5,516
114 Other	884	894	1,127	1,006	984	1,160	1,028	1,085	1,205	1,039
115 Nonmonetary international and regional organizations	10,936	8,606	11,039	11,156[r]	9,512	11,311[r]	11,994[r]	12,158	11,742	12,455
116 International[15]	6,851	7,537	9,300	10,075	7,938	9,967[r]	10,572	10,824	10,303	10,980
117 Latin American regional[16]	3,218	613	893	339[r]	794	482[r]	649[r]	527	831	814
118 Other regional[17]	867	456	846	742	780	862	773	807	608	661

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	1996 Feb.[r]	1996 Mar.[r]	1996 Apr.[r]	1996 May[r]	1996 June[r]	1996 July	1996 Aug.[p]
1 **Total, all foreigners**	**488,497**	**483,270[r]**	**532,751[r]**	**522,817**	**531,842**	**527,801**	**519,789**	**535,945**	**559,112**	**549,827**
2 **Foreign countries**	**486,092**	**478,679[r]**	**530,820[r]**	**520,038**	**528,028**	**525,085**	**516,295**	**532,916**	**556,998**	**547,816**
3 Europe	123,741	123,408[r]	132,150[r]	139,291	138,802	135,493	134,459	146,181	143,611	149,619
4 Austria	412	692	565	773	892	1,213	1,212	1,088	1,128	917
5 Belgium and Luxembourg	6,532	6,738	7,624[r]	8,544	6,003	8,688	8,711	6,921	7,021	6,957
6 Denmark	382	1,129	403	599	698	543	482	432	319	230
7 Finland	591	512	1,055	1,313	1,782	1,305	1,282	1,013	1,629	1,322
8 France	11,822	12,146	15,033[r]	13,266	13,740	11,604	11,954	11,768	10,571	10,758
9 Germany	7,724	7,608	9,263[r]	8,814	9,260	8,647	8,099	11,831	9,497	7,622
10 Greece	691	604	469[r]	651	507	622	554	563	527	433
11 Italy	8,834	6,043	5,370[r]	4,814	5,871	5,702	6,172	5,721	6,026	6,765
12 Netherlands	3,063	2,959	5,346[r]	5,038	5,585	6,346	5,618	6,546	6,360	6,565
13 Norway	396	504	665	1,408	1,016	793	933	1,243	1,397	1,342
14 Portugal	834	938	888	743	773	889	813	701	667	548
15 Russia	2,310	973	660	775	868	741	182	440	514	803
16 Spain	3,717	3,530	2,166	4,011	5,420	5,092	3,158	2,519	3,341	3,005
17 Sweden	4,254	4,098	2,080[r]	2,151	2,206	3,534	2,526	2,799	2,802	2,716
18 Switzerland	6,605	5,746	7,474[r]	4,116	3,841	6,370	8,713	12,145	9,520	9,262
19 Turkey	1,301	878	803[r]	725	810	973	873	933	912	935
20 United Kingdom	62,013	66,874[r]	67,784[r]	78,099	73,717	68,999	69,557	75,814	78,095	85,680
21 Yugoslavia[2]	473	265	147	118	120	208	204	161	159	87
22 Other Europe and other former U.S.S.R.[3]	1,784	1,171	4,355[r]	3,273	4,693	3,224	3,116	3,537	3,156	3,672
23 Canada	18,617	18,490	20,874[r]	18,974	18,040	22,061	20,885	22,246	23,985	25,141
24 Latin America and Caribbean	225,238	223,523	256,992[r]	249,038	253,184	246,361	238,235	239,803	265,696	252,476
25 Argentina	4,474	5,844	6,439	6,056	6,215	6,187	6,037	6,446	6,598	7,056
26 Bahamas	63,353	66,410	58,818[r]	63,836	66,156	55,497	56,383	60,608	71,951	65,266
27 Bermuda	8,901	8,481	5,741[r]	4,766	4,829	5,031	2,993	3,620	3,590	3,052
28 Brazil	11,848	9,583	13,297	13,904	13,799	14,164	14,186	15,067	15,197	15,155
29 British West Indies	99,319	95,741	123,924[r]	108,813	113,249	118,609	110,780	102,669	100,886	98,379
30 Chile	3,613	3,820	5,024	4,575	4,540	4,587	4,350	4,387	4,321	4,972
31 Colombia	3,181	4,004	4,550	4,488	3,542	4,512	4,511	4,525	4,512	4,724
32 Cuba	0	0	0	0	0	0	0	0	0	0
33 Ecuador	681	682	825	834	968	951	936	956	897	932
34 Guatemala	288	366	457	461	465	473	461	452	463	476
35 Jamaica	195	258	323	362	332	335	345	359	346	335
36 Mexico	15,879	17,749	18,028	17,162	16,948	17,066	16,877	16,820	16,975	17,545
37 Netherlands Antilles	2,683	1,396	9,229	12,973	10,902	8,728	8,671	12,888	29,224	23,718
38 Panama	2,894	2,198	3,008[r]	2,795	2,597	2,488	2,592	2,567	2,216	2,207
39 Peru	657	997	1,829	1,904	1,914	2,018	2,112	2,362	2,568	2,463
40 Uruguay	969	503	466	463	623	578	602	623	589	563
41 Venezuela	2,910	1,831	1,661	1,572	1,559	1,377	1,279	1,390	1,402	1,728
42 Other	3,363	3,660	3,373[r]	4,044	3,546	3,763	5,117	1,061	3,961	3,905
43 Asia	111,775	107,079	115,569[r]	107,223	111,429	115,037	116,490	118,126	117,058	114,615
China										
44 People's Republic of China	2,271	836	1,023	1,351	2,439	3,105	2,857	2,141	1,344	2,034
45 Republic of China (Taiwan)	2,625	1,448	1,713	1,404	1,729	1,626	1,514	1,490	1,301	1,035
46 Hong Kong	10,828	9,161	12,915[r]	13,877	15,555	15,339	14,745	15,997	15,732	12,738
47 India	589	994	1,846	1,859	1,869	1,787	1,786	1,794	1,785	2,118
48 Indonesia	1,527	1,470	1,696[r]	1,491	1,619	1,539	1,563	1,562	1,744	1,582
49 Israel	826	688	739	683	665	642	615	620	658	667
50 Japan	60,032	59,151	61,461[r]	55,207	52,776	54,627	54,613	54,005	53,154	55,020
51 Korea (South)	7,539	10,286	14,089	15,523	17,362	17,250	18,424	19,261	18,648	17,667
52 Philippines	1,410	662	1,350	779	1,202	779	838	1,298	1,244	1,222
53 Thailand	2,170	2,902	2,612[r]	3,266	3,070	2,970	3,015	3,194	2,824	2,940
54 Middle Eastern oil-exporting countries[4]	15,115	13,748	9,639	6,410	7,145	7,252	8,976	8,348	9,480	9,489
55 Other	6,843	5,733	6,486[r]	5,373	5,998	7,821	7,544	8,416	8,844	8,103
56 Africa	3,861	3,050	2,768[r]	2,914	2,908	2,767	2,715	2,766	2,628	2,748
57 Egypt	196	225	210	237	247	225	217	198	216	221
58 Morocco	481	429	514	561	585	594	628	639	602	577
59 South Africa	633	671	465	520	567	493	468	515	441	512
60 Zaire	4	2	1	1	1	1	1	1	1	11
61 Oil-exporting countries[5]	1,129	856	552	526	516	501	478	474	470	462
62 Other	1,418	867	1,026[r]	1,069	992	953	923	939	898	965
63 Other	2,860	3,129	2,467	2,598	3,665	3,363	3,511	3,794	3,990	3,217
64 Australia	2,037	2,186	1,622	2,213	2,645	2,620	2,333	2,513	3,172	2,608
65 Other	823	943	845	355	1,020	743	1,178	1,281	818	609
66 Nonmonetary international and regional organizations[6]	2,405	4,591	1,931	2,779	3,814	2,716	3,494	3,029	2,114	2,011

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	1996						
				Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June[r]	July	Aug.[p]
1 **Total**	**575,818**	**599,549**[r]	**655,518**[r]		**659,897**			**660,827**	...	...
2 Banks' claims	488,497	483,270[r]	532,751[r]	522,817	531,842	527,801	519,789	535,945	559,112	549,827
3 Foreign public borrowers	29,228	23,416	22,522	24,380	27,751	26,254	22,208	22,941	20,238	18,823
4 Own foreign offices[2]	285,510	283,183	307,509	295,675	298,122	299,438	301,887	307,542	312,803	303,943
5 Unaffiliated foreign banks	100,865	109,228	101,410[r]	99,583	103,518	101,183	98,364	105,304	108,754	111,689
6 Deposits	49,892	59,250	37,658[r]	37,802	42,153	37,662	35,588	33,996	36,143	39,528
7 Other	50,973	49,978	63,752[r]	61,781	61,365	63,521	62,776	71,308	72,611	72,161
8 All other foreigners	72,894	67,443[r]	101,310[r]	103,179	102,451	100,926	97,330	100,158	117,317	115,372
9 Claims of banks' domestic customers[3]	87,321	116,279	122,767	...	128,055	...	...	124,882		...
10 Deposits	41,734	64,829	58,519	...	68,837	...	...	71,441	...	...
11 Negotiable and readily transferable instruments[4]	31,186	36,008	44,161		41,401	...	...	37,331	...	...
12 Outstanding collections and other claims	14,401	15,442	20,087	...	17,817	...	...	16,110	...	...
MEMO										
13 Customer liability on acceptances	7,920	8,427	8,410	...	9,031	...	...	9,335	...	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	29,150	32,796	30,717	32,777	32,913	32,384	34,258	31,136	32,270	33,527

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]		1996	
				Sept.	Dec.	Mar.[r]	June
1 **Total**	**195,119**	**202,566**	**200,070**	**220,439**	**225,141**	**233,558**	**228,400**
By borrower							
2 Maturity of one year or less	163,325	172,662	168,359	182,006	178,785	193,742	185,918
3 Foreign public borrowers	17,813	17,828	15,435	14,192	15,015	19,567	14,860
4 All other foreigners	145,512	154,834	152,924	167,814	163,770	174,175	171,058
5 Maturity of more than one year	31,794	29,904	31,711	38,433	46,356	39,816	42,482
6 Foreign public borrowers	13,266	10,874	7,838	8,220	7,506	8,104	8,107
7 All other foreigners	18,528	19,030	23,873	30,213	38,850	31,712	34,375
By area							
Maturity of one year or less							
8 Europe	53,300	57,413	55,770	54,211	55,622	57,988	57,157
9 Canada	6,091	7,727	6,690	8,048	6,771	5,473	6,810
10 Latin America and Caribbean	50,376	60,490	58,877	71,325	72,396	84,240	78,432
11 Asia	45,709	41,418	39,851	42,767	40,312	40,317	38,282
12 Africa	1,784	1,820	1,376	1,285	1,295	1,326	1,279
13 All other[3]	6,065	3,794	5,795	4,370	2,389	4,398	3,958
Maturity of more than one year							
14 Europe	5,367	5,310	4,203	4,658	4,995	6,833	8,191
15 Canada	3,287	2,581	3,505	3,571	2,731	2,563	3,689
16 Latin America and Caribbean	15,312	14,025	15,717	20,264	27,845	19,525	19,483
17 Asia	5,038	5,606	5,318	7,385	8,052	8,490	9,088
18 Africa	2,380	1,935	1,583	1,406	1,447	1,474	1,435
19 All other[3]	410	447	1,385	1,149	1,286	931	596

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	1992	1993	1994			1995				1996	
			June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
1 **Total**	**344.7**	**407.7**	**486.1**	**486.4**	**496.6**	**542.8[r]**	**528.2[r]**	**530.4[r]**	**551.7[r]**	**572.1[r]**	**604.7[r]**
2 G-10 countries and Switzerland	131.3	161.8	173.3	182.6	190.6	211.5[r]	204.4[r]	200.0[r]	206.0[r]	202.3	221.8[r]
3 Belgium and Luxembourg	.0	7.4	8.6	9.6	7.0	10.2	9.4	10.7	13.6[r]	10.7	8.0
4 France	15.3	12.0	18.6	20.7	19.1	19.9[r]	19.9[r]	18.0[r]	19.4[r]	17.9	17.7
5 Germany	9.1	12.6	24.7	24.0	24.7	31.2	30.0[r]	27.5[r]	27.3[r]	31.5	31.4
6 Italy	6.5	7.7	14.0	11.6	11.8	10.6	10.7	12.6	11.5	13.2	14.9
7 Netherlands	.0	4.7	3.4	3.4	3.6	3.5	4.3	4.4[r]	3.7[r]	3.0	4.7
8 Sweden	2.3	2.7	3.0	2.6	2.7	3.1	3.1[r]	2.9[r]	2.7	3.3	2.7
9 Switzerland	4.8	5.9	5.4	5.5	5.1	5.7	6.2	6.6[r]	6.7[r]	5.2	6.3
10 United Kingdom	59.7	84.3	64.9	78.4	85.8[r]	90.1[r]	87.1[r]	80.3[r]	82.4[r]	84.8	101.4
11 Canada	6.3	6.9	9.9	10.2	10.0	10.8[r]	11.3[r]	13.0[r]	10.3[r]	9.7	11.1
12 Japan	18.8	17.6	20.7	16.5	20.7	26.2[r]	22.7[r]	24.0	28.5	22.9	23.7[r]
13 Other industrialized countries	24.0	25.6	42.6	42.6	45.2	44.1	43.3	50.2[r]	50.2	61.3	55.5
14 Austria	1.2	.4	1.0	1.0	1.1	.9	.7	1.2	.9	1.3	1.2
15 Denmark	.9	1.0	1.1	1.0	1.3	1.7	1.1	1.8	2.6	3.4	3.3
16 Finland	.7	.4	.8	.8	.9	1.1	.5	.7	.8	.7	.6
17 Greece	3.0	3.2	4.6	4.3	4.5	4.9	5.0	5.1	5.7	5.6	5.6
18 Norway	1.2	1.7	1.6	1.6	2.0	2.4	1.8	2.3	3.2	2.1	2.3
19 Portugal	.4	.8	1.1	1.0	1.2	1.0	1.2	1.9	1.3	1.6	1.6
20 Spain	8.9	9.9	12.6	14.0	13.6	14.1	13.3	13.3	11.6	17.5	13.6
21 Turkey	1.3	2.1	2.1	1.8	1.6	1.4	1.4	2.0	1.9	2.0	2.2
22 Other Western Europe	1.7	2.6	2.8	1.0	2.7	2.5	2.6	3.0	4.7	3.8	3.4
23 South Africa	1.7	1.1	1.2	1.2	1.0	1.5	1.4	1.3	1.2	1.7	2.0
24 Australia	2.9	2.3	13.7	15.0	15.4	12.6	14.3	17.4	16.4	21.7	19.7
25 OPEC[2]	15.8	17.4	21.6	21.7	23.9	19.5	20.3	22.4	22.1	21.2	20.1
26 Ecuador	.6	.5	.5	.4	.5	.5	.7	.7	.7	.8	.9
27 Venezuela	5.2	5.1	4.4	3.9	3.7	3.5	3.5	3.0	2.7	2.9	2.3
28 Indonesia	2.7	3.3	3.2	3.3	3.8	4.0	4.1	4.4	4.8	4.7	4.9
29 Middle East countries	6.2	7.4	12.4	13.0	15.0	10.7	11.4	13.6	13.3	12.3	11.5
30 African countries	1.1	1.2	1.1	1.1	.9	.7	.6	.6	.6	.6	.5
31 Non-OPEC developing countries	72.6	83.1	94.8	93.2	96.0	98.5	103.6	104.0	112.6	116.9[r]	125.9
Latin America											
32 Argentina	6.6	7.7	9.8	10.5	11.2	11.4	12.3	10.9	12.9	12.7	14.1
33 Brazil	10.8	12.0	12.0	9.3	8.4	9.2	10.0	13.6	13.7	17.8	22.2
34 Chile	4.4	4.7	5.1	5.5	6.1	6.4	7.1	6.4	6.8	6.4	6.7
35 Colombia	1.8	2.1	2.4	2.4	2.6	2.6	2.6	2.9	2.9	2.9	2.8
36 Mexico	16.0	17.8	18.6	19.8	18.4	17.9[r]	17.6	16.3	17.3	16.1	15.4
37 Peru	.5	.4	.6	.6	.5	.6	.8	.7	.8	.9	1.2
38 Other	2.6	3.1	2.7	2.8	2.7	2.4	2.6	2.6	2.8	3.1	3.1
Asia											
China											
39 People's Republic of China	.7	2.0	.8	1.0	1.1	1.1	1.4	1.7	1.8	3.3	2.9
40 Republic of China (Taiwan)	5.2	7.3	7.1	6.9	9.2	8.5	9.0	9.0	9.4	9.7	9.8
41 India	3.2	3.2	3.7	3.9	4.2	3.8	4.0	4.4	4.4	4.7	4.2
42 Israel	.4	.5	.4	.4	.4	.6	.7	.5	.5	.5	.6
43 Korea (South)	6.6	6.7	14.3	14.4	16.2	16.9	18.7	18.0	19.1	19.4	21.8
44 Malaysia	3.1	4.4	5.2	3.9	3.1	3.9	4.1	4.3	4.4	4.7	5.0
45 Philippines	3.6	3.1	3.2	2.9	3.3	3.0	3.6	3.3	4.1	3.9	4.7
46 Thailand	2.2	3.1	3.3	3.5	2.1	3.3	3.8	3.9	4.9	5.2	5.4
47 Other Asia	3.1	3.1	3.2	3.4	4.7	4.9	3.5	3.7	4.5	4.3	4.7
Africa											
48 Egypt	.2	.4	.5	.3	.3	.4	.4	.4	.4	.2	.2
49 Morocco	.6	.7	.7	.7	.6	.6	.9	.9	.7	.7	.8
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	1.0	.8	1.0	.9	.8	.7	.6	.8[r]	.9	.8[r]	.8
52 Eastern Europe	3.1	3.2	3.2	3.0	2.7	2.3	1.8	3.4	4.2	6.2	5.0
53 Russia[4]	1.9	1.6	1.3	1.1	.8	.7	.4	.6	1.0	1.4	1.0
54 Yugoslavia[5]	.6	.6	.5	.5	.5	.4	.3	.4	.3	.3	.3
55 Other	.6	.9	1.4	1.5	1.4	1.2	1.0	2.3	2.8	4.5	3.7
56 Offshore banking centers	58.1	73.0	80.6	77.2	71.4	84.4	82.2[r]	86.0	99.0	101.2[r]	103.8
57 Bahamas	6.9	10.9	13.3	13.8	10.3	12.5	8.4	12.6	11.0	13.9[r]	17.3
58 Bermuda	6.2	8.9	6.5	6.0	8.4	8.7[r]	8.4[r]	6.1	6.3	5.3	4.1
59 Cayman Islands and other British West Indies	21.5	18.0	23.8	21.5	19.9	19.4	23.7	23.4	32.1	28.5	23.8[r]
60 Netherlands Antilles	1.1	2.6	2.5	1.7	1.3	.9	2.4	5.5	9.9	10.7	13.0
61 Panama[6]	1.9	2.4	2.0	1.9	1.3	1.1	1.3	1.3	1.4	1.6	1.7
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	13.9	18.7	21.8	20.3	19.9	22.5	23.1	23.7	25.1	25.7	27.8
64 Singapore	6.5	11.2	10.6	11.8	10.1	19.2	14.8	13.3	13.1	15.4	15.9
65 Other[7]	.0	.1	.0	.0	.1	.0	.0	.1	.1	.1	.1
66 Miscellaneous and unallocated[8]	39.7	43.4	69.7	65.8	66.7	82.2	72.3	64.0	57.3	62.5	72.2

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	1995				1996	
				Mar.	June	Sept.	Dec.	Mar.	June[p]
1 **Total**	**45,511**	**50,597**	**54,309**	**50,187**	**49,973**	**47,673**	**46,448**	**49,907**	**48,971**
2 Payable in dollars	37,456	38,728	38,298	35,903	34,281	33,908	33,903	36,273	35,366
3 Payable in foreign currencies	8,055	11,869	16,011	14,284	15,692	13,765	12,545	13,634	13,605
By type									
4 Financial liabilities	23,841	29,226	32,954	29,775	29,282	26,237	24,241	26,570	24,817
5 Payable in dollars	16,960	18,545	18,818	16,704	15,028	13,872	12,903	13,831	12,185
6 Payable in foreign currencies	6,881	10,681	14,136	13,071	14,254	12,365	11,338	12,739	12,632
7 Commercial liabilities	21,670	21,371	21,355	20,412	20,691	21,436	22,207	23,337	24,154
8 Trade payables	9,566	8,802	10,005	9,844	10,527	10,061	11,013	10,815	11,089
9 Advance receipts and other liabilities	12,104	12,569	11,350	10,568	10,164	11,375	11,194	12,522	13,065
10 Payable in dollars	20,496	20,183	19,480	19,199	19,253	20,036	21,000	22,442	23,181
11 Payable in foreign currencies	1,174	1,188	1,875	1,213	1,438	1,400	1,207	895	973
By area or country									
Financial liabilities									
12 Europe	13,387	18,810	21,703	17,541	18,223	16,401	15,622	16,950	16,434
13 Belgium and Luxembourg	414	175	495	612	778	347	369	483	498
14 France	1,623	2,539	1,727	2,046	1,101	1,365	999	1,679	861
15 Germany	889	975	1,961	1,755	1,589	1,670	1,974	2,161	1,850
16 Netherlands	606	534	552	633	530	474	466	479	444
17 Switzerland	569	634	688	883	1,056	948	895	1,260	1,156
18 United Kingdom	8,610	13,332	15,543	10,764	12,138	10,518	10,138	10,246	10,790
19 Canada	541	859	629	1,817	893	797	632	1,166	951
20 Latin America and Caribbean	4,053	3,359	2,034	2,065	1,950	1,904	1,783	1,876	969
21 Bahamas	379	1,148	101	135	81	79	59	78	31
22 Bermuda	114	0	80	149	138	144	147	126	28
23 Brazil	19	18	207	58	58	111	57	57	8
24 British West Indies	2,850	1,533	998	1,068	1,030	930	866	946	826
25 Mexico	12	17	0	10	3	3	12	16	11
26 Venezuela	6	5	5	5	4	3	2	2	1
27 Asia	5,818	5,956	8,403	8,156	8,023	6,947	5,988	6,390	6,351
28 Japan	4,750	4,887	7,314	7,182	7,141	6,308	5,436	5,980	6,051
29 Middle Eastern oil-exporting countries[1]	19	23	35	27	25	25	27	26	26
30 Africa	6	133	135	156	151	149	150	131	72
31 Oil exporting countries[2]	0	123	123	122	122	122	122	122	61
32 All other[3]	33	109	50	40	42	39	66	57	40
Commercial liabilities									
33 Europe	7,398	6,827	6,773	6,642	6,776	7,263	7,700	8,425	7,924
34 Belgium and Luxembourg	298	239	241	271	311	349	331	370	326
35 France	700	655	728	642	501	528	481	648	678
36 Germany	729	684	604	482	556	660	767	867	839
37 Netherlands	535	688	722	536	448	566	500	659	617
38 Switzerland	350	375	327	327	432	255	413	428	516
39 United Kingdom	2,505	2,039	2,444	2,848	2,902	3,351	3,568	3,525	3,266
40 Canada	1,002	879	1,037	1,235	1,146	1,219	1,040	959	998
41 Latin America and Caribbean	1,533	1,658	1,857	1,368	1,836	1,607	1,740	2,110	2,301
42 Bahamas	3	21	19	8	3	1	1	28	35
43 Bermuda	307	350	345	260	397	219	205	570	509
44 Brazil	209	214	161	96	107	143	98	128	119
45 British West Indies	33	27	23	29	12	5	56	10	10
46 Mexico	457	481	574	356	420	357	416	468	475
47 Venezuela	142	123	276	273	204	175	221	243	283
48 Asia	10,594	10,980	10,741	10,151	9,978	10,275	10,421	10,474	11,389
49 Japan	3,612	4,314	4,555	4,110	3,531	3,475	3,315	3,725	3,943
50 Middle Eastern oil exporting countries[1]	1,889	1,534	1,576	1,787	1,790	1,647	1,912	1,747	1,784
51 Africa	568	453	428	463	481	589	619	708	924
52 Oil exporting countries[2]	309	167	256	248	252	241	254	254	435
53 Other[3]	575	574	519	553	474	483	687	661	618

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	1995				1996	
				Mar.	June	Sept.	Dec.	Mar.	June[p]
1 **Total**	**45,073**	**49,159**	**57,888**	**52,218**	**58,051**	**53,424**	**52,509**	**55,394**	**58,829**
2 Payable in dollars	42,281	45,161	53,805	48,425	54,138	49,696	48,711	50,995	53,984
3 Payable in foreign currencies	2,792	3,998	4,083	3,793	3,913	3,728	3,798	4,399	4,845
By type									
4 Financial claims	26,509	27,771	33,897	29,606	34,574	29,891	27,398	30,760	33,978
5 Deposits	17,695	15,717	18,507	17,115	22,046	17,974	15,133	17,595	18,364
6 Payable in dollars	16,872	15,182	18,026	16,458	21,351	17,393	14,654	17,014	17,926
7 Payable in foreign currencies	823	535	481	657	695	581	479	551	438
8 Other financial claims	8,814	12,054	15,390	12,491	12,528	11,917	12,265	13,165	15,614
9 Payable in dollars	7,890	10,862	14,306	11,275	11,370	10,689	10,976	11,278	13,217
10 Payable in foreign currencies	924	1,192	1,084	1,216	1,158	1,228	1,289	1,887	2,397
11 Commercial claims	18,564	21,388	23,991	22,612	23,477	23,533	25,111	24,634	24,851
12 Trade receivables	16,007	18,425	21,158	20,415	21,326	21,409	22,998	22,123	22,276
13 Advance payments and other claims	2,557	2,963	2,833	2,197	2,151	2,124	2,113	2,511	2,575
14 Payable in dollars	17,519	19,117	21,473	20,692	21,417	21,614	23,081	22,673	22,841
15 Payable in foreign currencies	1,045	2,271	2,518	1,920	2,060	1,919	2,030	1,961	2,010
By area or country									
Financial claims									
16 Europe	9,331	7,299	7,936	7,630	7,927	7,840	7,609	8,929	9,241
17 Belgium and Luxembourg	8	134	86	146	155	160	193	159	151
18 France	764	826	800	808	730	753	803	1,015	679
19 Germany	326	526	540	527	356	301	436	320	296
20 Netherlands	515	502	429	606	601	522	517	486	488
21 Switzerland	490	530	523	490	514	530	498	470	461
22 United Kingdom	6,252	3,585	4,649	4,040	3,790	4,924	4,303	5,568	6,169
23 Canada	1,833	2,032	3,581	3,848	3,705	3,526	2,851	5,269	4,773
24 Latin America and Caribbean	13,893	16,224	19,536	16,109	21,159	15,345	14,500	13,815	17,628
25 Bahamas	778	1,336	2,424	940	2,355	1,552	1,965	1,538	2,168
26 Bermuda	40	125	27	37	85	35	81	77	84
27 Brazil	686	654	520	528	502	851	830	1,019	1,242
28 British West Indies	11,747	12,699	15,228	13,531	17,013	11,816	10,393	10,088	13,008
29 Mexico	445	872	723	583	635	487	554	461	392
30 Venezuela	29	161	35	27	27	50	32	40	23
31 Asia	864	1,657	1,871	1,504	1,235	2,160	1,579	1,890	1,571
32 Japan	668	892	953	621	471	1,404	871	1,171	852
33 *Middle Eastern oil-exporting countries*[1]	3	3	141	4	1	4	3	13	9
34 Africa	83	99	373	141	138	188	276	277	197
35 Oil exporting countries[2]	9	1	0	9	9	6	5	5	5
36 All other[3]	505	460	600	374	410	832	583	580	568
Commercial claims									
37 Europe	8,451	9,105	9,540	8,947	9,200	8,862	9,824	9,776	9,812
38 Belgium and Luxembourg	189	184	213	199	218	224	231	247	239
39 France	1,537	1,947	1,881	1,790	1,669	1,706	1,830	1,803	1,658
40 Germany	933	1,018	1,027	977	1,023	997	1,070	1,410	1,335
41 Netherlands	552	423	311	324	341	338	452	442	181
42 Switzerland	362	432	557	556	612	438	520	579	602
43 United Kingdom	2,094	2,377	2,556	2,388	2,469	2,479	2,656	2,607	2,651
44 Canada	1,286	1,781	1,988	2,010	2,003	1,971	1,951	2,045	2,074
45 Latin America and Caribbean	3,043	3,274	4,117	4,140	4,370	4,359	4,364	4,151	4,340
46 Bahamas	28	11	9	17	21	26	30	30	28
47 Bermuda	255	182	234	208	210	245	272	273	264
48 Brazil	357	460	612	695	777	745	898	809	837
49 British West Indies	40	71	83	55	83	66	79	106	103
50 Mexico	924	990	1,243	1,106	1,109	1,026	993	870	1,021
51 Venezuela	345	293	348	295	319	325	285	308	313
52 Asia	4,866	6,014	6,982	6,200	6,516	6,826	7,312	7,100	6,883
53 Japan	1,903	2,275	2,655	1,911	2,011	1,998	1,870	2,010	1,877
54 Middle Eastern oil-exporting countries[1]	693	701	708	689	707	775	974	1,024	879
55 Africa	554	493	454	468	478	544	654	667	688
56 Oil-exporting countries[2]	78	72	67	71	60	74	87	107	83
57 Other[3]	364	721	910	847	910	971	1,006	895	1,054

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 Jan.-Aug.	1996 Feb.	Mar.	Apr.	May[r]	June[r]	July	Aug.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	350,593	462,950	400,712	52,260	55,281	53,047	57,552	43,374	49,488	46,136
2 Foreign sales	348,716	451,710	390,897	51,083	54,450	48,774	56,068	42,361	52,142	44,071
3 Net purchases, or sales (−)	**1,877**	**11,240**	**9,815**	**1,177**	**831**	**4,273**	**1,484**	**1,013**	**−2,654**	**2,065**
4 Foreign countries	**1,867**	**11,445**	**9,825**	**1,306**	**877**	**4,129**	**1,479**	**1,013**	**−2,653**	**2,051**
5 Europe	6,714	4,912	5,858	1,072	1,377	1,429	446	308	386	3,310
6 France	201	1,099	715	161	661	336	306	339	188	210
7 Germany	2,110	-1,837	1,096	37	86	174	30	218	363	83
8 Netherlands	2,251	3,507	1,531	20	208	237	66	129	124	219
9 Switzerland	30	-2,283	2,473	441	566	618	140	78	615	538
10 United Kingdom	840	8,066	590	223	241	345	229	416	1,490	2,551
11 Canada	1,160	1,517	593	518	90	52	394	81	31	250
12 Latin America and Caribbean	2,111	5,814	4,006	2,694	318	808	1,298	42	1,077	1,046
13 Middle East[1]	1,142	337	1,400	285	-33	6	261	114	15	179
14 Other Asia	1,234	2,503	945	336	291	1,852	1,380	1,359	1,347	1,642
15 Japan	1,162	2,725	133	131	749	1,446	73	802	611	791
16 Africa	29	2	67	62	44	31	6	-4	33	33
17 Other countries	771	68	100	151	276	37	104	43	108	201
18 Nonmonetary international and regional organizations	**10**	**−205**	**−10**	**−129**	**−46**	**144**	**5**	**0**	**−1**	**14**
BONDS[2]										
19 Foreign purchases	289,586	293,533	252,844	32,769[r]	39,984[r]	24,130[r]	34,789	35,008	27,462	32,084
20 Foreign sales	229,665	206,951	173,194	23,608	25,151[r]	18,705[r]	24,094	25,688	17,352	20,870
21 Net purchases, or sales (−)	**59,921**	**86,582**	**79,650**	**9,161[r]**	**14,833[r]**	**5,425[r]**	**10,695**	**9,320**	**10,110**	**11,214**
22 Foreign countries	**59,036**	**87,036**	**79,452**	**9,240[r]**	**14,745[r]**	**5,394[r]**	**10,690**	**9,305**	**9,993**	**11,235**
23 Europe	37,065	70,318	49,106	8,968	6,521[r]	3,922[r]	7,114	4,876	6,108	5,966
24 France	242	1,143	3,550	314	670	785	113	326	334	169
25 Germany	657	5,938	4,753	1,859	467	721	891	1	255	585
26 Netherlands	3,322	1,463	1,422	365	66	52	371	53	442	146
27 Switzerland	1,055	494	562	86	38	144	178	233	258	105
28 United Kingdom	31,642	57,591	33,575	6,280	4,724[r]	2,239[r]	4,217	3,706	4,407	3,148
29 Canada	2,958	2,569	3,101	235	149	359	952	314	514	474
30 Latin America and Caribbean	5,442	6,141	13,662	713	7,200[r]	60[r]	1,166	770	1,811	1,272
31 Middle East[1]	771	1,869	436	334	13	122	205	218	205	201
32 Other Asia	12,153	5,659	13,269	1,171[r]	864[r]	1,094	1,279	3,140	1,186	3,243
33 Japan	5,486	2,250	7,054	346[r]	278[r]	135	537	1,912	905	2,583
34 Africa	7	234	235	40	37	49	107	50	31	17
35 Other countries	654	246	357	47	39	212	133	63	138	62
36 Nonmonetary international and regional organizations	**885**	**−454**	**198**	**−79**	**88**	**31**	**5**	**15**	**117**	**−21**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	48,071	50,291	44,638	5,704	10,345	6,706	3,167	7,527	3,639	1,116
38 Foreign purchases	386,106	345,540	296,727	37,464	36,115	37,764	43,515	36,728	37,643	34,017
39 Foreign sales	434,177	395,831	341,365	43,168	46,460	44,470	46,682	44,255	41,282	35,133
40 Bonds, net purchases, or sales (−)	9,224	48,545	23,204	1,404	-6,038	153	527	1,887	3,396	5,215
41 Foreign purchases	848,368	889,471	684,951	95,201	93,345	81,256	82,453	82,907	80,703	84,448
42 Foreign sales	857,592	938,016	708,155	96,605	99,383	81,409	82,980	84,794	84,099	89,663
43 Net purchases, or sales (−), of stocks and bonds	**−57,295**	**−98,836**	**−67,842**	**−7,108**	**−16,383**	**−6,859**	**−3,694**	**−9,414**	**−7,035**	**−6,331**
44 Foreign countries	**−57,815**	**−98,031**	**−67,454**	**−6,983**	**−16,387**	**−6,802**	**−3,585**	**−9,361**	**−7,098**	**−6,189**
45 Europe	3,516	48,125	-29,907	2,552	-4,508	1,949	1,271	8,356	-4,460	5,285
46 Canada	7,475	7,952	-2,995	58	1,865	614	231	472	829	856
47 Latin America and Caribbean	18,334	7,634	9,471	1,031	2,582	1,190	2,044	975	2,181	1,415
48 Asia	24,275	-34,056	22,930	2,557	5,756	-4,094	2,260	1,401	1,174	1,003
49 Japan	17,427	25,072	10,626	1,592	-3,224	950	921	1,229	231	486
50 Africa	467	327	933	161	436	-14	32	116	53	25
51 Other countries	3,748	63	1,218	624	1,240	169	289	9	59	683
52 Nonmonetary international and regional organizations	**520**	**−805**	**−388**	**−125**	**4**	**−57**	**−109**	**−53**	**63**	**−142**

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 Jan.–Aug.	1996 Feb.	Mar.	Apr.	May	June	July	Aug.[p]
1 **Total estimated**	**78,801**	**134,074[r]**	**134,482**	**15,451**	**7,025**	**15,751**	**13,896**	**8,648**	**47,825**	**11,868**
2 Foreign countries	78,637	133,552	136,655	16,192	6,414	17,126	13,658	9,459	48,261	11,832
3 Europe	38,542	50,000	66,460	8,462	4,083	8,712	7,290	5,734	18,137	6,751
4 Belgium and Luxembourg	1,098	591	611	120	81	399	153	221	39	73
5 Germany	5,709	6,136	10,575	1,829	958	1,833	1,674	1,196	1,233	467
6 Netherlands	1,254	1,891	1,806	354	1,597	2,137	757	1,067	694	237
7 Sweden	794	358	1,769	803	372	286	342	29	322	282
8 Switzerland	481	472	932	84	65	1,329	555	842	395	730
9 United Kingdom	23,365	34,778	37,520	1,644	2,270	6,070	2,987	5,190	10,911	7,271
10 Other Europe and former U.S.S.R.	5,841	6,718	16,859	3,868	1,934	932	2,642	1,069	4,621	189
11 Canada	3,491	252	5,297	1,863	35	1,766	669	139	1,714	1,140
12 Latin America and Caribbean	10,383	48,609	15,286	2,931	4,985	1,993	1,167	1,524	23,991	491
13 Venezuela	319	2	139	93	44	4	39	13	16	146
14 Other Latin America and Caribbean	20,493	25,152	5,640	1,896	2,696	3,865	2,195	4,434	986	3,088
15 Netherlands Antilles	10,429	23,459	9,785	942	2,245	1,876	1,067	5,945	22,989	3,725
16 Asia	47,317	32,319	48,632	8,616	6,941	4,478	8,216	2,919	4,183	6,359
17 Japan	29,793	16,863	21,102	3,069	2,443	2,382	4,565	879	2,225	2,920
18 Africa	240	1,464	1,082	100	311	250	48	22	31	163
19 Other	570	908	102	282	29	73	36	601	267	190
20 Nonmonetary international and regional organizations	164	522[r]	2,173	741	611	1,375	238	811	436	36
21 International	526	92[r]	1,303	308	647	414	9	747	395	287
22 Latin American regional	154	261	935	254	12	1,008	9	7	3	347
MEMO										
23 Foreign countries	78,637	133,552	136,655	16,192	6,414	17,126	13,658	9,459	48,261	11,832
24 Official institutions	41,822	39,632[r]	47,347	8,681	4,748	8,253	6,482	6,648	9,629	3,587
25 Other foreign	36,815	93,920[r]	89,308	7,511	1,666	8,873	7,176	16,107	38,632	8,245
Oil-exporting countries										
26 Middle East[2]	38	3,075	4,523	122	1,127	863	2,172	793	219	323
27 Africa[3]	0	2	0	1	0	0	1	1	0	1

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 Oct. 31, 1996: Percent	Month effective	Country	Rate on Oct. 31, 1996: Percent	Month effective
Austria	2.5	Apr. 1996	Germany	2.5	Apr. 1996
Belgium	2.5	Apr. 1995	Italy	7.5	Oct. 1996
Canada	3.5	Oct. 1996	Japan	.5	Sept. 1995
Denmark	3.25	Apr. 1996	Netherlands	2.5	Apr. 1996
France[2]	3.2	Oct. 1996	Switzerland	1.0	Sept. 1996

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[r]	1996 Apr.	May	June	July	Aug.	Sept.	Oct.
1 Eurodollars	3.18	4.63	5.92[r]	5.36	5.36	5.46	5.49	5.41	5.49	5.41
2 United Kingdom	5.88	5.45	6.63	5.97	6.03	5.80	5.69	5.72	5.75	5.93
3 Canada	5.14	5.57	7.12[r]	5.03	4.82	4.87	4.76	4.30	4.10	3.54
4 Germany	7.17	5.25	4.42[r]	3.22	3.19	3.29	3.29	3.20	3.02	3.04
5 Switzerland	4.79	4.03	2.94	1.68	1.99	2.53	2.52	2.21	1.82	1.56
6 Netherlands	6.73	5.09	4.29[r]	2.83	2.61	2.81	2.99	2.90	2.70	2.82
7 France	8.30	5.72	6.41[r]	3.87	3.78	3.85	3.73	3.84	3.63	3.39
8 Italy	10.09	8.45	10.42[r]	9.60	8.88	8.73	8.72	8.77	8.42	7.99
9 Belgium	8.10	5.65	4.73	3.23	3.19	3.23	3.29	3.21	3.04	3.02
10 Japan	2.96	2.24	1.20	.61	.62	.57	.67	.63	.53	.52

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	1996 May	1996 June	1996 July	1996 Aug.	1996 Sept.	1996 Oct.
1 Australia/dollar[2]	67.993	73.161	74.073	79.700	79.122	78.974	78.305	79.279	79.179
2 Austria/schilling	11.639	11.409	10.076	10.782	10.755	10.576	10.435	10.610	10.748
3 Belgium/franc	34.581	33.426	29.472	31.502	31.433	30.947	30.553	31.056	31.471
4 Canada/dollar	1.2902	1.3664	1.3725	1.3693	1.3658	1.3697	1.3722	1.3694	1.3508
5 China, P.R./yuan	5.7795	8.6404	8.3700	8.3479	8.3424	8.3409	8.3379	8.3341	8.3299
6 Denmark/krone	6.4863	6.3561	5.5999	5.9160	5.8941	5.8014	5.7327	5.8057	5.8576
7 Finland/markka	5.7251	5.2340	4.3763	4.7541	4.6710	4.5812	4.4793	4.5421	4.5694
8 France/franc	5.6669	5.5459	4.9864	5.1855	5.1787	5.0881	5.0636	5.1307	5.1652
9 Germany/deutsche mark	1.6545	1.6216	1.4321	1.5324	1.5282	1.5025	1.4826	1.5080	1.5277
10 Greece/drachma	229.64	242.50	231.68	243.27	241.75	237.65	237.00	239.67	239.76
11 Hong Kong/dollar	7.7357	7.7290	7.7357	7.7363	7.7404	7.7379	7.7345	7.7328	7.7322
12 India/rupee	31.291	31.394	32.418	35.025	35.100	35.667	35.800	35.870	35.804
13 Ireland/pound[2]	146.47	149.69	160.35	156.29	158.31	160.31	161.08	160.96	160.83
14 Italy/lira	1,573.41	1,611.49	1,629.45	1,556.71	1,542.30	1,526.82	1,516.62	1,520.48	1,523.82
15 Japan/yen	111.08	102.18	93.96	106.34	108.96	109.19	107.87	109.93	112.41
16 Malaysia/ringgit	2.5738	2.6237	2.5073	2.4936	2.4967	2.4915	2.4933	2.5009	2.5074
17 Netherlands/guilder	1.8585	1.8190	1.6044	1.7135	1.7120	1.6862	1.6633	1.6905	1.7141
18 New Zealand/dollar[2]	54.127	59.358	65.625	68.571	67.650	69.001	68.860	69.640	70.026
19 Norway/krone	7.1009	7.0553	6.3355	6.5748	6.5376	6.4465	6.4153	6.4613	6.4810
20 Portugal/escudo	161.08	165.93	149.88	157.54	157.40	154.56	152.27	153.99	154.28
21 Singapore/dollar	1.6158	1.5275	1.4171	1.4074	1.4090	1.4160	1.4124	1.4086	1.4124
22 South Africa/rand	3.2729	3.5526	3.6284	4.3679	4.3519	4.3963	4.5289	4.5489	4.5799
23 South Korea/won	805.75	806.93	772.69	780.86	798.45	813.03	817.52	822.40	828.24
24 Spain/peseta	127.48	133.88	124.64	127.97	128.87	126.96	125.72	127.11	128.60
25 Sri Lanka/rupee	48.211	49.170	51.047	54.868	55.529	55.293	55.603	56.050	57.016
26 Sweden/krona	7.7956	7.7161	7.1406	6.7984	6.6807	6.6394	6.6211	6.6427	6.6006
27 Switzerland/franc	1.4781	1.3667	1.1812	1.2539	1.2579	1.2320	1.2029	1.2343	1.2586
28 Taiwan/dollar	26.416	26.465	26.495	27.352	27.674	27.573	27.496	27.500	27.532
29 Thailand/baht	25.333	25.161	24.921	25.289	25.354	25.355	25.289	25.407	25.474
30 United Kingdom/pound[2]	150.16	153.19	157.85	151.52	154.16	155.30	154.99	155.93	158.63
MEMO									
31 United States/dollar[3]	93.18	91.32	84.25	88.28	88.16	87.25	86.54	87.46	87.99

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*

	Issue	*Page*
Anticipated schedule of release dates for periodic releases	December 1996	A72

SPECIAL TABLES—Data Published Irregularly, with Latest Bulletin *Reference*

Title and Date	*Issue*	*Page*
Assets and liabilities of commercial banks		
March 31, 1994	November 1996	A64
June 30, 1994	November 1996	A68
September 30, 1994	November 1996	A72
December 31, 1994	November 1996	A76
March 31, 1995	November 1996	A80
June 30, 1995	November 1996	A84
September 30, 1995	November 1996	A88
December 31, 1995	November 1996	A92
March 31, 1996	November 1996	A96
June 30, 1996	November 1996	A100
Terms of lending at commercial banks		
November 1995	February 1996	A68
February 1996	May 1996	A68
May 1996	August 1996	A64
August 1996	November 1996	A104
Assets and liabilities of U.S. branches and agencies of foreign banks		
September 30, 1995	February 1996	A72
December 31, 1995	May 1996	A72
March 31, 1996	September 1996	A64
June 30, 1996	November 1996	A108
Pro forma balance sheet and income statements for priced service operations		
June 30, 1995	October 1995	A72
September 30, 1995	January 1996	A68
March 31, 1996	July 1996	A64
June 30, 1996	October 1996	A64
Assets and liabilities of life insurance companies		
June 30, 1991	December 1991	A79
September 30, 1991	May 1992	A81
December 31, 1991	August 1992	A83
September 30, 1992	March 1993	A71
Residential lending reported under the Home Mortgage Disclosure Act		
1994	September 1995	A68
1995	September 1996	A68

Index to Statistical Tables

References are to pages A3–A62 although the prefix "A" is omitted in this index

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Staff Studies 1–157 are out of print.

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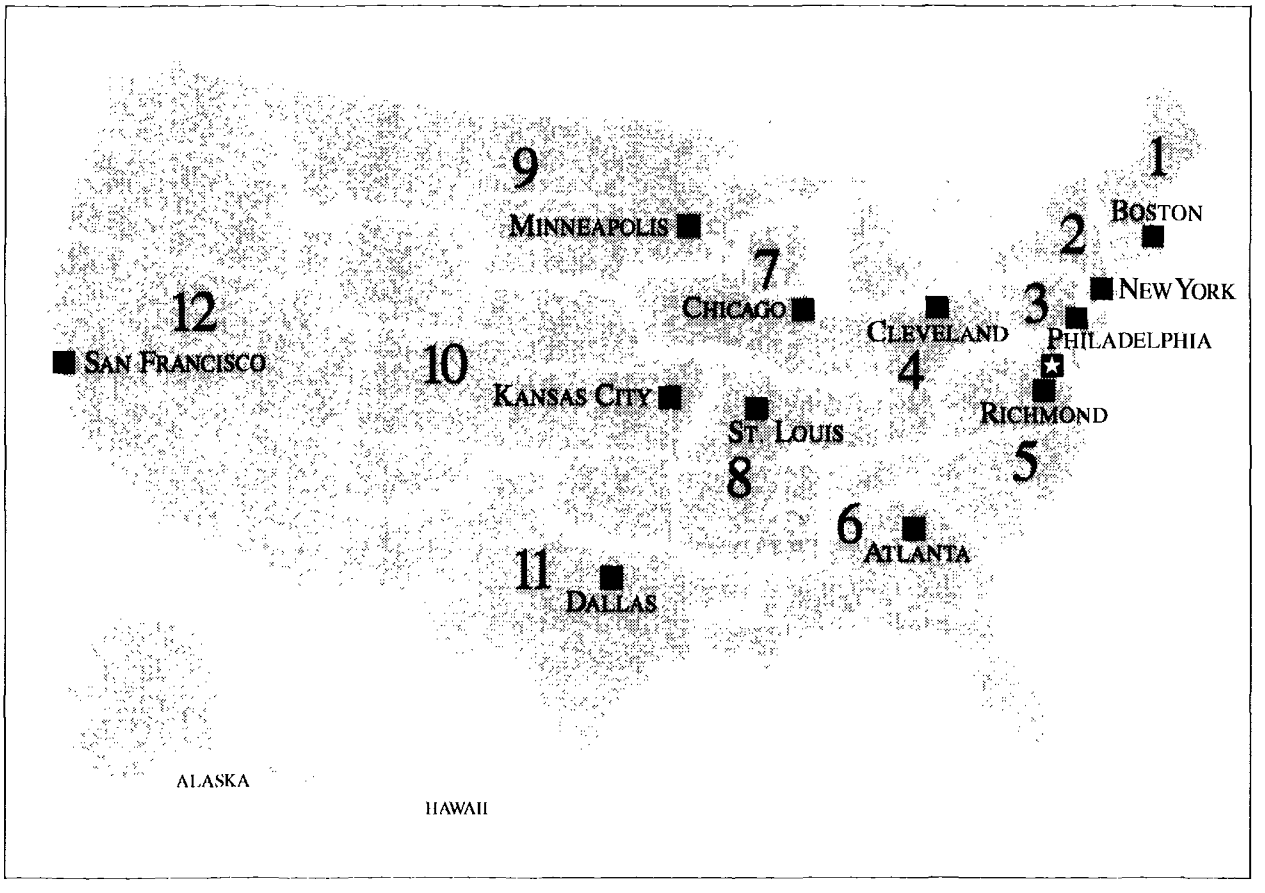
Release number and title	Annual USPS rate	Annual fax rate	Approximate release days[1]	Period or date to which data refer	Corresponding *Bulletin* table numbers[2]
Weekly Releases					
H.2. Actions of the Board: Applications and Reports Received	$55.00	n.a.	Friday	Week ended previous Saturday	. . .
H.3. Aggregate Reserves of Depository Institutions and the Monetary Base[3]	$20.00	n.a.	Thursday	Week ended previous Wednesday	1.20
H.4.1. Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks[3]	$20.00	n.a.	Thursday	Week ended previous Wednesday	1.11, 1.18
H.5. Selected Borrowings in Immediately Available Funds of Large Commercial Banks	$20.00	n.a.	Wednesday	Week ended Monday of previous week	1.13
H.6. Money Stock, Liquid Assets, and Debt Measures[3]	$35.00	n.a.	Thursday	Week ended Monday of previous week	1.21
H.8. Assets and Liabilities of Commercial Banks in the United States[3]	$30.00	n.a.	Friday	Week ended previous Wednesday	1.26
H.10. Foreign Exchange Rates[3]	$20.00	$20.00	Monday	Week ended previous Friday	3.28
H.15. Selected Interest Rates[3]	$20.00	$20.00	Monday	Week ended previous Friday	1.35
Monthly Releases					
G.5. Foreign Exchange Rates[3]	$ 5.00	$ 5.00	First of month	Previous month	3.28
G.13. Selected Interest Rates	$ 5.00	$ 5.00	First Tuesday of month	Previous month	1.35
G.15. Research Library—Recent Acquisitions	No charge	n.a.	First of month	Previous month	. . .
G.17. Industrial Production and Capacity Utilization[3]	$15.00	n.a.	Midmonth	Previous month	2.12, 2.13
G.19. Consumer Credit[3]	$ 5.00	$ 5.00	Fifth working day of month	Second month previous	1.55, 1.56
G.20. Finance Companies	$ 5.00	$ 5.00	Fifth working day of month	Second month previous	1.51, 1.52

Release number and title		Annual USPS rate	Annual fax rate	Approximate release days[1]	Period or date to which data refer	Corresponding *Bulletin* table numbers[2]
Quarterly Releases						
E.2.	Survey of Terms of Bank Lending to Business	$ 5.00	n.a.	Midmonth of March, June, September, and December	February, May, August, and November	4.23
E.7.	List of OTC Margin Stocks	No charge	n.a.	January, April, July, and October	February, May, August, and November	. . .
E.11.	Geographical Distribution of Assets and Liabilities of Major Foreign Branches of U.S. Banks	$ 5.00	n.a.	15th of March, June, September, and December	Previous quarter	. . .
E.15.	Agricultural Finance Databook	$ 5.00	n.a.	End of March, June, September, and December	January, April, July, and October	. . .
E.16.	Country Exposure Lending Survey	$ 5.00	n.a.	January, April, July, and October	Previous quarter	. . .
Z.1.	Flow of Funds Accounts of the United States: Flows and Outstandings[3]	$25.00	n.a.	Second week of March, June, September, and December	Previous quarter	1.57, 1.58, 1.59, 1.60
Semiannual Release						
C.9.	Balance Sheets for the U.S. Economy	$ 5.00	n.a.	October and April	Previous year	. . .
Annual Release						
C.2.	Aggregate Summaries of Annual Surveys of Securities Credit Extension	$ 5.00	n.a.	February	End of previous June	. . .

1. Please note that for some releases there is normally a certain variability in the release date because of reporting or processing procedures. Moreover, for all series unusual circumstances may, from time to time, result in a release date being later than anticipated.
2. The data in some releases are also reported in the *Bulletin* statistical appendix.
3. These releases are also available on the Board's World Wide Web site (http://www.bog.frb.fed.us) under **Domestic and International Research,** Statistical releases.

n.a. Not available.

Maps of the Federal Reserve System



LEGEND

Both pages

■ Federal Reserve Bank city

◘ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

• Federal Reserve Branch city

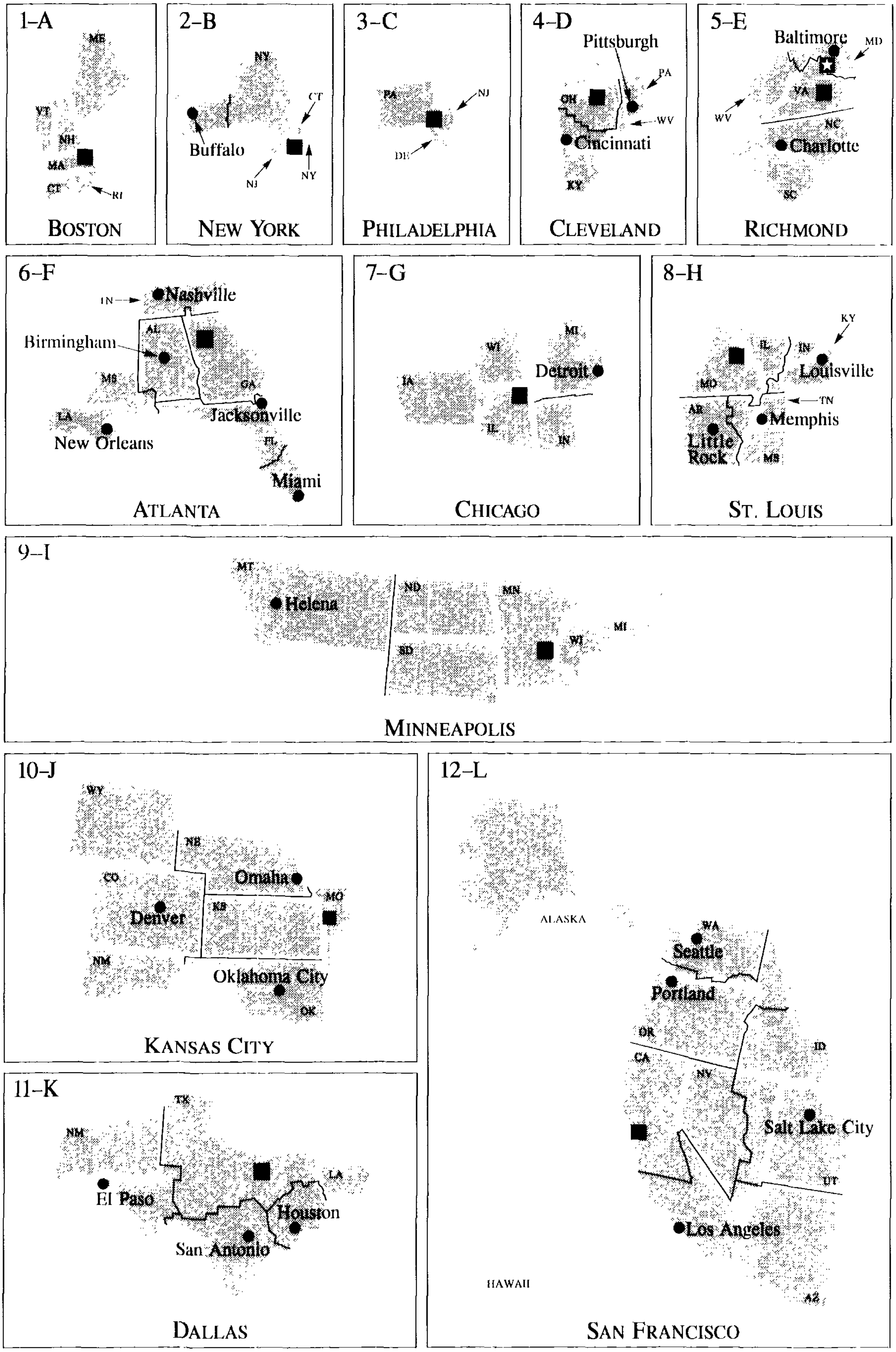
— Branch boundary

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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Index to Volume 82

GUIDE TO PAGE REFERENCES IN MONTHLY ISSUES

Issue	Text	"A" Pages	Index to tables	Issue	Text	"A" pages	Index to tables
January	1–114	1–80	70	July	621–700	1–76	66
February	115–198	1–86	76	August	701–790	1–78	68
March	199–284	1–78	68	September	791–882	1–86	76
April	285–382	1–78	68	October	883–982	1–76	66
May	383–482	1–86	76	November	983–1076	1–122	112
June	483–620	1–76	64	December	1077–1158	1–87	64

The "A" pages consist of statistical tables and reference information.

Statistical tables are indexed separately (see p. A64 of this issue).