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CRA Special Lending Programs

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Increasing the flow of credit to lower-income households and communities has been the focus of many public-sector programs, such as those of the Federal Housing Administration and the Rural Housing Service. Government regulation of private-sector activities is often used to bolster such lending. The most prominent example of the latter approach is the Community Reinvestment Act (CRA). The CRA was enacted in 1977 to encourage federally insured banking institutions (commercial banks and savings associations) to help meet the credit needs of their communities, including those of lower-income areas, in a manner consistent with their safe and sound operation.

In responding to the CRA, banking institutions have sought to expand lending to lower-income populations in a variety of ways, but the approaches can be sorted into two broad types, both typically involving special marketing and outreach. In one approach, lenders have sought CRA-related customers who would qualify for market-priced loans under traditional standards (underwriting guidelines) for creditworthiness. In the second type of effort, lenders have sought customers by modifying their underwriting guidelines or loan pricing.

To expand lending to lower-income populations through either approach, many banking institutions have developed or joined "CRA special lending programs," which seek out and assist such borrowers in a variety of ways. These programs vary greatly across banking institutions, differ widely in terms of their characteristics and how they are implemented, and can often be an important element of a banking institution's CRA-related lending activities. Although many institutions have offered special lending programs, some for many years, little systematic information is available about them. To further the understanding of these CRA special lending programs, this article provides new information on the nature of these programs, with particular emphasis placed on their characteristics and how these characteristics relate to the performance (delinquency and default rates) and profitability of the loans extended through them.

BACKGROUND

The CRA was enacted in response to concerns that banking institutions were, in some instances, failing to adequately seek out and help meet the credit needs of viable lending prospects in all sections of their communities. It directs the federal regulators of banking institutions (the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision) to encourage the federally insured institutions they regulate to help meet community credit needs in a manner consistent with safe and sound operations.

The CRA is likely to influence the behavior of a banking institution primarily through two mechanisms: an examination and ratings system and the formation of public opinion. Under the examinations and ratings system, regulators periodically visit the institution to assess the degree to which its lending is adequately serving its entire community. The CRA regulations guiding these examinations—jointly issued by the four federal banking agencies—emphasize an institution's record of serving the credit needs of low- and moderate-income populations within its CRA assessment area (see box "The CRA Regulations"). Each examination is followed by the assignment of a rating that is based on both quantitative and qualitative measures of the institution's performance.

An important aspect of the examination and ratings system is the statutory provision that requires regulators to consider the record of a banking institution in meeting the goals of the act when deciding on applications from that institution. In considering an application from an institution with a performance problem under the CRA, the regulators can—depending on the degree of the problem—potentially deny the application or require the institution to meet certain conditions in order to obtain approval.

A second mechanism by which the CRA can influence the behavior of banking institutions is through the force of public opinion. In August 1989 the Congress amended the CRA to require each banking institution to allow public inspection of its examination ratings and supporting written evaluation. Such disclosure can influence the relationships that banking institutions have with potential investors, depositors, and borrowers. It may, for example, influence the nature and extent of public comments received on an application for a merger or acquisition. It may also influence decisions made by potential depositors, who may direct their funds to those institutions with the highest CRA performance ratings.

Banking institutions thus have incentives to respond to the CRA. First, banking institutions have an incentive to engage in CRA-related activities to enhance their CRA performance rating. In addition, they have an interest in maintaining a good public image, which may be supported by a good CRA performance rating or by other CRA-related activities. Moreover, because of the potentially important role that CRA performance ratings and public comments can play in applications, such as for mergers and acquisitions, those banking institutions that anticipate making such applications are likely to be particularly sensitive to CRA considerations.

In spite of a wealth of experience by banking institutions in undertaking CRA-related lending activities, little systematic information has been publicly available about those activities. For example, while banking institutions are known to use third parties to help reach certain targeted populations, little information is available on the nature and prevalence of these relationships.

Also, there is reason to believe that the overall performance and profitability of CRA-related loans may differ from those of loans extended to other

The CRA Regulations

The regulations that implement the CRA set forth three tests by which the performance of most large retail banking institutions is evaluated: an investment test, a service test, and a lending test.

The investment test considers a banking institution's qualified investments that benefit the institution's assessment area or a broader statewide or regional area that includes its assessment area.[1] A qualified investment is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose.

The service test considers the availability of an institution's system for delivering retail banking services and judges the extent of its community development services and their degree of innovativeness and responsiveness. Among the assessment criteria for retail banking services are the geographic distribution of an institution's branches and the availability and effectiveness of alternative systems for delivering retail banking services, such as automated teller machines, in low- and moderate-income areas and to low- and moderate-income persons.

The lending test involves the measurement of lending activity for a variety of loan types, including home mortgage, small business, and small farm loans. Among the assessment criteria are the geographic distribution of lending, the distribution of lending across different types of borrowers, the extent of community development lending, and the use of innovative or flexible lending practices to address the credit needs of low- or moderate-income individuals or areas.

For the lending test, the regulations implementing the CRA require the federal banking regulatory agencies to evaluate the geographic distribution of a banking institution's lending in two ways: (1) the proportion of all the institution's loans that are extended within its assessment area and (2) for loans within the institution's assessment area, their distribution across neighborhoods of differing incomes. In the latter measure, lending in low- and moderate-income neighborhoods is weighted heavily in CRA performance evaluations.[2]

The CRA regulations also require the banking agencies to evaluate the distribution of a banking institution's lending within its assessment area across borrowers of different economic standing. This provision was added as part of revisions made to the CRA regulations in 1995. The exact definition of economic standing varies with the loan product being examined. For residential mortgage lending products, CRA assessments consider the distribution of loans across low-, moderate-, middle-, and upper-income borrowers, with a special focus on lending to low- and moderate-income borrowers.[3] For small business lending products, assessments consider the distribution of small loans (loans of $1 million or less) across businesses with differing levels of revenue, with a particular focus on loans to firms with annual revenues of $1 million or less.

1. For purposes of evaluating CRA performance, each institution must delineate the geographic areas that constitute its CRA assessment area. For a retail-oriented banking institution, the institution's CRA assessment area must include the areas in which the institution operates branches and deposit-taking automated teller machines and any surrounding areas in which it originated or purchased a substantial portion of its loans. For a more complete description of these issues, see 12 CFR 228.41.

2. The distribution of loans by neighborhood income is assessed for four income groups: low, moderate, middle, and upper. In a low-income area (typically a census tract), the median family income is less than 50 percent of the median family income for the broader area (such as a metropolitan statistical area or the nonmetropolitan portion of a state) as measured in the most recent decennial census. In a moderate-income area, the median family income is at least 50 percent and less than 80 percent of that for the broader area. In a middle-income area, the percentage ranges from at least 80 percent to less than 120 percent. And in an upper-income area, the percentage is at least 120 percent.

3. Borrower income categories follow the same groupings as those for neighborhoods but rely on the borrower's income relative to that of the concurrently measured median family income of the broader area (metropolitan statistical area or nonmetropolitan portion of the state).

customers. The costs and possibly lowered revenues resulting from special marketing and outreach and from modified underwriting or loan pricing may make CRA-related loans less profitable than other loans.

Moreover, the performance and profitability of CRA-related loans, whether or not they were originated through extra efforts or nontraditional standards, may differ from those of non-CRA-related loans simply because the two loan groups have differing characteristics. CRA-related loans might, for example, be smaller on average than other loans, which would make them relatively costly to originate and administer, or they might be less likely than other loans to be prepaid, a tendency that would also affect their profitability.[1] Despite widespread interest in the topic, little has been known about the performance and profitability of the loans that are made in conformity with the CRA regulation.

To learn more about CRA-related lending activities, the Congress in November 1999 asked the Board of Governors of the Federal Reserve System to conduct a comprehensive study of the issue.[2] To this end, the Board conducted a special survey of the largest retail banking institutions to collect information on their lending experiences (see box "Participation in the Survey").[3] The survey was in two parts. Part A focused on an institution's total lending and its CRA-related lending in four broad loan product categories: one- to four-family home purchase and refinance lending, one- to four-family home improvement lending, small business lending, and community development lending.

In part B, the survey gathered extensive information on CRA special lending programs, defined as programs that banking institutions have established (or participate in) specifically to enhance their CRA performance, even if these programs may have been established for other reasons as well. Because these programs are often an important element of a banking institution's overall efforts to comply with the CRA, the survey collected information on many of their characteristics, including the performance and profitability of the lending extended under the programs.

Responses to part B of the survey provide the data that form the basis of the analysis presented in this article. The analysis focuses primarily on CRA special lending programs exclusively offering home purchase and refinance loans, as survey responses indicated that most special lending programs were of this type.

Survey Responses Regarding CRA Special Lending Programs

The Federal Reserve Board survey is the first systematic collection of information on the characteristics, performance, and profitability of CRA special lending programs from a broad base of institutions. As such, it provides a unique opportunity to learn about the characteristics of CRA special lending programs and relate these characteristics to the performance and profitability of programs.

Participation in the Survey

Participation by banking institutions in the Federal Reserve Board's Survey of the Performance and Profitability of CRA-Related Lending was voluntary. On January 21, 2000, each prospective respondent was mailed a copy of the questionnaire accompanied by a cover letter from Federal Reserve Board Chairman Alan Greenspan explaining the purpose of the survey and seeking voluntary cooperation in the study. The sample of institutions selected to participate in the survey consisted of roughly the largest 500 retail banking institutions—400 commercial banks and 100 savings associations. The sample was limited to the largest banking institutions because they account for the vast majority (estimated at more than 70 percent) of CRA-related lending nationwide. Survey responses were received from 143 banking institutions—114 commercial banks and 29 savings associations. Despite their relatively small number, the 143 survey respondents accounted for about one-half of the assets of the more than 10,000 U.S. banking institutions in existence as of December 31, 1999.

Response rates varied markedly by the asset size of the institution. More than 80 percent of the largest surveyed banking institutions (assets of $30 billion or more as of December 31, 1999) returned a survey (27 out of 33 sampled institutions in this asset category). In contrast, only about 19 percent (72 out of 363) of the smallest surveyed banking institutions (assets of between $0.950 billion and $4.999 billion) responded. Institutions with assets of between $5 billion and $29.999 billion had a response rate of about 40 percent.

1. Lower-income homeowners may have lower rates of mobility than other homeowners and consequently a reduced propensity to prepay their home purchase loans. The reduced propensity would increase the value of the loan to the lender during periods of falling interest rates but decrease it when interest rates are rising.

2. Section 713 of the Gramm–Leach–Bliley Act of 1999 (P.L. No. 106-95).

3. A report summarizing the major findings of the survey was submitted to the Congress and made available to the public on July 17, 2000. The report and the survey questionnaire are available on the Federal Reserve Board's web site, at www.federalreserve.gov/boarddocs/surveys/CRAloansurvey.

In the survey, banking institutions were asked to provide detailed information on the 1999 activity of their CRA special lending programs, defined as any housing-related, small business, consumer, or other type of lending program that the institution uses specifically to enhance its CRA performance.[4] For the survey, CRA special lending programs could include special programs offered or developed in conjunction with third parties, such as lending consortiums, nonprofit organizations, or government agencies that offer special lending programs in which an institution participates.[5]

The survey was sent to the 500 largest retail banking institutions in existence at the end of 1999—400 commercial banks and 100 savings associations. Of these, 143 institutions responded (table 1).[6] Respondents offered or participated in 622 CRA special lending programs in 1999. Seventy-three percent of the responding institutions offered at least 1 CRA special lending program; on average the institutions with programs offered about 6 programs. To limit the burden of responding to the survey, the survey sought detailed information on only the 5 largest of a banking institution's CRA special lending programs (measured by dollar volume of originations in 1999), a restriction that produced detailed information for 341 programs. These 341 programs are estimated to account for 91 percent of the loan dollars that responding institutions extended under CRA special lending programs in 1999.

CRA special lending programs are often complex in design and can involve many features and a diverse

4. A program would meet this definition only if one of the program's documented purposes was to enhance the institution's CRA performance.

5. However, traditional government-backed lending programs, such as those offered by the Federal Housing Administration, the Department of Veterans Affairs, and the Small Business Administration, were not considered to be CRA special lending programs for the purposes of the survey unless an institution provided a special enhancement, such as credit counseling, a homebuyer education program, or a waiver or reduction of loan fees.

6. One of these institutions did not answer any questions in the special lending portion of the survey and is excluded from the tables. Respondent institutions are grouped into three asset-size categories: $0.950 billion to $4.999 billion; $5 billion to $29.999 billion; and $30 billion or more. Institutions in the first two categories together (assets of $0.950 billion to $29.999 billion) will be referred to below as "smaller" institutions, and those with assets of $30 billion or more will be referred to as "large."

1. Banking institutions and CRA special lending programs covered in survey, by size of institution, 1999

Item	All reporting institutions	Size of banking institution (assets, in millions of dollars)		
		950–4,999	5,000–29,999	30,000 or more
Institutions				
Number responding to survey[1]	142	72	43	27
Offering at least one program				
Number	103	48	31	24
Percent	73	67	72	89
Number of programs				
Among the five largest at each institution[2]	341	138	116	87
Smaller than the five largest at each institution	281	31	139	111
Total				
Number	622	169	255	198
Mean number per institution offering at least one program	6.0	3.5	8.2	8.3
Number of programs among the five largest at each institution, by type of loan offered				
One- to four-family home, purchase and refinance only[3]	247	98	83	66
Small business only	27	17	4	6
Other	67	23	29	15
One- to four-family home, home improvement only	17	7	6	4
Multifamily only	16	6	8	2
Consumer only	5	1	3	1
Commercial only	4	1	3	0
Other[4]	25	8	9	8
Programs among the five largest at each institution operated by a distinct unit or department of institution				
Percentage of institutions among those with programs	67	60	77	92
Percentage of programs among the five largest	63	56	75	80

1. Excludes one institution (in the middle size category) that did not respond to the special lending portion of the survey. For more information on the sample size, see text box "Participation in the Survey."

2. Institutions were asked for detailed information on only the five largest of their programs (measured by dollar volume of 1999 originations).

3. Programs reported in this row and the remaining rows of this table are from among the 341 reported by all institutions to be among their 5 largest. Data in subsequent tables involve only the 247 programs reported in this row (referred to hereafter as CRA special mortgage programs).

4. Programs identified as such by survey respondents and programs that offer more than one type of loan.

group of market participants. As a consequence, the operation of some of these programs requires considerable training and experience. To facilitate the efficient implementation of these programs, many banking institutions establish distinct units or departments within the institution to run their CRA special lending programs. Among the banking institutions that offered at least one special lending program, 67 percent had at least one program operated by a distinct unit or department (table 1). Larger banking institutions in the sample were more likely than smaller institutions to offer programs through a distinct unit or department. Overall, of the special programs that each institution reported to be among its five largest, 63 percent were operated by a distinct unit or department.

Before the survey was conducted, CRA special lending programs had been known to involve a range of credit products, but no information was available on the incidence of special lending programs across loan product categories. Results of the survey revealed that 72 percent of the programs (and 89 percent of the program dollars originated in 1999) for which banking institutions provided detailed information focused on one- to four-family home purchase and refinance loans. The next largest category of CRA special lending programs, comprising 8 percent of reported programs, focused on small business loans. The remaining programs cover a variety of loan products, none of which individually accounted for a substantial proportion of all programs.

Because CRA special lending programs concentrating on home purchase and refinance loans constitute most of the CRA programs reported in the survey, the analysis in the remainder of this article (covering the data in table 2 and subsequent tables) focuses exclusively on these programs. The relatively small number of programs that were reported to focus on small business and other lending products precludes a comprehensive analysis of them. For simplicity, we will hereafter usually refer to CRA special lending programs that focus on home purchase and refinance loans as "CRA special mortgage programs."

The Characteristics of CRA Special Mortgage Programs

The survey was designed to collect information that would shed light on the diversity of characteristics, both within and across banking institutions, among CRA special lending programs. In addition, because it was recognized that banking institutions may have established these programs for a variety of reasons that go beyond their efforts to enhance their CRA performance, the survey asked respondents to provide information on both the reasons for which they originally adopted these programs and the current benefits they receive from the programs.

In table 1, data in the "all reporting institutions" column were taken from the 142 institutions responding to part B of the survey. In the analysis that follows (covering data reported in table 2 and subsequent tables), figures in the "all-institutions estimate" column are also based on the responses of the 142 institutions, but these responses have been weighted so that the figures represent an estimate of what the responses would have been if all 500 institutions had responded to the survey and provided answers to all applicable questions (see box "Calculating the 'All Institutions Estimate' ").

The Size and Age of Individual Programs

Survey responses indicate that in 1999 the dollar amount of loans extended under all CRA special lending programs made up a relatively small portion of total CRA-related lending in that year for most reporting institutions (see box "Survey Definition of a CRA-Related Loan"). In the case of home purchase and refinance loans, the proportion of CRA-related home purchase and refinance loan dollars that were extended under CRA special mortgage programs was only 4 percent for the median banking institution. Among the institutions that had CRA special mortgage programs, the proportion was 18 percent for the median institution. For about one-sixth of all institutions in the survey, however, CRA special mortgage programs accounted for more than 40 percent of their CRA-related home purchase and refinance loan dollars (data not shown in tables).[7]

In the aggregate, CRA special mortgage programs made up 21 percent of the total dollars of CRA-related home purchase and refinance loans originated by reporting institutions (and only 3 percent of the total dollars of home purchase and refinance originations).[8]

Information reported also suggests that individual CRA special mortgage programs are generally small. For 1999, an estimated 31 percent of the CRA special mortgage programs reported in the survey had total

7. The proportions of lending for home improvement and small business that were conducted through CRA special lending programs were much lower than for home purchase or refinance.

8. Estimates are derived from responses to questions in part A of the survey.

originations of $500,000 or less, and about 28 percent had total originations of between $500,000 and $2 million; only 18 percent had originations of more than $15 million (table 2).

The size of CRA special mortgage programs varied with the asset size of the banking institution, as programs tended to be larger for the largest banks in the survey (data not shown in tables). The median size of CRA special mortgage programs for large banks (those with assets of $30 billion or more) was about $36 million; for the smallest banks in the sample (those with assets of $0.950 billion to $4.999 billion) the median size of CRA special mortgage programs was about $680,000.

Most of the CRA special mortgage programs that were reported in the survey were established relatively recently. More than half (62 percent) were established after the CRA regulations were modified in 1995 (table 2); only 6 percent of the programs were established before 1990. This pattern is consistent with the small size of many programs, as newer programs tended to be smaller.

Reasons for Establishing CRA Special Mortgage Programs and Current Benefits

Banking institutions cite many reasons for *originally* establishing or participating in CRA special mortgage programs (table 3). Responding to the credit needs of the local community and promoting community growth and stability are the two most frequently cited reasons. The third most frequently cited reason (for 76 percent of these programs) was to obtain a "Satisfactory" or "Outstanding" CRA rating. However, only 1 percent of CRA special mortgage programs are reported to have been established *only* to obtain a satisfactory or outstanding CRA rating. The fourth most frequently cited reason (also mentioned for more than half the programs) was to improve the institution's public image.

The pattern of reasons for establishing programs does not vary greatly by size of reporting institution in most cases; but large banking institutions were more likely than smaller institutions to cite a desire to improve their public image, to maintain their market

Calculating the "All-Institutions Estimate"

The appropriateness of the "all-institutions estimate," reported in table 2 and subsequent tables, relies upon the validity of the assumptions needed to construct it. Key assumptions are those related to the treatment of sample and question nonresponse. The proportion of banking institutions that responded to the survey varied significantly by asset-size group (see preceding box "Participation in the Survey"); as a consequence, unless behavior is the same for institutions across different asset-size categories, simple averages based on the answers provided by respondents will distort the picture of what the survey responses would have been if all 500 institutions had provided answers to all applicable questions.

To address this concern, the data in the "all-institutions estimate" column are calculated, in part, on the basis of adjustment factors reflecting the relative response rates for respondents in the three asset-size classes. The sample response adjustment factor for respondents with assets of $30 billion or more is 1.2 (or 33 ÷ 27), that is, of the 33 institutions in the category, 27 responded). Similarly, the sample response adjustment factor for respondents with assets of $5 billion to $29.999 billion is 2.4 (or 104 ÷ 44); and for respondents with assets of $0.950 billion to $4.999 billion, the adjustment factor is 5.0 (or 363 ÷ 72).[1]

1. This procedure assumes that the respondents within an asset-size category are representative of all institutions in that category.

An additional adjustment problem in calculating responses for the all-institutions estimate arises from the fact that some questions were not answered by a significant proportion of respondents. For questions with a significant number of nonresponses (tables 7–11), an additional adjustment factor, also based on asset size, was applied to correct for the varying propensities within the asset-size classes to answer questions.

The general procedure used to calculate question-response adjustment factors was to assume that respondents within an asset-size category that did not provide an answer to a question would have the same response pattern as those that did. Thus, the number of respondents who answered each question was scaled up to represent those who did not answer. Respondents for whom a question was not applicable were not used in calculating the all-institutions estimates. For example, if 24 respondents were asked a question and 12 provided an answer, each of the 12 was multiplied by 2 to represent a total of 24 institutions. Question-response adjustment factors were calculated separately for each asset-size category because the responses varied by asset size.

Data in the all-institutions estimate column in tables 7–11 are computed with the question-response adjustments in conjunction with the sample-response adjustments. For example, if the 12 respondents in the example above were large institutions, the total response adjustment for each of the 12 institutions that provided an answer would be 2 × (33 ÷ 27), or 2.44.

2. CRA special mortgage programs, grouped by size of banking institution and distributed by size and age of program, 1999
Percentage of programs

Item	All-institutions estimate[1]	Size of banking institution (assets, in millions of dollars)		
		950–4,999	5,000–29,999	30,000 or more
Size of program (loan dollars originated in 1999)				
500,000 or less	31	44	11	3
More than 500,000 to 2 million	28	32	25	8
More than 2 million to 15 million	24	21	29	24
More than 15 million	18	3	35	65
Total	100	100	100	100
Year program established				
Before 1990	6	5	7	10
1991–94	32	29	42	28
1995–97	43	43	41	47
1998–99	19	23	11	15
Total	100	100	100	100

NOTE. See table 1, note 3, for scope of data in this and subsequent tables. Components may not sum to 100 because of rounding.

1. Average of values for the three asset-size categories after adjustment; for tables 2–6, adjusted value (not shown in tables) based on the rates of response to the survey; for tables 7–11, adjusted value (not shown in tables) based on the rates of response to the survey and to the particular question (for more information, see text box "Calculating the 'All-Institutions Estimate' ").

share of lending, and to minimize the likelihood of adverse public comment on their CRA record.

That only about three-fourths of CRA special mortgage programs were reportedly established to achieve a satisfactory or outstanding CRA rating may be somewhat puzzling, given that the survey explicitly asked institutions to report only on special lending programs that had as one of their documented purposes enhancement of the institution's CRA performance. One possibility is that some of the programs that support the CRA-related lending activities of institutions are not considered by the institutions to be "needed" to obtain a particular CRA rating. A second possibility is that the support of CRA-related activities is a documented purpose of some programs, but a relatively minor one.

Banking institutions reported receiving a variety of *current* benefits from offering or participating in CRA special mortgage programs. Obtaining either a satisfactory or outstanding CRA rating was, again, the third most frequently mentioned benefit (for 80 percent of the programs), but also as before, this was cited as the *only* current benefit for just 1 percent of the programs. Responding to the credit needs of the local community, promoting community growth and stability, and improving the public image of the institution are also frequently cited current benefits of these CRA special lending programs.

Survey Definition of a CRA-Related Loan

In conducting the study of the performance and profitability of loans made in conformity with the CRA, the Board used the current CRA regulations as a guide in establishing a definition of a "CRA-related loan." As noted, the regulations require the banking agencies to evaluate the geographic distribution of lending and the distribution of lending across borrowers of different economic standing (see box "The CRA Regulations"). As a result, for purchase and refinance lending on one- to four-family homes, a CRA-related loan was defined to mean any loan made within the banking institution's CRA assessment area to a low- or moderate-income borrower (regardless of neighborhood income) or in a low- or moderate-income neighborhood (regardless of borrower income).

Features of CRA Special Mortgage Programs

Almost all CRA special mortgage programs were targeted to populations that are emphasized in the CRA regulations: lower-income borrowers and borrowers in lower-income neighborhoods. Most programs targeted both of these populations (table 4). When only one population was targeted, it was much more likely to be lower-income borrowers than lower-income neighborhoods.

Third parties played a role in about three-fourths of CRA special mortgage programs (table 5). Third parties involved in the programs included public entities at all levels of government and a range of for-profit and nonprofit private-sector firms and organizations. Some programs (31 percent in the survey, not shown in tables) involved the active participation of multiple third parties.[9]

9. Programs at large banking institutions were more likely than those at smaller institutions to involve multiple third parties. Therefore the percentages shown in table 5 for each type of entity are larger for large institutions than for smaller institutions even though the likelihood of participation by any third party is about the same.

3. Reasons for establishing CRA special mortgage programs and their current benefits to the banking institution, by size of institution, 1999

Percentage of programs

Item	All-institutions estimate	Size of banking institution (assets, in millions of dollars)		
		950–4,999	5,000–29,999	30,000 or more
Reasons for establishing program				
Help earn a CRA rating of "Satisfactory" or "Outstanding"				
Cited as only reason	1	1	0	2
Cited as one reason among others	76	74	86	68
For a rating of "Satisfactory"	37	40	35	21
For a rating of "Outstanding"	52	42	75	59
Respond to credit needs of local community	95	93	99	96
Promote community growth and stability	80	74	92	91
Improve institution's public image	51	40	76	65
Earn additional profits	46	39	65	42
Identify profitable new markets	44	41	53	41
Maintain market share in face of increased competition	42	31	61	64
Minimize likelihood of adverse public comment on CRA record	31	22	47	52
Other	3	3	4	3
Current benefits from program				
Helps earn a CRA rating of "Satisfactory" or "Outstanding"				
Cited as only reason	1	1	0	2
Cited as one reason among others	80	80	86	73
For a rating of "Satisfactory"	41	44	43	17
For a rating of "Outstanding"	53	45	71	66
Responds to credit needs of local community	94	92	99	94
Promotes community growth and stability	87	83	94	94
Improves institution's public image	54	47	67	66
Earns additional profits	42	38	54	35
Identifies profitable new markets	37	33	45	42
Maintains market share in face of increased competition	50	38	73	71
Minimizes likelihood of adverse public comment on CRA record	38	30	54	52
Other	1	1	2	0

NOTE. See notes to table 2, except that here components do not sum to 100 because respondents could give more than one answer.

Although their roles vary across programs, third parties conduct a wide range of activities that contribute to the implementation of CRA special lending programs, including activities that reduce the costs and risks of default that banking institutions might otherwise incur in extending credit to the populations served by the special programs. The most frequently cited activities were providing grants for down payments or other purposes, providing pre-loan education or counseling to loan applicants, and helping lenders identify prospective borrowers. Large banking institutions were more likely than smaller institutions to use third-party services for applicant screening and for grants to cover the loan down payment, while smaller institutions were more likely to use third-party underwriting services, credit guarantees, and subsidies to borrowers for fees they incur in obtaining mortgage credit.

Apart from the efforts of third parties, many features of CRA special mortgage programs directly involved the banking institutions themselves (table 6). The most frequently mentioned were more flexible underwriting criteria, a second review of loan applicants to determine qualifications, special outreach and marketing activities, waived or reduced fees, pre-loan education or counseling to applicants,

4. CRA special mortgage programs, grouped by size of banking institution and distributed by targeted market, 1999

Percentage of programs

Target	All-institutions estimate	Size of banking institution (assets, in millions of dollars)		
		950–4,999	5,000–29,999	30,000 or more
Lower-income targets				
Neighborhoods	6	6	4	8
Borrowers	22	24	18	17
Neighborhoods and borrowers	69	66	76	76
Other	3	4	2	0
Total	**100**	**100**	**100**	**100**

NOTE. See notes to table 2.

5. Third-party involvement in CRA special mortgage programs, by size of banking institution, 1999
Percentage of programs

Third-party types and activities	All-institutions estimate	Size of banking institution (assets, in millions of dollars)		
		950–4,999	5,000–29,999	30,000 or more
Any	**76**	**72**	**87**	**73**
Type of third party (percentage of programs with third-party participation)				
Nonprofit organization	47	46	40	71
Local government	35	30	43	46
State government	30	19	47	48
Fannie Mae, Freddie Mac	24	13	43	33
Federal Home Loan Bank	22	20	25	23
Financial institution consortium	21	21	19	25
Federal government	17	13	21	31
Other	2	3	0	2
Third-party activities (percentage of programs with third-party participation)				
Services	70	73	63	75
Pre-loan education or counseling for applicants	57	60	47	67
Identification of potential borrowers	49	47	49	63
Screening of potential applicants	33	34	26	40
Post-loan education or counseling for borrowers	28	27	25	38
Underwriting	16	23	6	6
Assistance in servicing account	15	17	10	15
Second review of loan applicants	3	4	0	6
Subsidies	71	70	69	81
Grants for down payment or other purposes	60	59	58	71
Subsidized interest rates	27	24	36	19
Subsidized fees	24	27	21	15
Tax relief (credits or exemptions)	3	1	3	17
Assumption of risk	49	49	42	65
Subordinate mortgages	36	33	35	60
Credit guarantees	16	20	8	8
Miscellaneous	13	6	29	17
Purchase of broker loans	12	4	28	17
Other	1	1	1	0

NOTE. See notes to table 2, except that here components do not sum to 100 because respondents could give more than one answer.

and reduced interest rates. The proportion of CRA special mortgage programs that offered any given feature varied somewhat across institution size classes, although the smallest institutions were less likely to conduct the two major services-type activities—special outreach and marketing and pre-loan education or counseling—and less likely to conduct a second review of applicants.

The alteration of customary underwriting standards by banking institutions was a part of a large majority (83 percent) of special mortgage programs. The most frequently cited underwriting variances offered were lower down payments; the acceptance of alternative measures of credit quality, such as rent and utility payment histories, in lieu of more traditional measures of credit risk; lower cash reserve requirements; and higher debt-to-income ratios. A large proportion of programs (58 percent) also allowed additional flexibility when reviewing an applicant's employment history. The opportunity for borrowers to qualify for credit using these additional underwriting flexibilities suggests that loans made under CRA special mortgage programs may have elevated rates of delinquency and default. Banking institutions may offset these apparent additional risks through steps they often take in conjunction with these underwriting variances, such as pre-loan education and counseling and enhanced monitoring of borrower payment patterns.

Performance and Profitability of CRA Special Mortgage Programs

Performance and profitability are important issues to consider in evaluating the long-term viability of CRA special mortgage programs and the effect of these programs on the financial condition of the banking institutions that offer them.

Performance

To assess the performance of CRA special mortgage programs, the survey focused on delinquency rates and net charge-off rates, which are closely related to default rates (see box "Measures of Performance"). The survey used two measures of delinquency—the

6. Program features and underwriting variances provided by institutions in their CRA special mortgage programs, by size of banking institution, 1999

Percentage of programs

Feature or underwriting variance	All-institutions estimate	Size of banking institution (assets, in millions of dollars)		
		950–4,999	5,000–29,999	30,000 or more
Program feature[1]				
Services	67	58	86	83
Special outreach and marketing activities	52	40	74	79
Pre-loan education or counseling for applicants	45	38	60	52
Post-loan education or counseling for borrowers	8	9	5	11
Other	3	4	1	5
Subsidies	72	74	65	80
Waived or reduced fees	51	56	40	46
Reduced interest rates	41	45	30	41
Waived PMI (private mortgage insurance)	30	33	21	39
Grants for down payment or other purposes	23	24	19	24
Special financial incentives to loan officers or brokers	21	15	28	46
Altered terms	88	89	84	88
More flexible underwriting criteria	76	80	65	80
Second review of loan applicants	55	48	68	70
Longer term of loan	10	12	10	0
Underwriting variances[2]				
Yes	83	87	70	91
Variances (as a percentage of programs with any variances)				
Lower down payment	85	86	83	88
Alternative measures of credit quality (such as rent payments)	79	76	88	82
Higher debt ratios	77	83	59	70
Lower cash reserve requirement	72	70	72	78
More flexible requirements for employment history	58	58	57	58
Lower standards for credit history	45	52	22	38
Provisions waived or reduced				
PMI or credit guarantee	40	43	26	45
Collateral	2	2	2	3
Compensating balances	8	7	9	12
Less documentation	14	16	5	20
Other	4	4	3	3

NOTE. See notes to table 2, except that here components do not sum to 100 because respondents could give more than one answer.

1. Responses to part B, question 14, "What special features or services does your banking institution provide in connection with the program?"

2. Responses to part B, question 17, "Are your banking institution's customary underwriting standards . . . altered under [the] program?"

percentage of loan dollars 30–89 days past due and the percentage of loan dollars 90 days or more past due or nonaccruing—that, like net charge-off rates, are commonly used in the industry and are regularly tracked and disclosed in regulatory reports filed by banking institutions.[10] Both delinquency measures are calculated as of December 31, 1999, and the net charge-off rate is calculated over the calendar year 1999.

The relative performance of CRA special mortgage programs varied with the measure of performance considered. For delinquencies, survey responses indicated that, on average, CRA special mortgage programs had lower rates than those for overall CRA-related home purchase and refinance lending but higher rates than those for an institution's total home purchase and refinance lending (table 7). For example, the mean rate for loans that were delinquent 90 or more days or nonaccruing was 1.00 percent for CRA special mortgage programs, 1.42 percent for overall CRA-related home purchase and refinance lending, and 0.78 percent for total home purchase and refinance lending.

On the other hand, CRA special mortgage programs performed better than total home purchase and refinance lending when performance was assessed using median values. For example, the median per program rate for loans that were delinquent 90 or more days or nonaccruing was 0.07 percent for CRA special mortgage programs and 0.53 percent for total home purchase and refinance lending.

For net charge-offs, the zero rate for more than half of the CRA special mortgage programs could possibly reflect the relative newness of many of the programs as well as the influence of a number of other factors, including more intensive screening of prospective borrowers, sometimes by third parties, greater efforts to work with delinquent borrowers, and policies encouraging increased forbearance for such programs.

The performance of these programs appears to vary with the asset size of the banking institution operating the program. On average, CRA special mortgage programs at large banking institutions had

10. For commercial banks and some savings associations, it is the Report of Condition and Income (Call Report), and for the remaining savings associations, the Thrift Institution Financial Report.

7. Performance of CRA special mortgage programs, by size of banking institution, 1999
Percentage of loan dollars per program

Program performance measure	All-institutions estimate	Size of banking institution (assets, in millions of dollars)			MEMO: All-institutions estimate[1]	
		950–4,999	5,000–29,999	30,000 or more	All CRA-related mortgage loans[2]	All mortgage loans[3]
Delinquencies[4]						
30–89 days						
Mean	1.94	1.31	3.04	3.07	2.95	1.86
Median	.50	.00	1.88	2.01	2.40	1.44
90 or more days or nonaccruing						
Mean	1.00	.59	1.72	1.70	1.42	.78
Median	.07	.00	.91	1.06	.90	.53
Net charge-offs[5]						
Mean	.19	.09	.41	.36	.23	.14
Median	.00	.00	.00	.05	.05	.02

NOTE. Results are for loans held in institution's portfolio. See also notes to table 2 and text box "Measures of Performance."

1. Only institutions that reported performance of their CRA special mortgage program loans as well as of all their CRA-related mortgage loans and of their total mortgage loans. The weights for calculating the all-institutions estimate here are the number of CRA special mortgage programs offered by the respondents.

2. All of institution's CRA-related home purchase and refinance loans, whether or not part of a CRA special lending program.

3. All of institution's home purchase and refinance loans, whether or not CRA-related.

4. At year-end 1999.

5. Total net charge-offs of program loan dollars during 1999 divided by average program loan dollars outstanding during 1999.

higher delinquency and charge-off rates than programs at smaller institutions. For example, at year-end 1999, the mean 30–89 day delinquency rate for the CRA special mortgage programs of large banking institutions was 3.07 percent, while the mean for smaller institutions was 1.31 percent.

Profitability

The survey sought information on the profitability of CRA special mortgage programs using return on equity (ROE) as the preferred measure of profitability (see box "Measuring Profitability"). Discussions

8. CRA special mortgage programs, grouped by size of banking institution and distributed by profitability category of program, 1999
Percentage of programs

Program profitability measure	All-institutions estimate	Size of banking institution (assets, in millions of dollars)			MEMO: All-institutions estimate[1]	
		950–4,999	5,000–29,999	30,000 or more	All CRA-related mortgage loans[2]	All mortgage loans[3]
CRA special mortgage programs alone						
Profitable	29	34	19	20	37	61
Marginally profitable	35	38	35	20	40	33
Break-even	14	18	5	15	1	7
Marginally unprofitable	15	7	29	29	18	0
Unprofitable	7	4	12	16	4	0
Total	100	100	100	100	100	100
Relative to all CRA-related mortgage loans[4]						
Lower	32	31	33	38	...	...
Same	50	55	43	42	...	...
Higher	17	15	24	20	...	...
Total	100	100	100	100	...	...
Relative to all mortgage loans[5]						
Lower	59	49	77	78	...	...
Same	36	51	4	18	...	...
Higher	5	0	20	4	...	...
Total	100	100	100	100	...	...

NOTE. Results are for estimates of 1999 profitability. See also notes to table 2 and text box "Measuring Profitability."

1. Only institutions that reported profitability of CRA special mortgage program loans as well as of all their CRA-related mortgage loans and of their total mortgage loans. The weights for calculating the all-institutions estimate here are the number of CRA special mortgage programs offered by the respondents.

2. All of institution's CRA-related home purchase and refinance loans, whether or not part of a CRA special lending program.

3. All of institution's home purchase and refinance loans, whether or not CRA-related.

4. Data derived from comparing the profitability category ("profitable" through "unprofitable") in which respondents placed CRA special mortgage program loans with the category in which they placed all of their CRA-related home purchase and refinance loans.

5. Data derived from comparing the profitability category ("profitable" through "unprofitable") in which respondents placed CRA special mortgage program loans with the category in which they placed all of their home purchase and refinance loans.

... Not applicable.

with banking institutions in advance of the survey suggested that some of them might have difficulty calculating an ROE for individual loan programs. Consequently, the survey also collected detailed qualitative information on profitability as well: Banking institutions were asked if each individual CRA special mortgage program was "profitable," "marginally profitable," "break even," "marginally unprofitable," or "unprofitable." The same question was asked for overall CRA-related home purchase and refinance lending and total home purchase and refinance lending. Only the qualitative data are provided here because they were in fact far more frequently reported than were the quantitative data.

According to respondents, the majority (64 percent) of CRA special mortgage programs were either profitable or marginally profitable in 1999 (table 8). Twenty-two percent of the programs were considered either marginally unprofitable or unprofitable. Experience varies across reporting banking institutions grouped by asset size. Compared with large and medium-sized institutions, small institutions (assets of between $0.950 billion and $4.999 billion) reported that a higher percentage of their CRA mortgage programs were either profitable or marginally profitable and that a lower percentage were either marginally unprofitable or unprofitable in 1999. For example, small institutions reported that 72 percent of their CRA special lending programs were either profitable or marginally profitable; large institutions reported that only 40 percent of their programs were either profitable or marginally profitable.

This pattern—smaller institutions being more likely to report that their programs were profitable—is consistent with the broader pattern observed for all CRA-related mortgage lending and could be the result of a number of factors. As one example, the pattern is consistent with the view that smaller banking institutions have better knowledge of their local markets and more familiarity with local borrowers, which could result in less risky loan portfolios derived from better assessments of the risks

Measures of Performance

Given a definition of performance in terms of delinquency or default, one can measure performance in either of two ways. One method is to consider performance at the loan level by calculating the percentage of loans that are delinquent or in default. The second method is dollar-based: The dollars or costs (in dollars) associated with delinquent or defaulted loans are summed and compared with the total dollars of loans outstanding. This article uses the dollar-based measure of performance.

For the definition of loan performance, many people are familiar with the terms "delinquency" and "default." Delinquency occurs when a borrower fails to make a scheduled payment on a loan in a timely manner and in full. Because loan payments are typically due monthly, the lending industry customarily categorizes delinquent loans as either 30, 60, 90, or 120 or more days late depending on the length of time the oldest unpaid loan payment has been overdue.[1]

Technically, default occurs at the same time as delinquency; that is, a loan is in default as soon as the borrower misses a scheduled payment. However, the term "default" is not generally used this way in the mortgage market, where it has, instead, a variety of other definitions. Among them are these four:

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

Regardless of the definition of default used, a dollar-based measure of it could be computed, but the measure would not take into account the losses associated with default, which may be more or less than the loan amount. The actual losses are the unpaid principal and interest plus ancillary out-of-pocket costs, such as those of collection, less any amounts recovered.

As a consequence, a related dollar-based measure of default—net charge-offs—is often used instead. For a given loan, the net charge-off is the total dollars owed at default (including the ancillary out-of-pocket costs) minus any subsequent recoveries. The institution-based net charge-off rate is calculated by summing its loan-level net charge-offs over a period of time (a year, for example) and dividing this amount by the average outstanding loan balances (including delinquent loans) over the period. In this article, the institutional net charge-off rate is used as the measure of default.

1. For purposes of reporting on delinquency experience in the Report of Condition and Income (for commercial banks) and the Thrift Institution Financial Report (for savings associations), institutions typically group delinquent loans into three broad categories: 30–89 days past due and still accruing interest, 90 days or more delinquent and still accruing interest, and nonaccruing.

associated with prospective borrowers. As a second example, the pattern is also consistent with the view that smaller institutions are less likely to be involved in mergers and hence are less subject to some of the lending incentives associated with the CRA. In this view, smaller institutions would be less inclined to provide services that adversely affect profitability. The accuracy of conjectures such as these is unknown.

The profitability of CRA special mortgage programs can also be gauged using two types of comparisons with the profitability of two broader groups of loans examined in the analysis of performance: all CRA-related home purchase and refinance lending and total home purchase and refinance lending.

The first type of comparison looks at the profitability distribution of CRA special mortgage programs against the profitability distribution of each of the two broader groups of loans. This comparison finds that while 64 percent of CRA special mortgage programs were reported to be at least marginally profitable (table 8), 77 percent of all CRA-related mortgage lending and 94 percent of overall home purchase and refinance lending programs were reported to be at least marginally profitable (table 8, memo).

A second approach compares the 1999 profitability of CRA special mortgage programs with that of other loan groups within each institution. That is, survey responses by an individual institution regarding the profitability of each loan group were compared and rank ordered. If the responses indicated that the profitability category (profitable, marginally profitable, break even, marginally unprofitable, unprofitable) of two groups was the same, their relative profitability was considered to be equal. If an institution's responses placed two loan groups in different profitability categories, then relative profitability was judged based on which group was placed in the higher profitability category.

The results indicate that respondents placed 50 percent of their CRA special mortgage programs in the same profitability category as their overall CRA-related home purchase and refinance lending. Of the comparisons revealing a difference between CRA special mortgage programs and overall CRA-related home purchase and refinance lending, roughly twice the percentage of CRA special mortgage programs were placed in a lower profitability category than were placed in a higher profitability category (32 percent versus 17 percent).

Differences are more prominent when comparisons are made between the profitability of CRA special mortgage programs and total home purchase and refinance lending. Here, nearly 60 percent of CRA special mortgage programs were placed in a lower profitability category.

Performance and profitability are generally thought to be positively correlated, and thus one would expect that rank orderings of groups of loans by the two criteria should be similar. But in the case of CRA special mortgage programs, the similarities did not hold. For profitability, CRA special mortgage programs tended to be less profitable than CRA-related and total home purchase and refinance lending. Conversely, for performance, CRA special mortgage programs performed better on average than overall CRA-related home purchase and refinance lending and only slightly worse than overall lending by most measures of performance. This apparent inconsistency may be a consequence of additional, perhaps costly, steps that institutions take as a part of their CRA special mortgage programs to identify and work with potential borrowers both before and after the loan is extended. These efforts, which can include enhanced marketing, counseling, and more intensive monitoring of loan payments, may result in better

Measuring Profitability

Measuring the profitability of lending activities offers special challenges. First, the profit on a loan or program can be calculated in various ways. For the survey, profit from a lending activity was measured using a comprehensive definition that included all "revenues and costs associated with overhead, origination, and servicing costs; pricing; delinquency, default and losses; prepayment; loan sales and purchases; and related customer account business." Although overhead was not defined, it was intended to include the costs of permanent and working capital (sometimes referred to as a hurdle rate).

Total dollars of profit may not be a meaningful measure of profitability, as programs may differ in size, for example. Therefore, profitability is typically expressed as a rate, with return on equity (ROE) and return on assets (ROA) both commonly used. Calculating the ROE or the ROA for a program requires the allocation of equity or assets, respectively, to it. The ROA is commonly used because it can often be more easily calculated for a given point in time. However, the ROA cannot be used to compare programs among institutions that have varying propensities for selling their loans. For example, a banking institution that sells most of the loans it originates, and thus has few assets, may misleadingly appear to be extraordinarily profitable when measured using the ROA. Thus, comparing the ROA across programs in which loans are sold at different rates can be misleading. Consequently, ROE was selected as the more appropriate measure of profitability to be used in the survey.

9. Selected characteristics of CRA special mortgage programs, grouped by size of banking institution and size of program and distributed by profitability category of program, 1999

A. All banking institutions

Percentage of programs

Characteristic	All programs			Small programs			Large programs		
	Profitable	Break-even	Unprofitable	Profitable	Break-even	Unprofitable	Profitable	Break-even	Unprofitable
All programs	**64**	**14**	**22**	**67**	**16**	**17**	**60**	**11**	**29**
Reason for program establishment or benefit of program									
Help earn a CRA rating of "Satisfactory" or "Outstanding"	64	15	20	65	18	16	63	11	26
Respond to community credit needs or promote community growth and stability	63	14	23	66	17	17	59	11	30
Improve institution's public image	61	10	29	64	10	26	57	10	33
Earn additional profits or identify profitable new markets	74	7	19	86	3	10	64	10	25
Maintain market share in face of increased competition[1]	63	12	25	73	12	15	55	12	33
Minimize likelihood of adverse public comment on CRA record	60	10	30	65	6	29	55	14	32
Year program established									
Before 1990	38	22	40	*	*	*	44	10	46
1991–94	59	11	31	67	12	22	45	9	46
1995–97	63	17	20	57	21	22	69	12	18
1998–99	75	15	10	80	14	6	*	*	*
Program features and underwriting variances provided by bank[2]									
Services	65	12	23	72	14	14	58	10	32
Subsidies	61	16	23	62	17	21	59	15	25
Altered terms	66	13	21	72	14	15	60	12	28
Underwriting variances									
Changes in required down payment, debt ratios, and cash reserves	64	15	22	64	18	19	64	11	26
Altered standards for credit quality and employment history	66	12	22	67	11	21	65	12	24
Waivers or reductions in security requirements	58	17	25	61	18	21	52	15	33
Multiple variances	64	14	22	68	16	16	60	11	29

NOTE. Covers each institution's estimate of 1999 profitability of its five largest programs. For the small programs, 1999 loan originations were less than $2 million; for the large programs, originations were at least $2 million. For smaller banking institutions (tables 9.B and 9.C), year-end 1999 assets were less than $30 billion; for larger institutions, assets were at least $30 billion. "Profitable" includes "marginally profitable"; "unprofitable" includes "marginally unprofitable." See also notes to table 2; values for each set of three profitability categories may not sum to 100 because of rounding.

1. Also includes reasons reported under "other" in the survey.
2. For detailed list, see table 6.
* Data received on five or fewer programs.

loan performance but may also lower the profitability of the loans.

Relationship between Program Features and Program Profitability

The features of CRA special mortgage programs, how banking institutions deliver the services associated with them, and the characteristics of the banking institutions themselves all may influence the profitability of these programs. The previous analysis indicated that in 1999 the profitability of CRA special mortgage programs varied significantly with the size of the banking institution that operated them. Further analysis (not shown) suggests that the profitability of these programs also varied with program size, measured by dollars of 1999 loan originations. Consequently, the following analysis of the relationship between program features and profitability categorizes programs by their size (large and small) and by the size of the banking institution that instituted the program.[11] Too few small programs were reported on by large institutions to support analysis, so figures for this subcategory are not reported here; the small number of such programs likely reflects the focus of the survey, which asked banking institutions to report detailed information on only their five largest programs.

11. Large programs had loan originations in 1999 exceeding $2 million; small programs had 1999 originations of less than $2 million.

9.—Continued

B. Smaller institutions

Percentage of programs

Characteristic	All programs			Small programs			Large programs		
	Profitable	Break-even	Unprofitable	Profitable	Break-even	Unprofitable	Profitable	Break-even	Unprofitable
All programs	**67**	**14**	**20**	**67**	**17**	**17**	**66**	**10**	**24**
Reason for program establishment or benefit of program									
Help earn a CRA rating of "Satisfactory" or "Outstanding"	68	15	17	65	18	16	72	9	19
Respond to community credit needs or promote community growth and stability	66	14	20	66	17	17	64	10	26
Improve institution's public image	64	9	27	64	10	26	64	7	29
Earn additional profits or identify profitable new markets	77	6	18	87	3	9	67	8	25
Maintain market share in face of increased competition	67	11	22	72	12	15	60	10	30
Minimize likelihood of adverse public comment on CRA record	65	9	27	65	6	29	64	12	24
Year program established									
Before 1990	46	16	38	*	*	*	55	0	45
1991–94	62	10	29	66	12	22	52	5	44
1995–97	64	18	19	57	22	21	72	13	15
1998–99	77	16	7	80	14	6	67	22	10
Program features and underwriting variances provided by bank									
Services	68	12	21	72	15	14	63	8	28
Subsidies	64	16	20	62	17	21	67	14	19
Altered terms	70	13	18	71	14	15	67	11	22
Underwriting variances									
Changes in required down payment, debt ratios, and cash reserves	67	15	19	63	18	19	73	9	18
Altered standards for credit quality and employment history	70	11	19	67	11	21	76	10	14
Waivers or reductions in security requirements	63	16	21	61	18	21	70	9	21
Multiple variances	67	14	20	68	16	16	65	10	25

NOTE. See notes to table 9.A.

Once program size and banking institution size are taken into account, the profitability of CRA special mortgage programs does not appear to have varied significantly with the reason for which a program was established or the benefit afforded by a program (tables 9.A, B, and C). For almost every reason cited by banking institutions for creating a program and for almost every benefit, the proportion of programs reported to be profitable and unprofitable is quite similar to that of the "all programs" category (first line of tables). The comparison holds even for programs that were specifically established to achieve a "Satisfactory" or "Outstanding" CRA rating.

Programs established as a source of additional profits or to identify profitable new markets are an exception to the pattern. For each combination of program size and institution size, except large programs at smaller banking institutions (table 9.B), the proportion of programs established to be a profit source that is reported to have been profitable was substantially higher than the proportion in the all-programs category. Another exception is small CRA special mortgage programs at smaller banking institutions (table 9.B) that were established, at least in part, to improve an institution's public image or to minimize the likelihood of adverse public comment on the institution's CRA record; these programs were more likely to be unprofitable than the all-programs category for smaller institutions.

The profitability of CRA special mortgage programs appears to vary with the age of the program, with newer programs generally being more profitable than older programs.

As noted earlier, CRA special mortgage programs carry a wide range of features and underwriting variances (table 6). For the most part, no close relationship appears to exist between the features or

9. Selected characteristics of CRA special mortgage programs, grouped by size of banking institution and size of program and distributed by profitability category of program, 1999—Continued

C. Large institutions

Percentage of programs

Characteristic	All programs			Large programs		
	Profitable	Break-even	Unprofitable	Profitable	Break-even	Unprofitable
All programs	**40**	**15**	**45**	**38**	**15**	**46**
Reason for program establishment or benefit of program						
Help earn a CRA rating of "Satisfactory" or "Outstanding"	35	16	49	32	17	51
Respond to community credit needs or promote community growth and stability	41	15	44	39	16	45
Improve institution's public image	38	18	45	38	18	45
Earn additional profits or identify profitable new markets	53	18	28	55	19	26
Maintain market share in face of increased competition	41	18	41	38	19	43
Minimize likelihood of adverse public comment on CRA record	31	17	52	31	17	52
Year program established						
Before 1990	0	50	50	0	50	50
1991–94	29	21	50	23	23	54
1995–97	58	8	33	59	9	32
1998–99	*	*	*	*	*	*
Program features and underwriting variances provided by bank						
Services	42	16	42	40	16	44
Subsidies	39	17	43	37	19	44
Altered terms	40	13	48	37	13	50
Underwriting variances						
Changes in required down payment, debt ratios, and cash reserves	42	15	44	39	15	46
Altered standards for credit quality and employment history	40	17	43	39	17	44
Waivers or reductions in security requirements	21	25	54	19	26	56
Multiple variances	42	15	43	40	16	44

NOTE. See notes to table 9.A.

variances and program profitability (tables 9.A, B, and C). Even when a banking institution offered some form of subsidy, such as a reduced interest rate or a fee waiver or reduction, CRA special mortgage programs generally were not reported to be more unprofitable than the all-programs category for the same size category of program and institution. These service categories reflect, however, only the existence of a feature or subsidy and not necessarily its amount or extent. The survey collected no further information on these items.

Responses indicated that the participation of third parties in CRA special mortgage programs was sometimes related to program profitability, depending on the type and number of third parties involved and the nature of their role in the program (tables 10.A and B). Overall, among programs with a third party, 67 percent were profitable compared with 54 percent of programs with no third party. But CRA special mortgage programs at large banking institutions (table 10.A) were less likely to be profitable (more likely to be unprofitable) when a third party was involved in the program than when one was not. By contrast, programs were more frequently profitable when programs with third parties were conducted by smaller banking institutions (table 10.A) and when third parties participated in small programs (table 10.B), although the frequency of *un*profitability was about the same for both groups.

Programs that exclusively involved government entities as third parties generally appeared to be more profitable than other programs. Overall, 75 percent of CRA special mortgage programs that involved only a government entity were reported to be profitable (table 10.A), compared with 64 percent of all CRA special mortgage programs. Although half of such programs at large banks were reported to be unprofitable, large banks reported only a small number of third-party programs that exclusively involved a government entity (data not shown).

The results for other types of third-party involvement are not consistent. For example, large programs (table 10.B) that exclusively involved a government-sponsored entity (Fannie Mae, Freddie Mac, or the Federal Home Loan Banks) were less likely to be reported as profitable than large programs considered as a group (22 percent versus 60 percent). However, large programs that involved a government-

10. Third-party involvement in CRA special mortgage programs, grouped by size of banking institution and size of program and distributed by profitability category of program, 1999

A. By size of banking institution

Percentage of programs

Third-party types and activities	All-institutions estimate			Smaller			Large		
	Profitable	Break-even	Unprofitable	Profitable	Break-even	Unprofitable	Profitable	Break-even	Unprofitable
All programs	**64**	**14**	**22**	**67**	**14**	**20**	**40**	**15**	**45**
Presence of third parties									
Yes	67	9	23	71	9	20	37	15	48
No	54	26	19	54	28	18	56	11	33
Type of third party when program has only one type of third party									
Any	67	5	28	71	5	24	21	11	68
Government	75	3	22	78	2	20	33	17	50
Government-sponsored	47	10	43	49	10	41	*	*	*
Nonprofit	61	7	31	67	7	26	13	13	75
Other	91	0	9	*	*	*	*	*	*
Type of third party when program has multiple types of third parties									
Any	68	16	16	72	16	12	48	19	33
Government	70	14	16	75	13	12	50	21	29
Government-sponsored	73	13	14	74	13	13	71	12	18
Nonprofit	67	16	17	73	17	11	48	16	36
Other	80	16	4	82	15	3	67	22	11
Third-party activities[1]									
Services	67	9	24	71	9	20	37	15	48
Subsidies	70	12	19	75	10	15	38	18	44
Assumption of risk	74	10	17	83	7	10	32	19	48

NOTE. See general note to table 9.A.

1. For list, see table 5.

* Data received on five or fewer programs.

sponsored entity as well as other third parties were *more* likely to be profitable than large programs considered as a group (74 percent versus 60 percent). Overall, the number of third parties involved in a CRA special mortgage program did not seem to bear a strong relationship to program profitability.

As noted, third parties conduct a wide range of activities in support of CRA special mortgage pro-

10.—Continued

B. By size of program

Percentage of programs

Third-party types and activities	All programs			Small			Large		
	Profitable	Break-even	Unprofitable	Profitable	Break-even	Unprofitable	Profitable	Break-even	Unprofitable
All programs	**64**	**14**	**22**	**67**	**16**	**17**	**60**	**11**	**29**
Presence of third parties									
Yes	67	9	23	74	9	17	59	9	32
No	54	26	19	48	36	16	62	15	23
Type of third party when program has only one type of third party									
Any	67	5	28	75	3	22	54	9	37
Government	75	3	22	76	0	24	74	6	20
Government-sponsored	47	10	43	64	0	36	22	24	54
Nonprofit	61	7	31	72	8	20	33	5	62
Other	91	0	9	*	*	*	*	*	*
Type of third party when program has multiple types of third parties									
Any	68	16	16	70	24	6	66	10	24
Government	70	14	16	73	20	7	67	10	23
Government-sponsored	73	13	14	72	22	7	74	8	18
Nonprofit	67	16	17	67	33	0	66	9	25
Other	80	16	4	71	24	5	91	6	3
Third-party activities									
Services	67	9	24	73	10	17	59	9	32
Subsidies	70	12	19	76	11	12	62	12	26
Assumption of risk	74	10	17	83	10	7	66	9	26

NOTE. See notes to table 10.A.

11. Selected characteristics of institutions with CRA special mortgage programs, grouped by size of banking institution and size of program and distributed by profitability category of program, 1999

A. All banking institutions

Percentage of programs

Characteristic	All programs			Small programs			Large programs		
	Profitable	Break-even	Unprofitable	Profitable	Break-even	Unprofitable	Profitable	Break-even	Unprofitable
All programs	**64**	**14**	**22**	**67**	**16**	**17**	**60**	**11**	**29**
Profitability of banking institution[1]									
Above median	71	3	27	55	5	40	80	1	18
Below median	62	17	21	69	19	12	51	15	34
Merger by banking institution in year program was established (for mergers since 1990)[2]									
Yes	60	9	31	68	7	25	45	11	44
No	66	17	17	66	23	11	66	11	23
Structure of banking institution									
Multibank holding company	60	9	32	60	10	31	59	8	33
Other	69	20	11	74	23	3	61	15	24
CRA rating of banking institution									
"Satisfactory"	67	12	21	70	15	15	63	9	28
"Outstanding"	60	16	24	63	18	19	57	13	30

NOTE. See notes to table 9.A.

1. Return on equity in 1999 compared with 1999 return on equity of the 500 largest retail banking institutions.

2. Includes acquisitions by an institution's holding company.

grams (table 5), and these activities appear to be related to program profitability (tables 10.A and B). Third-party assumption of risk was positively related to program profitability. This relationship was strongest for programs at smaller banking institutions and for small programs. For example, 83 percent of the programs at smaller banks that involve the assumption of risk by a third party were reported to be profitable (table 10.A), compared with 67 percent for all programs at such banks. Third-party provision of services and subsidies also appeared to contribute to program profitability, although these relationships were not as strong as that for the assumption of risk.

Survey results indicate that characteristics of a banking institution besides its size are related to the profitability of CRA special mortgage programs (tables 11.A, B, and C). Banking institutions with overall profitability above the median were more likely to have had large programs that were profitable than were institutions with overall profitability below the median (table 11.A).[12] However, the reverse is true for small programs at smaller banking institutions (table 11.B).

Merger activity also appears to matter. In all combinations of program size and banking institution size, programs that were established in a year in which the banking institution was engaged in mergers or acquisitions were more likely to have been reported as unprofitable than programs established in years in which the banking institution did not merge.

Whether or not the banking institution is part of a multibank holding company appears to matter only for small programs at smaller banking institutions (table 11.B): Such programs at institutions that are part of multibank organizations tend to be less profitable (or more unprofitable) than programs at independent institutions.

Finally, with the exception of large programs at large banking institutions (table 11.C), a banking institution's CRA performance rating does not appear to be strongly related to program profitability. For large programs at large institutions, the percentage of programs reported as profitable for institutions with outstanding CRA ratings was the same as for institutions with satisfactory ratings. However, somewhat surprisingly, the proportion reported to have been unprofitable is much higher for those with satisfactory ratings than for those with outstanding ratings.

Limitations of the Analysis

The survey and resulting data provide new and systematic information about the characteristics and the role of CRA special mortgage programs in the lending activities of banking institutions. In particular, the information provides opportunities to determine the factors that influence the performance

12. The profitability of each institution was measured as 1999 return on equity and then compared with the median 1999 return on equity of the original sample of the 500 largest retail banking institutions.

11.—Continued

B. Smaller banking institutions

Percentage of programs

Characteristic	All programs			Small programs			Large programs		
	Profitable	Break-even	Unprofitable	Profitable	Break-even	Unprofitable	Profitable	Break-even	Unprofitable
All programs	**67**	**14**	**20**	**67**	**17**	**17**	**66**	**10**	**24**
Profitability of banking institution									
Above median	73	2	26	57	5	39	84	0	16
Below median	65	17	18	69	19	13	57	15	28
Merger by banking institution in year program was established (for mergers since 1990)									
Yes	65	8	27	68	7	24	55	11	34
No	68	17	16	66	23	11	69	9	21
Structure of banking institution									
Multibank holding company	63	7	29	60	10	31	69	4	27
Other	70	21	10	74	23	3	63	16	21
CRA rating of banking institution									
"Satisfactory"	69	13	17	70	15	15	69	10	21
"Outstanding"	63	15	22	63	18	18	63	10	27

NOTE. See notes to table 11.A.

and profitability of these programs and to better understand the role of specific program features and arrangements with third parties. However, the survey data do not address all issues in this regard, and the foregoing analysis has some important limitations.

First, by design, the survey collected detailed information on only a subset of CRA special lending programs from a fairly narrow group of lenders and programs. Only the five largest programs at each of the largest 500 retail banking institutions were covered in the survey; the characteristics and profitability of smaller programs at these institutions or of programs at other banking institutions may have differed.

Second, the survey collected performance and profitability information for 1999 only. However, 1999 lending experiences may not be representative of those of other years. For example, program performance may have been better in 1999—a year of ongoing economic expansion—than might have been expected during a year of economic weakness. In addition, some of the programs are relatively new, and their long-run performance and profitability may not be fully reflected in the survey data.

11.—Continued

C. Large banking institutions

Percentage of programs

Characteristic	All programs			Large programs		
	Profitable	Break-even	Unprofitable	Profitable	Break-even	Unprofitable
All programs	**40**	**15**	**45**	**38**	**15**	**46**
Profitability of banking institution						
Above median	55	9	36	60	10	30
Below median	36	16	48	33	17	50
Merger by banking institution in year program was established (for mergers since 1990)						
Yes	33	10	57	30	11	59
No	48	20	32	48	20	32
Structure of banking institution						
Multibank holding company	39	16	45	37	17	46
Other	45	9	45	45	9	45
CRA rating of banking institution						
"Satisfactory"	44	4	52	39	4	57
"Outstanding"	37	23	40	38	24	38

NOTE. See notes to table 11.A.

Third, the relatively small size of the samples leaves statistics such as means imprecisely measured. These statistics should be viewed with some caution.

Fourth, the measurement of profitability poses some difficulties. Although the survey instructed respondents to measure program profitability in a comprehensive manner, there is no way of determining the extent to which all banking institutions did so. Some institutions may have included factors in their assessment of profitability that other institutions did not. Moreover, because many respondents could not provide quantitative answers regarding the profitability of their programs, qualitative answers were highlighted in this article. The quantitative distinctions underlying these qualitative responses may differ from institution to institution. These issues raise concerns regarding the degree to which responses across banking institutions can be compared.

Fifth, no definition of a "CRA special mortgage program" is universally accepted. Banking institutions may have used different criteria by which to distinguish programs or to identify those that were established to enhance CRA performance. For example, one institution might have considered a program that operates in three geographic markets to be a single program, whereas another institution might have reported that program as three separate programs distinguished by the markets in which the programs operate.

Finally, this article presents only a portion of the information that would be needed to assess the value and importance of CRA special lending programs—only those programs focused on home purchase and refinance lending are covered. Further, no information is presented on the benefits of these lending programs to local communities and borrowers or on the costs incurred by third parties in supporting such activities. Any comprehensive assessment of the full costs and benefits of these programs would need to consider these factors.

SUMMARY

This article presents new and systematic information on CRA special lending programs obtained from responses to a recent Federal Reserve survey on the performance and profitability of CRA-related lending. CRA special lending programs help an institution seek out and assist borrowers, typically among lower-income populations, and thereby help the institution meet its obligations under the CRA.

The survey, which focused on the five largest programs at each of the surveyed institutions, found that 72 percent of the programs were devoted exclusively to loans for the purchase or refinancing of one- to four-family homes. The analysis in this article concerns these programs, referred to as CRA special mortgage programs.

For most institutions, CRA special mortgage programs are relatively small. However, for about one-sixth of the institutions that responded to the survey, lending under CRA special mortgage programs accounted for more than 40 percent of the institution's overall CRA-related mortgage lending.

Banking institutions cite many reasons for establishing or participating in CRA special mortgage programs. The two most frequently cited are responding to the credit needs of the local community and promoting community growth and stability. The third most frequently cited, obtaining either a "Satisfactory" or "Outstanding" CRA rating, is mentioned for about three-fourths of the programs, but it is cited as the *only* reason for just 1 percent of the programs.

About three-fourths of the programs involve the activities of third parties. The main activities are grants for down payments or other purposes and other services and subsidies that reduce the costs of banking institutions in extending credit to the populations served by the special programs. The programs also have a wide range of features involving the banking institutions themselves, including flexible underwriting, special outreach and marketing activities, and subsidies of fees and loan rates.

Regardless of the comparison made or the performance measure used, CRA special mortgage programs appear to perform better (that is, the loans extended through them have lower delinquency and net charge-off rates) than overall CRA-related home purchase and refinance lending. Results are less consistent when comparisons are made with an institution's total home purchase and refinance lending (both CRA-related and not CRA-related). Median delinquency and charge-off rates are lower for loans in CRA special mortgage programs than for overall mortgage lending; however, *average* rates for these measures of performance are all higher.

The performance of CRA special mortgage programs appears to vary with the asset size of the banking institution operating the program. On average, CRA special mortgage programs at large banking institutions (assets of $30 billion or more) had higher delinquency and charge-off rates than programs at smaller institutions.

According to respondents, the majority of CRA special mortgage programs (64 percent) are either profitable or marginally profitable. About one-fourth of the programs are considered either marginally unprofitable or unprofitable. However, respondents placed three-fifths of the programs in a profitability category lower than that in which they placed overall mortgage lending. In addition, respondents placed 50 percent of the programs in the same profitability category in which they placed their overall CRA-related mortgage lending; for the other half of the programs, twice as many were placed in a lower profitability category as were placed in a higher category.

As with performance, the profitability of CRA special mortgage programs also appears to vary with an institution's size. Whether measured on an absolute or relative basis, programs of large banking institutions are more likely to be unprofitable (or to be ranked less profitable) than are programs of smaller institutions. □

Industrial Production and Capacity Utilization for September 2000

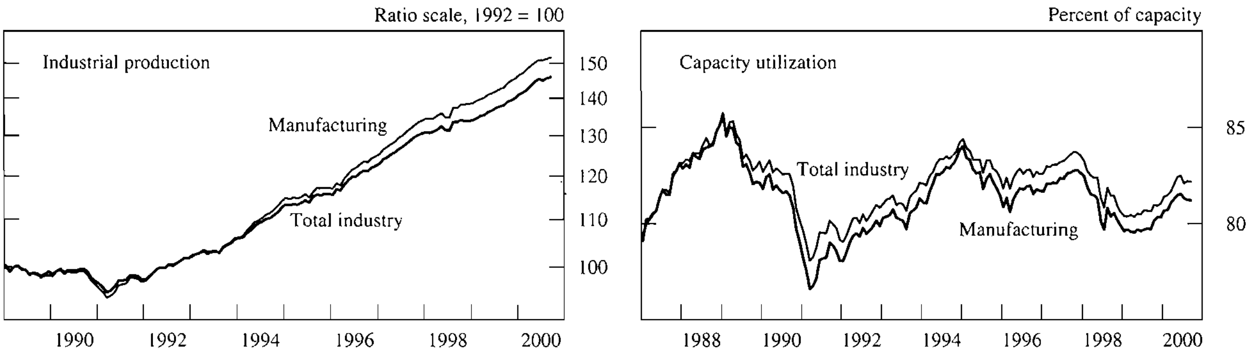
Released for publication October 17

Industrial production rose 0.2 percent in September. At 146.0 percent of its 1992 average, industrial production was 5.7 percent higher than in September 1999. For the third quarter as a whole, the total index increased at an annual rate of 2.8 percent, the slowest quarterly rate since the first quarter of 1999. The rate of capacity utilization for total industry held steady at 82.2 percent in September, a level 0.2 percentage point above its 1967–99 average.

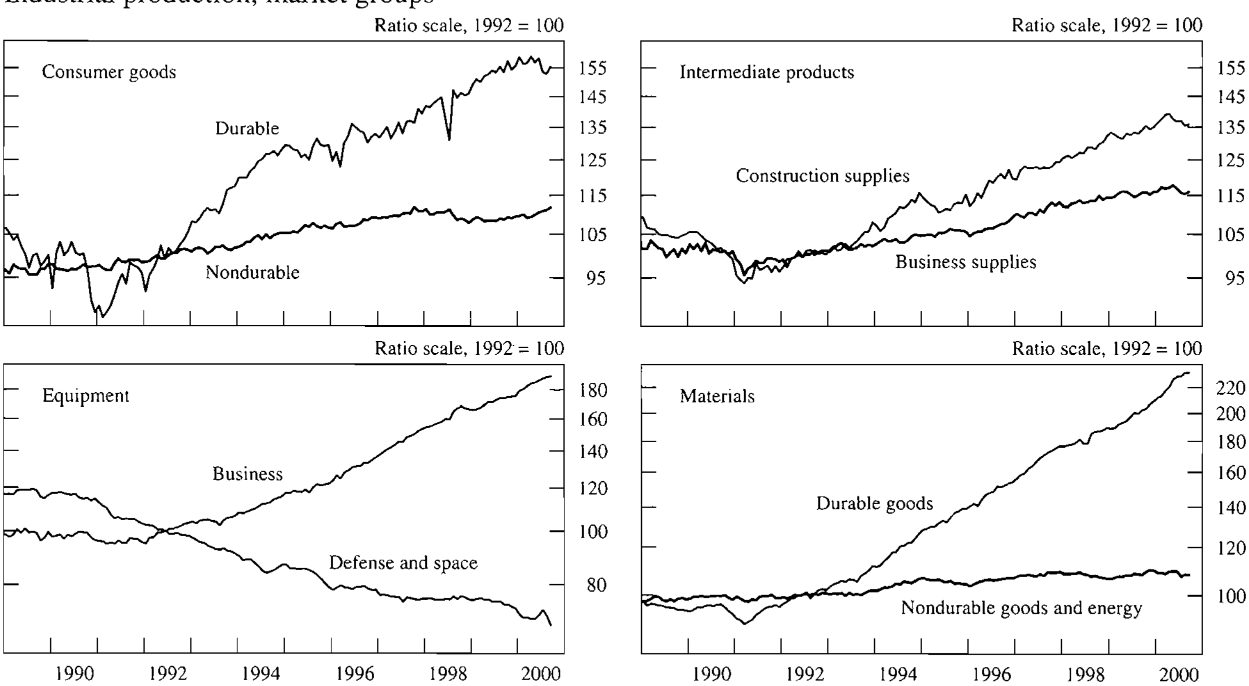
MARKET GROUPS

The output of consumer goods increased 0.8 percent in September after having edged up 0.1 percent in August. After two months of declines, the production

Industrial production and capacity utilization



Industrial production, market groups



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

Industrial production and capacity utilization, September 2000

Category	Industrial production, index, 1992=100								
	2000				Percentage change				
					2000[1]				Sept. 1999 to Sept. 2000
	June[r]	July[r]	Aug.[r]	Sept.[p]	June[r]	July[r]	Aug.[r]	Sept.[p]	
Total	**145.3**	**145.0**	**145.6**	**146.0**	**.4**	**–.2**	**.4**	**.2**	**5.7**
Previous estimate	145.2	145.2	145.7	...	.3	.0	.3	...	...
Major market groups									
Products, total[2]	131.6	131.7	131.7	132.1	.4	.0	.0	.4	3.6
Consumer goods	119.4	119.0	119.1	120.1	.6	–.4	.1	.8	2.5
Business equipment	187.2	188.6	189.7	190.3	.8	.8	.6	.3	9.6
Construction supplies	136.8	136.9	135.5	135.9	–.4	.1	–1.1	.3	1.3
Materials	169.1	168.0	169.9	169.9	.6	–.6	1.1	.0	9.1
Major industry groups									
Manufacturing	151.0	151.0	151.3	151.8	.5	.0	.2	.3	6.2
Durable	190.8	190.7	191.9	192.5	.8	.0	.6	.3	10.0
Nondurable	113.2	113.3	112.9	113.2	.0	.1	–.3	.3	1.2
Mining	102.8	102.7	102.7	101.7	.6	–.1	.0	–1.0	3.4
Utilities	118.7	114.3	118.4	119.3	–.3	–3.7	3.6	.7	1.3

Category	Capacity utilization, percent								MEMO Capacity, percentage change, Sept. 1999 to Sept. 2000
	Average, 1967–99	Low, 1982	High, 1988–89	1999	2000				
				Sept.	June[r]	July[r]	Aug.[r]	Sept.[p]	
Total	**82.0**	**71.1**	**85.4**	**80.6**	**82.5**	**82.1**	**82.2**	**82.2**	**3.7**
Previous estimate	...	...	. .	. .	82.4	82.2	82.3	. .	. .
Manufacturing	81.1	69.0	85.7	79.7	81.6	81.3	81.3	81.2	4.2
Advanced processing	80.5	70.4	84.2	78.7	81.1	81.1	81.2	81.2	5.5
Primary processing	82.4	66.2	88.9	82.8	83.2	82.4	81.9	81.9	1.3
Mining	87.3	80.3	88.0	81.8	86.3	86.3	86.4	85.7	–1.3
Utilities	87.5	75.9	92.6	92.0	91.9	88.4	91.5	92.1	1.2

NOTE. Data seasonally adjusted or calculated from seasonally adjusted monthly data.

1. Change from preceding month.

2. Contains components in addition to those shown.

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of durable consumer goods increased 1.6 percent. The production of autos and light trucks rose 1.1 percent in September, but for the third quarter as a whole, assemblies were noticeably below the second-quarter rate. Auto parts and allied goods jumped 2.1 percent in September, in large part because of strong gains in the production of replacement tires. The output of other consumer durables moved up 1.6 percent after having fallen 2.2 percent in August. For the third quarter, the production of other consumer durables fell at an annual rate of 5.1 percent, as the output of appliances weakened.

The production of nondurable consumer goods rose 0.6 percent in September, with the output of both energy and non-energy products posting moderate gains. Within non-energy products, the output of chemical products increased 1.4 percent, paper products remained steady, and clothing moved down 1.1 percent. For the third quarter, the output of nondurable non-energy consumer goods rose at an annual rate of 4.1 percent. The production of consumer energy products increased 0.7 percent in September, mostly because of increases in the output of fuel oil and in residential sales of gas and electricity.

The output of business equipment increased 0.3 percent, a slower pace than in any previous month this year. The production of industrial equipment, which had increased about 2.9 percent over the July–August period, fell 2.0 percent. The output of transit equipment declined an additional 1.1 percent as a result of a slowing in the assembly of business trucks. In contrast, the production of other equipment jumped 6.8 percent and was led by a sizable increase in the production of farm machinery and equipment. The output of information processing equipment advanced 1.1 percent, with another strong gain in office and computing equipment. The production of defense and space equipment fell for a second consecutive month, partly because of a strike at a major producer.

The output of construction supplies increased 0.3 percent in September but only partially reversed the previous month's decline; for the third quarter, the index for construction supplies fell at an annual rate of 4.8 percent. The output of materials remained flat after having posted a large increase in August. The production of durable goods materials edged up 0.1 percent, as another increase in the production of equipment parts, particularly semiconductors and computer parts, was largely offset by a drop in the production of parts for consumer durables. The output of nondurable goods materials was unchanged, continuing the weakness that has been evident in this sector over the past several months. The output of energy materials ticked down 0.1 percent.

INDUSTRY GROUPS

Manufacturing output advanced 0.3 percent in September, with increases about even in both durable and nondurable goods industries. Among durable goods, the gains were concentrated in lumber and products and in computers and semiconductors. The output of transportation equipment dropped 2.2 percent, while changes in the remaining durable goods industries were small. After several months of weak output, the production of nondurables advanced 0.3 percent; the output of nondurable goods was only 1.2 percent higher than a year earlier. The September gains were largely the result of higher production of chemicals and textile mill products; in contrast, several industries, including apparel, petroleum, and rubber and plastics, posted moderate declines.

The factory operating rate declined to 81.2 percent in September, with the easing concentrated in durable goods industries. The operating rate at electric utilities rose to 95.5 percent, 6 percentage points above its 1967–99 average; capacity utilization at gas utilities also increased to 76.4 percent. The operating rate for mining fell to 85.7 percent, with a noticeable decline in oil and gas well drilling.

REVISION OF INDUSTRIAL PRODUCTION AND CAPACITY UTILIZATION

On December 5, the Federal Reserve Board will publish revisions to the index of industrial production (IP), to the related measures of capacity and capacity utilization, and to the index of industrial use of electric power. The updated measures will reflect both the incorporation of newly available, more comprehensive source data typical of annual revisions and, for some series, the introduction of improved compilation methods. The revision will also include a refinement of the method used to aggregate the individual series in the production and capacity indexes. The new source data are for recent years, primarily 1997 through 1999, and the modified methods will affect data from 1992 onward.

The G.17 statistical release will be redesigned with the publication of the revision. Special aggregates will be added, and some detailed industry data will no longer be listed in the regular release, but will be available on the Federal Reserve Board's public web site. On November 15, a template of the redesigned tables will be made available on the Board's web site (www.federalreserve.gov/releases/g17).

The updating of source data for IP will include annual data from the following reports of the Bureau of the Census: the 1997 Census of Manufactures, the 1998 Annual Survey of Manufactures, and selected editions of its 1998 and 1999 Current Industrial Reports. Annual data from the U.S. Geological Survey regarding metallic and nonmetallic minerals (except fuels) for 1998 and 1999 will also be introduced. The updating will include revisions to the monthly indicator for each industry (either physical product data, production-worker hours, or electric power usage) and revised seasonal factors.

Capacity and capacity utilization will be revised to incorporate preliminary data from the 1999 Survey of Plant Capacity of the Bureau of the Census, which covers manufacturing, along with other new data on capacity from the U.S. Geological Survey, the Department of Energy, and other organizations. The statistics on the industrial use of electric power will incorporate additional information received from utilities for the past few years and will include some data from the 1997 Census of Manufactures and 1998 Annual Survey of Manufactures.

Aggregate industrial production indexes have been built as annually weighted chain-type indexes, beginning with data for 1977. Currently, the weights are changed at the middle of every year; with the coming revision, the weights will change every month, rather than once a year, beginning with data for 1992.

Once the revision is published, it will be made available on the Board's web site (www.federalreserve.gov/releases/g17). The revised data will also be available through the web site of the Department of Commerce. Further information on these revisions is available from the Board's Industrial Output Section (telephone 202-452-3197). All series are seasonally adjusted. Latest series, September. Capacity is an index of potential industrial production. □

Testimony of Federal Reserve Officials

Testimony by Laurence H. Meyer, Member, Board of Governors of the Federal Reserve System, before the U.S. Securities and Exchange Commission Hearing Held at Pace University, New York, New York, September 13, 2000

Thank you for the opportunity to speak at today's hearing on the rules governing auditor independence that have been proposed by the Securities and Exchange Commission (SEC).

A principal concern of the Federal Reserve is the efficiency and stability of financial markets. By extension, we take a keen interest in issues that underpin the functioning of these markets, such as the reliability of the information that supports them. The auditor's opinion distinguishes financial reporting from other, potentially self-serving, information circulating in the marketplace. The willingness of investors, creditors, and other stakeholders to trust the public accountant's opinion is an important facet of market efficiency.

The Board has long believed that high-quality accounting standards and disclosure requirements are essential for the efficient, rational allocation of capital. We also recognize that independence enhances both the setting of accounting standards and the enforcement of conformance with those standards. The SEC and the accounting profession have important roles in maintaining and promoting independence. Steps they have taken over the years to foster independence and objectivity in the formulation of accounting standards have improved financial reporting. We note, however, that high-quality accounting standards potentially can be nullified by a *perception* that auditors lack independence and objectivity in their enforcement role.

Accountants have recognized this possibility since the earliest years of their profession. The ethics rules of their professional societies regulate commercial dealings between external auditors and clients to protect the integrity of financial reporting and to promote investor confidence in the auditor's opinion. Achieving and maintaining independence is difficult because independence is an intangible quality, an attitude, a state of mind. An outsider can infer auditors' attitudes only by their outward dealings with clients. Judgment by inference is particularly characteristic of our era of global markets and widely dispersed ownership.

As a result, the auditing profession has focused intently on appearance as a means of demonstrating independence. That is, the profession's own rules emphasize the tangible, measurable aspects of the auditor–client relationship to assure the public of its independence. Some indicia of independent appearance are clear-cut. For example, long-standing rules prohibit direct ownership in a client by an audit partner. These rules are obvious and require little explanation or interpretation. Other aspects of the auditor–client relationship are more difficult to regulate, but no less important. For example, the auditing profession prohibits its members from acting in a management capacity for a client. The line between what may appear to be unacceptable "managerial" actions and what may be acceptable "advisory" actions can be a fine one, subject to a great deal of interpretation.

For nearly as long as there have been public accountants, state and federal legislators have also grappled with laws to protect auditor independence. It must be difficult to balance the public interest in maintaining independent, objective external audits with the legitimate commercial aspirations of accounting professionals. Nonetheless, all recognize that significant erosion of the public's confidence regarding auditor independence could have severe consequences for investors, creditors, and those seeking capital.

EXTERNAL AUDITS

As the regulator of state member banks, bank holding companies, and (recently) financial holding companies, the Federal Reserve is very interested in the external audits of institutions it supervises. Banks with total assets of $500 million or more are required by statute to have an external audit. Recognizing the value of external audits, the federal banking agencies also encourage smaller institutions to engage public accountants. External audits can give supervisors greater assurance of the integrity of the financial information we receive. In addition, we believe that banking organizations benefit from an outside opinion on the quality of their financial reports and internal controls.

The benefit derived from an external audit, however, is contingent upon the auditor's competence and independence. For institutions that we supervise, our examiners assess these two qualities. Of course, banking supervisors have broad powers that allow us to remove an audit firm if there is evidence of nonfeasance, misfeasance, or malfeasance. As I said earlier, however, independence is intangible. Therefore, it is difficult for outsiders, including examiners, to judge the objectivity of external auditors toward their clients. Despite that difficulty, we must be watchful because a lack of objectivity can compromise the external audit as a useful tool for enhancing banking safety and soundness.

The large financial institutions we supervise are required to furnish us not only with audited financial statements but also with an external auditor's opinion of management's report on the effectiveness of internal controls over financial reporting. These reports are an important source of information about these institutions. The auditor's attestation is key to our reliance on these reports. When auditors lack objectivity, this process for informing supervisors about the condition of banks' internal controls can break down.

Our ability to supervise institutions is improved by competent and objective external audits. If our examiners are comfortable with a particular audit, they may focus on how management is dealing with problems found by the external auditor. This situation is far more efficient than replicating the work and second-guessing the conclusions drawn from the evidence. According to their assessment of the external audit, our examiners can reallocate supervisory resources to other areas of risk in the banking organization. The Federal Reserve benefits by gaining a better picture of an institution's risk profile for a given level of supervisory resources. Financial institutions also gain from a reduction in overall examination burden. We hope that accounting professionals also benefit from the interaction between the external auditor and the examiner.

The Federal Reserve hopes to expand the private sector's role in regulating the risk and solvency of banking organizations. The effectiveness of market discipline is highly dependent upon the quality of information available to market participants. Biased, unreliable information would distort the allocation of capital to banks and thereby frustrate the discipline we seek to promote.

Outsourcing of Internal Audit

Now I would like to focus on the SEC's proposal to limit internal audit outsourcing by external auditors. The Federal Reserve has a long-standing supervisory interest in banks' risk management, including internal controls and their effect on safety and soundness. We have been wary of the outsourcing of internal audit functions since the trend began. Our concerns are twofold: the potential for blurring the accountability of bank directors and managers for internal controls and the diminished effectiveness of the internal auditor's ability to monitor controls.

In 1997, the federal banking agencies issued an interagency policy statement that serves as a framework for banking organizations to structure and maintain the internal audit function and manage outsourcing arrangements. With respect to outsourcing, the policy seeks foremost to warn managers and directors that outsourcing the review function of an internal auditor does not in any way transfer responsibility for maintaining adequate internal controls. Institutions may delegate the technical work, but not the management oversight or accountability. The policy also makes the important recommendation that banks promote and maintain independence in the design of their own management structures over the internal audit function. The most effective internal audit function has the impartiality and standing within an organization to report its findings and views candidly to directors and the highest levels of management.

The policy does not prohibit all outsourcing because we appreciate that efficiencies can be gained and specialized talent brought to bear. Care needs to be exercised, however, in structuring the arrangements so as not to weaken overall the processes for identifying and fixing internal control deficiencies. The banking agencies considered prohibiting banks' external auditors from acting as outsourcing vendors because of a concern about the effect of such arrangements on external-auditor independence.

As we finalized our guidance, we decided we could work for the time being within the existing auditor independence rules and that a prohibition by the banking agencies was inappropriate for several reasons. First, the banking agencies were reluctant to set a standard different from that of other industries, which, of course, are exempt from our safety and soundness policies. Second, we believed that the issue was more properly regulated by the SEC, which has broader jurisdiction over the auditor–client relationship. Lastly, given the early stage of the outsourcing trend, we decided to take a flexible approach to outsourcing; the policy could be amended to address safety and soundness concerns if they became apparent. With regard to the last issue, the agencies decided it was sufficient for examiners to monitor arrangements among supervised institutions and evaluate auditor independence case by case. Nevertheless, our examiners have been encouraging individual organizations to consider using firms other than their external auditor.

We have been vigilant in monitoring these outsourcing arrangements because we view the internal audit function as an integral part of bank management. In arrangements in which much of the internal audit is outsourced to the external auditor, the public accountant can be disturbingly close to being a part of the management team. Questions, therefore, arise about his or her independence. One of the corollary benefits we see to an external audit is that the auditor can give an independent assessment of the quality of a bank's own processes for identifying and rectifying internal control deficiencies. We feel that this "check and balance" is diminished when the external auditor acts largely as the bank's internal auditor.

The SEC is looking at internal audit outsourcing through the lens of external auditor independence. We share the SEC's concern. However, we also have a broader issue about the safety and soundness aspects of outsourcing risk-management activities, regardless of who is engaged to perform the task. Contracting a large part of the internal audit work to a third party can be cumbersome, and banks operate in a rapidly changing environment. Furthermore, we see the internal audit function as a core part of banks' risk-management processes. As is true of other aspects of risk management, the internal audit function is an inextricable part of the senior management team's responsibilities.

The SEC's proposal would not eliminate outsourcing or prohibit public accountants from selling internal audit services. Instead, it would generally exclude an auditor from performing both external and internal audits for the same client. Combining the internal and external audits may have some efficiencies because the work can serve a dual purpose of inspecting the system of internal control and expressing an opinion about the financial statements. These efficiencies, however, may come at the cost of the external auditor's appearance of independence. Our view is that auditor independence is more valuable than these asserted efficiencies. We are pleased to see the SEC address this issue on a cross-industry basis. From the perspective of a banking supervisor, we support the SEC's proposal to limit the external auditor's role in the internal audit function of its clients.

Testimony by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Education and the Workforce, U.S. House of Representatives, September 21, 2000

I am pleased to be here this morning to discuss improving mathematics and science education in our elementary and secondary schools. In this regard, I am conveying my own views, not necessarily those of the Federal Reserve.

We are in a period—especially in this country—of rapid innovation that is yielding dramatic changes in the way goods and services are produced and in the ways that they are delivered to final users. These innovations are markedly elevating the skill levels that will be needed if our increasingly sophisticated capital stock is to function effectively in the years ahead. Such considerations are an important element in the ongoing dialogue that our nation's leaders in business, labor, education, and public policy must have if we, together, are to be successful in meeting the rising demand for skilled workers. Success in this area will, in turn, allow us to realize the potential that advances in science and technology have to enhance living standards for a large majority of Americans.

The pressures we face today are not unlike those of a century ago, when our education system successfully responded to the multiplying needs brought about by a marked acceleration in technological innovation. As those advances put new demands on workers interacting with an increasingly more complex stock of productive capital, high-school education proliferated—enabling students to read manuals, manipulate numbers, and understand formulae. Students were thus accorded the skills necessary to staff the newly developing assembly lines in factories and the rapidly expanding transportation systems whose mechanical and automotive jobs required a widening array of cognitive skills. For those who sought education beyond high school, land grant colleges sprang up, as states reacted to the increased skills required by industry and especially agriculture, the dominant occupation a century ago.

By today's standard, the required share of "intellectual workers" in our labor force was then still small. But the technological innovations of the latter part of the nineteenth century began to bring an increasing conceptualization of our gross domestic product—that is, a greater emphasis on value added stemming from new ideas and concepts as distinct from material inputs and demanding physical labor. The proportion of our workforce that created value through intellectual endeavors, rather than predominantly through manual labor, began a century-long climb. In 1900, only one out of every ten workers was in a professional, technical, or managerial occupation. By 1970, that proportion had doubled, and today those types of jobs account for nearly one-third of our workforce.

Moreover, this simple statistic undoubtedly understates the ongoing increase in the analytic content of work, because there also seems to have been a marked increase in the need for conceptual skills in jobs that a decade or so ago would have been easily characterized as fully manual labor. Indeed, the proliferation of information technologies throughout the economy in recent years has likely accelerated this shift in the skill requirements of many occupations away from routine work and toward nonroutine interactive and analytical tasks.

Another signal of the ongoing rise in demand for conceptual skills in recent years has been the increase in relative wages for college-educated workers. During the 1980s and much of the 1990s as demand for skilled workers outpaced the supply, the gap between the wages of the college educated and those with a high-school diploma or less widened considerably. More recently, as labor markets tightened, that gap has leveled off. Real wage gains have picked up for workers with less than a college education. But evidence of a high skills premium for workers with college degrees remains—not just for high-tech workers but across a broad range of occupations.

Innovation boosts output per hour and the freed pool of workers seek to exploit other opportunities. Their success is evidenced by the dramatic decline in the unemployment rate since 1992. The capital invested in any endeavor needs human interaction in order to function. But the new jobs that have been created by the surge in innovation require that the workers who fill them use more of their intellectual potential. This process of stretching toward our human intellectual capacity is not likely to end anytime soon. Indeed, the dramatic increase in the demand for on-the-job technical training and the major expansion of the role of our community colleges in teaching the skills required to address our newer technologies are persuasive evidence that the pressures for increased learning are ongoing.

At the same time that we have been witnessing these substantial increases in the demand for human input, we see little evidence that the general level of human intelligence has changed much—indeed, has changed at all—over the centuries. Fortunately, human beings exhibit a pronounced ability to stretch their intellectual capabilities when called upon. Hence, while the intellectual output of humans may appear to have an upper limit, that limit seems to be sufficiently flexible to assuage most concerns. Nonetheless, in today's economy, it is becoming evident that a significant upgrading or activation of underutilized intellectual skills will be necessary to effectively engage the newer technologies.

Expanding the number of individuals prepared to use a greater proportion of their intellectual capacity means, among other things, that our elementary and secondary students must broaden their skills in mathematics and related sciences. In my experience, competency in mathematics—both in numerical manipulation and in understanding its conceptual foundations—enhances a person's ability to handle the more ambiguous and qualitative relationships that dominate our day-to-day decisionmaking. The study of science, of course, also advances problem-solving skills.

Early success in problem solving clearly enhances the self-esteem of young people and encourages them to engage in ever more complex reasoning. We all tend to gravitate toward those activities that we do best. This is a self-reinforcing process in which early success promotes further effort in a self-perpetuating direction. This is true of playing Little League baseball or the piano, as well as doing math.

If we are to improve the scientific reasoning skills of our young people, we need to encourage a deeper interaction with numbers and their manipulation to a point at which students are confident and proud of their level of skills—in many instances an outcome they may not have anticipated. One is led to wonder whether the early sharpening of intellectual rigor that occurs when young students struggle to negotiate the complexities of doing multiplication and division the old-fashioned way is not without enduring value. A superficial understanding that does not stretch a child's intellectual capacity, in my experience, cannot galvanize an enhanced reality-based sense of self-esteem.

In this regard, it is discouraging that so many students who clearly demonstrate impressive verbal or other conceptual skills find mathematical procedures intimidating. According to a recent survey of student attitudes toward math conducted by the Department of Education, less than half of the high-school seniors surveyed said that they like mathematics, a proportion similar to the proportion who felt that they were good at it. Even more disturbing, these proportions were lower than those in the surveys conducted in 1990. Some research indicates that such "math anxiety" has a negative effect on mathematics performance and that strategies for increasing students' confidence in their mathematical abilities are likely to have additional benefits in terms of achievement.[1] If we can enhance their self-esteem and provide them with a strong curriculum and effective teaching, students may well find themselves rising to a level of analytic capability beyond their previous vision.

There is clearly work to be done, for, as you know, the international comparisons of student achievement in mathematics and science that were conducted in 1995 suggested that our fourth graders were among the highest rated around the world but that our eighth and twelfth graders fell short of their peers in other countries. These comparisons heightened the debate about the quality of education that students are exposed to between the fourth and twelfth grades and raised concerns about prospects for a continuing shortfall of American-educated skilled technicians.

To be sure, substantial reforms in math and science education had been under way for some time prior to the 1995 study and have continued since. It is encouraging that the latest results on trends in academic progress from the National Assessment of Educational Progress show some improvement in both subjects. Perhaps that improvement will show up in a narrowing of the gap between our students and those abroad when the results of a follow-up survey of international comparisons are released later this year. Nonetheless, with the conceptual demands on our workers continuing to rise, substantial further progress needs to be made in raising the analytic competency of our graduating high-school seniors.

Addressing this issue is crucial for the future of our nation. It is obviously just a matter of time before the bulk of our workforce will require a much higher level of problem-solving skills than is currently evident. And while we have been fortunate to attract so many skilled young people to our shores, we must nonetheless strive to increase math and science achievement so that our students can take advantage of the considerable opportunities that will exist in tomorrow's labor market. In that way, we can realize the potential of technological change for bringing substantial and lasting benefits to our economy.

As a final point, I would stress that, even with the increasing intellectual specialization so necessary if we are to move to an ever-higher degree of specialization in our overall economy, we also need to ensure that all students have a broad knowledge of the world at large. Major technological advances are becoming increasingly interdisciplinary. Many academics argue, I believe rightly, that significant exposure to a liberal education—music, literature, and the arts—broadens intellectual awareness, enhancing the ability to reach across disciplines to forge new ideas. Thus, while we must strengthen math and science education to address the requirements of the newer technologies we see on the horizon, we should not lose sight of the advantages of a liberal education.

I do not doubt that many of our most innovative and successful dot-com entrepreneurs are exceptionally, but narrowly, technically focused and educated. But if technology is to fit into a broader society of complex democratic institutions such as ours, it is important that all participants have an adequate awareness of its structure and values. For it is the latter that we as a people endeavor to achieve. Our technologies are only a means to that end. □

1. Hsui-Zu Ho and others, "The Affective and Cognitive Dimensions of Math Anxiety: A Cross-National Study," *Journal for Research in Mathematics Education* (May 2000). This article cites a long literature on "math anxiety" among U.S. students and reports that it also has an adverse effect on students in China and Taiwan.

Announcements

FEDERAL OPEN MARKET COMMITTEE DIRECTIVE

The Federal Open Market Committee at its meeting on October 3, 2000, decided to maintain the existing stance of monetary policy, keeping its target for the federal funds rate at 6½ percent.

Recent data have indicated that the expansion of aggregate demand has moderated to a pace closer to the enhanced rate of growth of the economy's potential to produce. The more rapid advances in productivity also continue to help contain costs and hold down underlying price pressures.

However, the utilization of the pool of available workers remains at an unusually high level. Moreover, the increase in energy prices, though having limited effect on core measures of prices to date, poses a risk of raising inflation expectations. The subdued behavior of those expectations so far has contributed importantly to maintaining an environment conducive to maximum sustainable growth.

Against the background of its long-term goals of price stability and sustainable economic growth and of the information currently available, the Committee believes the risks continue to be weighted mainly toward conditions that may generate heightened inflation pressures in the future.

APPOINTMENT OF CHAIRMEN AND DEPUTY CHAIRMEN OF THE FEDERAL RESERVE BANKS FOR 2001

The Federal Reserve Board announced on September 19, 2000, the appointment of the chairmen and deputy chairmen of the twelve Federal Reserve Banks for 2001.

Each Reserve Bank has a board of directors of nine members. The Board of Governors in Washington, D.C., appoints three of these directors and designates one of its appointees as chairman and a second as deputy chairman. Following are the names of the chairmen and deputy chairmen appointed by the Board for 2001:

Boston
William C. Brainard, Professor, Department of Economics, Yale University, New Haven, Conn., renamed Chairman.
William O. Taylor, Chairman Emeritus, *The Boston Globe*, Boston, Mass., renamed Deputy Chairman.

New York
Peter G. Peterson, Chairman, The Blackstone Group, New York, N.Y., renamed Chairman.
Charles A. Heimbold, Jr., Chairman and Chief Executive Officer, Bristol-Myers Squibb Co., New York, N.Y., renamed Deputy Chairman.

Philadelphia
Charisse R. Lillie, Partner, Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pa., named Chairman.
Glenn A. Schaeffer, President, Pennsylvania Building and Construction Trades Council, Harrisburg, Pa., named Deputy Chairman.

Cleveland
David H. Hoag, former Chairman, The LTV Corporation, Cleveland, Ohio, renamed Chairman.
Robert W. Mahoney, former Chairman, Diebold, Inc., North Canton, Ohio, renamed Deputy Chairman.

Richmond
Jeremiah J. Sheehan, former Chairman and Chief Executive Officer, Reynolds Metals Company, Richmond, Va., renamed Chairman.
Wesley S. Williams, Jr., Partner, Covington & Burling, Washington, D.C., renamed Deputy Chairman.

Atlanta
John F. Wieland, Chief Executive Officer and Chairman, John Wieland Homes and Neighborhoods, Inc., Atlanta, Ga., renamed Chairman.
Paula Lovell, President, Lovell Communications, Inc., Nashville, Tenn., renamed Deputy Chairman.

Chicago
Arthur C. Martinez, Chairman and Chief Executive Officer, Sears, Roebuck and Co., Hoffman Estates, Ill., renamed Chairman.
Robert J. Darnall, Chairman and Chief Executive Officer, Prime Advantage Chicago, Chicago, Ill., renamed Deputy Chairman.

St. Louis
Charles W. Mueller, Chairman, President, and Chief Executive Officer, Ameren Corporation, St. Louis, Mo., named Chairman.
Deputy Chairman—To be announced.

Minneapolis
James J. Howard, Chairman, Xcel Energy Inc., Minneapolis, Minn., renamed Chairman.
Ronald N. Zwieg, President, United Food & Commercial Workers, Local 653, Plymouth, Minn., renamed Deputy Chairman.

Kansas City
Terrence P. Dunn, President and Chief Executive Officer, J.E. Dunn Construction Company, Kansas City, Mo., named Chairman.
Jo Marie Dancik, Area Managing Partner, Ernst & Young LLP, Denver, Colo., named Deputy Chairman.

Dallas
H.B. Zachry, Jr., Chairman and Chief Executive Officer, H.B. Zachry Company, San Antonio, Tex., named Chairman.
Patricia Patterson, President, Patterson Investments, Inc., Dallas, Tex., named Deputy Chairman.

San Francisco
Nelson C. Rising, Chairman and Chief Executive Officer, Catellus Development Corporation, San Francisco, Calif., named Chairman.
Deputy Chairman—To be announced.

Regulation Z: Revision of Requirements for Credit Card Disclosures

The Federal Reserve Board published on September 28, 2000, a final rule amending Regulation Z, which implements the Truth in Lending Act, to revise the disclosure requirements for credit and charge card solicitations and applications.

The act requires that direct mail and other applications and solicitations to open card accounts must disclose the annual percentage rate (APR) and other cost information, generally in tabular form. The Regulation Z amendments are intended to make the disclosures more noticeable and easier to understand.

Under the final rule, disclosures must be in a readily understandable form and readily noticeable to consumers. The APR for purchase transactions must be in eighteen-point type. Cash advance and balance transfer APRs must be included in the table. Balance transfer fees must be disclosed either in or outside of the table. Additional guidance is provided on the requirement that the table be prominently located and on the level of detail about cost information required or permitted in the table. The revisions are effective immediately; compliance is mandatory as of October 1, 2001.

The Board believes that the revisions to the disclosure requirements should help promote increased consumer awareness of the terms and rates of credit card financing.

Joint Agency Proposal to Revise Capital Rules for Residual Interests

The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision on September 27, 2000, requested public comment on proposed revisions to their capital rules for residual interests in asset securitizations or other transfers of financial assets. The proposal was published in the *Federal Register* (September 27, 2000). Comments are due December 26, 2000.

The proposal by the agencies addresses concerns with residual interests raised in the *December 1999 Interagency Guidance on Asset Securitization.* In that guidance, the agencies expressed concern with institutions that were holding inadequate capital against residual interests, were valuing the assets improperly, and were holding excessive amounts of these assets in relation to capital. In the document, the agencies indicated that they were considering limiting the amount of certain residual interests recognized in regulatory capital.

The capital proposal is intended to apply to balance sheet assets retained by a seller (or transferor) that are structured, through subordination provisions or other credit enhancement techniques, to absorb more than a pro rata share of credit loss related to the transferred assets.

The agencies believe that these residual interests expose institutions to concentrated credit risk and may present valuation and liquidity concerns. Recent experience has shown that high concentrations of such residual interests can threaten the safety and soundness of insured depository institutions.

The proposed treatment would amend the leverage and risk-based capital requirements by instituting the following:

1. Requiring that "dollar-for-dollar" risk-based capital be held against residual interests from securitization activities or other transfers of financial assets that are retained on the balance sheet, even if the amount exceeds the full capital charge typically held against the assets transferred.

2. Restricting undue concentrations in such residual interests by placing them within the tier 1 capital sublimit of 25 percent already established for nonmortgage servicing assets and purchased credit card relationships. Any amounts above this limit will be deducted from tier 1 capital.

ISSUANCE BY THE BASEL COMMITTEE OF GUIDANCE ON MANAGING RISK IN BANKING

The Basel Committee on Banking Supervision has issued three papers providing guidance on managing risk in banking. The papers are part of the committee's ongoing effort to strengthen procedures for risk management in banks. They can be obtained from the web site of the Bank for International Settlements (BIS): www.bis.org.

Principles for the Management of Credit Risk encourages banking supervisors globally to promote sound practices for managing credit risk. It identifies sound practices that banks should use in managing the credit risk of all of their activities, both banking and trading.

Best Practices for Credit Risk Disclosure identifies the credit risk information that market participants and supervisors need to meaningfully assess banking organizations. It encourages banks in all countries to provide that information to the public.

Supervisory Guidance for Managing Settlement Risk in Foreign Exchange Transactions stresses that banks should manage foreign exchange settlement risk, like other credit risks of a similar size and duration, through a formal process of measurement and control with active oversight by senior management. This paper builds on the previous work of the BIS Committee on Payment and Settlement Systems; all three papers are revisions of consultative papers issued in July 1999.

The Basel Committee was established in 1975 by the central banks of the Group of Ten countries and operates under the auspices of the BIS in Basel, Switzerland. The committee consists of senior supervisors of the world's largest banking systems and works to strengthen supervisory and regulatory practices worldwide.

PROPOSAL TO REMOVE BARRIERS TO ELECTRONIC CHECK PRESENTMENT

A Federal Reserve System committee outlined on September 7, 2000, a series of cooperative steps the Federal Reserve and the private sector can take to remove barriers to the development of electronic check presentment in the United States.

The steps were identified at a workshop conducted by the Payments System Development Committee on June 29 at the Federal Reserve Bank of Boston. The actions, described in a short paper distributed in September to workshop participants, include the following:

- Further consideration of legal changes that would reduce legal barriers to the electronic collection or return of check while protecting the rights of consumers or others who wish to receive paper checks
- Further efforts to develop and implement technical standards for exchanging electronic or paper substitutes for checks
- Follow-up discussions between the Federal Reserve and the banking industry on the business case for electronic check presentment
- Discussions of new operational concepts involving electronic check presentment and check imaging and of potential ways to test the concepts
- Preparation of educational materials to inform depository institutions and the public about electronic check presentment.

The co-chairs of the committee, Board Vice Chairman Roger W. Ferguson, Jr., and Federal Reserve Bank of Boston President Cathy E. Minehan, emphasized that the initiatives described in the paper were cooperative steps the Federal Reserve can take with the private sector. Some of the ideas will be refined further as the initiatives proceed, they said.

The formation of the committee was announced in July 1999. The other members are Governor Edward W. Kelley, Jr., of the Federal Reserve Board, and First Vice President Jamie B. Stewart, Jr., of the Federal Reserve Bank of New York. First Vice President Patrick K. Barron, of the Federal Reserve Bank of Atlanta, is a liaison to the committee from the System's Retail Payments Office.

MEETING OF THE CONSUMER ADVISORY COUNCIL

The Federal Reserve Board announced on September 25, 2000, that the Consumer Advisory Council would hold its next meeting on Thursday, October 26. The council advises the Board on the exercise of its responsibilities under the Consumer Credit Protection Act and on other matters.

ENFORCEMENT ACTIONS

The Federal Reserve Board announced on October 2, 2000, the execution of a written agreement by and among Independent Southern Bancshares, Inc. Employee Stock Ownership Trust, Brownsville, Tennessee; Independent Southern Bancshares, Inc., Brownsville, Tennessee; and the Federal Reserve Bank of St. Louis.

The Federal Reserve Board announced on September 27, 2000, the execution of a written agreement by and among Olathe Bancorporation, Inc., Olathe Colorado; the Olathe State Bank, Olathe, Colorado; the Federal Reserve Bank of Kansas City; and the Colorado Division of Banking.

The Federal Reserve Board announced on September 22, 2000, the execution of a written agreement by and among the Consolidated Bank and Trust Company, Richmond, Virginia; the Federal Reserve Bank of Richmond; and the Bureau of Financial Institutions of the Commonwealth of Virginia.

CHANGES IN BOARD STAFF

The Board of Governors announced on October 2, 2000, the promotion of Paul Bettge from assistant director to associate director in the Division of Reserve Bank Operations and Payment Systems. Mr. Bettge will oversee the division's Payments System Risk, FR Bank Financial Accounting, FR Bank Planning and Control, Oversight Coordination, and Audit Review Programs.

The Board announced the retirement on September 30, 2000, of Jack Dennis, Jr., assistant director of the Division of Reserve Bank Operations and Payment Systems, after twenty-nine years of service with the Federal Reserve System.

ERRATA: *FEDERAL RESERVE BULLETIN* TABLE

In table 4.411 "Lender Share and Dollar Volume of Residential-Mortgage Originations, 1993–99," which appeared in the financial and business statistics section in the September 2000 issue (vol. 86, p. A72), a production error caused the printing of incorrect numbers in several of the data cells. The corrected version of the table is shown on page 744.

4.411 LENDER SHARE AND DOLLAR VOLUME OF RESIDENTIAL-MORTGAGE ORIGINATIONS, 1993–99[1]

Year	Savings institutions[2]	Commercial banks	Mortgage companies		Credit unions	Dollar volume (billions of dollars)
			Subsidiaries of banks or savings institutions[3]	Independently owned[4]		
Conventional one- to four-family						
1 1993	23	19	19	35	4	871
2 1994	26	21	18	30	5	553
3 1995	26	20	25	26	3	452
4 1996	27	18	26	26	4	548
5 1997	26	15	27	29	3	610
6 1998	25	12	32	28	3	1,124
7 1999	23	14	31	28	4	892
FHA, VA, and RHS one- to four-family						
8 1993	9	8	25	57	1	156
9 1994	10	9	28	52	1	90
10 1995	10	8	33	48	1	76
11 1996	10	7	33	49	1	96
12 1997	9	5	37	49	1	100
13 1998	7	4	39	50	1	149
14 1999	6	4	42	47	1	131
Total, one- to four-family						
15 1993	21	18	20	39	4	1,027
16 1994	24	19	20	33	5	643
17 1995	24	18	26	29	3	528
18 1996	24	16	27	30	3	644
19 1997	24	14	29	31	3	710
20 1998	23	11	32	31	3	1,273
21 1999	21	12	33	31	4	1,022
Total, multifamily						
22 1993	52	33	5	7	3	16
23 1994	56	34	3	4	3	17
24 1995	53	35	4	4	4	13
25 1996	50	34	6	7	3	16
26 1997	48	32	6	12	3	19
27 1998	44	27	11	15	3	25
28 1999	37	26	9	26	3	31
Total, residential						
29 1993	21	18	19	38	4	1,043
30 1994	25	19	19	32	5	660
31 1995	24	19	25	29	3	541
32 1996	25	17	26	29	3	660
33 1997	24	14	28	31	3	729
34 1998	23	12	32	31	3	1,297
25 1999	21	13	32	31	4	1,052

NOTE. Coverage of depository institutions declined in 1997 because of an increase in the asset size threshold for exempt institutions from $10 million to $28 million.

1. Based on the dollar volume of originations reported under the Home Mortgage Disclosure Act. Originations insured or guaranteed by the Rural Housing Service (RHS) include the former Farmers Home Administration.

2. Includes savings and loan associations and savings banks.

3. Includes mortgage company subsidiaries of a bank holding company or a service corporation.

4. Coverage of independently owned mortgage companies expanded in 1993 when those companies with less than $10 million in assets but with 100 or more home-purchase originations were iincluded.

SOURCE. Home Mortgage Disclosure Act, 1990–98

Minutes of the Meeting of the Federal Open Market Committee Held on August 22, 2000

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D.C., on Tuesday, August 22, 2000, at 9:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Broaddus
Mr. Ferguson
Mr. Gramlich
Mr. Guynn
Mr. Jordan
Mr. Kelley
Mr. Meyer
Mr. Parry

Mr. Hoenig, Ms. Minehan, Messrs. Moskow and Poole, Alternate Members of the Federal Open Market Committee

Messrs. McTeer, Santomero, and Stern, Presidents of the Federal Reserve Banks of Dallas, Philadelphia, and Minneapolis respectively

Mr. Kohn, Secretary and Economist
Mr. Bernard, Deputy Secretary
Ms. Fox, Assistant Secretary
Mr. Mattingly, General Counsel
Ms. Johnson, Economist
Mr. Stockton, Economist

Mr. Beebe, Ms. Cumming, Messrs. Goodfriend, Howard, Lindsey, Reinhart, Simpson, and Sniderman, Associate Economists

Mr. Fisher, Manager, System Open Market Account

Messrs. Madigan and Slifman, Associate Directors, Divisions of Monetary Affairs and Research and Statistics respectively, Board of Governors

Mr. Whitesell, Assistant Director, Division of Monetary Affairs, Board of Governors

Mr. Reifschneider, Section Chief, Division of Research and Statistics, Board of Governors

Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs, Board of Governors

Mr. Kumasaka, Assistant Economist, Division of Monetary Affairs, Board of Governors

Mr. Connolly, First Vice President, Federal Reserve Bank of Boston

Ms. Browne, Mr. Hakkio, Ms. Krieger, Messrs. Lang, Rasche, Rolnick, and Rosenblum, Senior Vice Presidents, Federal Reserve Banks of Boston, Kansas City, New York, Philadelphia, St. Louis, Minneapolis, and Dallas respectively

Mr. Sullivan, Vice President, Federal Reserve Bank of Chicago

Mr. Tallman, Assistant Vice President, Federal Reserve Bank of Atlanta

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on June 27–28, 2000, were approved.

The Manager of the System Open Market Account reported on recent developments in foreign exchange markets. There were no open market transactions in foreign currencies for the System's account in the period since the previous meeting, and thus no vote was required of the Committee.

The Manager also reported on developments in domestic financial markets and on System open market transactions in government securities and federal agency obligations during the period June 28, 2000, through August 21, 2000. By unanimous vote, the Committee ratified these transactions.

The Committee then turned to a discussion of the economic outlook and the implementation of monetary policy over the intermeeting period ahead.

The information reviewed at this meeting suggested that economic activity was expanding at a more moderate pace than earlier in the year. Growth in consumer spending had slowed from the outsized gains seen earlier, and sales of new homes and motor vehicles were down appreciably from their earlier highs. However, business spending on equipment and software had continued to surge, and industrial production was still trending upward. Even though expansion in employment had slowed considerably in recent months, labor markets remained extremely tight by historical standards, and some measures of labor compensation had accelerated. With productivity also continuing to accelerate, unit labor costs had changed little and measures of core price inflation had increased only mildly.

Total nonfarm payroll employment dropped appreciably in July after a small increase in June. Much of the weakness over the two months reflected substantial declines in the number of temporary Census workers. In the private sector, payroll gains had diminished somewhat on balance since the first quarter. The slowdown was particularly large in the usually robust services sector. Manufacturing employment, by contrast, had risen on net since the early spring after a lengthy decline. The civilian unemployment rate remained at 4.0 percent in July.

Industrial production registered further gains in June and July. Persisting strength in manufacturing output was accompanied by brisk increases in mining activity and sizable declines in utilities services associated with cooler-than-normal temperatures. In manufacturing, production of high-tech equipment and most other types of business equipment remained robust, but the manufacture of motor vehicles and parts dropped substantially in July after a small June decline. The further step-up in overall manufacturing activity lifted capacity utilization to a rate around its long-term average.

Growth of nominal retail sales picked up appreciably in July after having slowed noticeably in the second quarter. Sales rose sharply at general merchandisers, furniture and appliance stores, and outlets for other durable goods. However, outlays at automotive dealers declined substantially. Growth in household expenditures for services eased somewhat in the second quarter (latest available data), with a drop in spending for brokerage services more than accounting for the slowdown. The recent deceleration in consumer spending occurred against the background of moderate growth of real disposable income in recent quarters and little net change in stock market valuations thus far this year. Nevertheless, consumer sentiment continued to be very buoyant.

With mortgage rates at levels well above their average for last year, total private housing starts fell further in June and July, reaching their lowest level since late 1997. Sales of new single-family homes also were weaker in June (latest data). By contrast, sales of existing homes picked up somewhat in June. Consumers' assessments of homebuying conditions and builders' ratings of new home sales remained soft.

Growth of business fixed investment, while still robust, slowed considerably in the second quarter after having surged in the first quarter. Business spending on equipment and software continued to expand at its very rapid first-quarter pace; investment in high-tech equipment (notably computers and communications equipment), software, and industrial machinery was particularly strong. By contrast, outlays for nonresidential structures weakened in the second quarter after a first-quarter burst.

The book value of manufacturing and trade inventories jumped in the second quarter. Part of the pickup reflected large increases in stocks of motor vehicles at wholesalers and automotive dealerships that left inventory–sales ratios in the motor vehicle sector at relatively high levels. Elsewhere, stockbuilding was only a bit stronger than sales, and inventory–sales ratios generally remained within their relatively low ranges for the preceding twelve months.

The U.S. trade deficit in goods and services changed little in June from its May level, but the deficit for the second quarter as a whole was appreciably larger than its average for the first quarter. Both exports and imports grew rapidly last quarter, though the dollar value of imports increased significantly more than the value of exports. The available information indicated that economic expansion was vigorous in both foreign industrial countries and major developing countries in the second quarter, but recent information pointed to some slowing of growth in these countries.

Recent data suggested that price inflation had picked up slightly. Consumer prices, as measured in the CPI, jumped in June in response to a surge in energy prices but climbed only modestly further in July, when energy prices changed little. Excluding the food and energy components, consumer prices rose moderately in both months. For the twelve months ended in July, core CPI prices increased somewhat more than in the previous twelve-month period. When measured by the PCE chain-price index, however, the acceleration in core consumer prices during the last four quarters was very small. Producer prices exhibited a pattern that was generally similar to that of consumer prices. Prices of all finished goods jumped in June and were unchanged in July, and core producer prices were unchanged on balance in the June–July period. For the twelve months ended in July, core producer prices rose slightly more than in the previous twelve-month period. With regard to labor compensation, recent data suggested an acceleration, on balance, over the past year. Growth in hourly compensation for private industry workers slowed somewhat in the second quarter after having risen sharply in the first quarter. Over the four quarters ended in June, however, the change in compensation rates was substantially larger than the change over the previous four-quarter period. By contrast, the advance of average hourly earnings of production or nonsupervisory workers for the twelve months ended in July was about the same as that for the previous twelve-month period.

At its meeting on June 27–28, 2000, the Committee adopted a directive that called for maintaining conditions in reserve markets consistent with an unchanged federal funds rate of about 6½ percent. In reaching this decision, the members cited increasing though still tentative indications of some slowing in aggregate demand from an unsustainably elevated pace and the likelihood that the policy tightening actions implemented earlier had not yet exerted their full retarding effects on spending. The members agreed, however, that the statement accompanying the announcement of their decision should continue to underscore their view that the risks remained weighted mainly in the direction of rising inflation.

Open market operations were directed throughout the intermeeting period toward maintaining the federal funds rate at the Committee's target level of 6½ percent, and the rate averaged close to the intended level. Other interest rates generally moved lower over the period, extending declines that had begun during the spring. Factors contributing to the most recent reductions included economic data releases that were viewed, on balance, as confirming earlier indications that demand growth was slowing to a more sustainable pace and that price pressures would remain damped, thereby lessening or potentially obviating further tightening of monetary policy. Most broad indexes of stock market prices rose somewhat over the period since the June meeting.

In foreign exchange markets, the trade-weighted value of the dollar increased on net against an index of major currencies, even though interest rate differentials moved against assets denominated in dollars relative to those of other industrial countries. At least in part, the dollar's appreciation reflected heightened market perceptions that economic growth in the United States, though evidently moderating from its rapid pace in recent quarters, was likely to continue to exceed that in most other industrial nations. The foreign exchange value of the dollar dropped slightly against the currencies of other important trading partners, paced by a substantial rise in the value of the Mexican peso in response to brightening political and economic prospects in Mexico.

The growth of domestic nonfinancial debt moderated slightly in the second quarter as a result of an accelerated paydown in federal debt, while private borrowing remained brisk. However, partial data for the period since midyear suggested that the overall growth in household and business borrowing might also be slowing somewhat. The expansion of M2 had declined substantially since late spring, apparently in part as a result of the widening opportunity costs of holding assets in M2 stemming from higher market interest rates and possibly also from slackening growth in household incomes. Sluggish currency flows were another contributing factor. At the same time, M3 accelerated in July and partial data pointed to further robust growth in August. The advance in this broader aggregate seemed to be driven by interest-sensitive inflows to M3's institutional money fund component.

The staff forecast prepared for this meeting suggested that the economic expansion, after slowing appreciably from its elevated pace of recent quarters, would be sustained at a rate a little below that of the staff's upwardly revised estimate of the economy's potential output. The forecast anticipated that the expansion of domestic final demand would be held back to some extent by the waning and eventual disappearance of positive wealth effects associated with outsized earlier gains in equity prices and by higher interest rates. As a result, growth of spending on consumer durables was expected to stay well below that in recent quarters and housing demand to stabilize at a level below recent highs. By contrast, the expansion of business fixed investment, notably in equipment and software, was projected to remain robust, and further solid economic growth abroad was expected to boost the expansion of U.S. exports for some period ahead. Core consumer price inflation was projected to rise somewhat over the forecast horizon, in part as a result of higher import prices but largely as a consequence of some further increases in nominal labor compensation gains that would not be fully offset by growth in productivity.

In the Committee's discussion of current and prospective economic conditions, the members agreed that the information available since midyear provided increased evidence that the growth of aggregate demand and that of aggregate supply were coming into closer balance. The statistical evidence reviewed by the Committee, which was supported by widespread anecdotal reports, pointed to a noticeable slowing in the expansion of demand and economic activity. The slowdown was led by a moderation in consumer spending and some decline in housing expenditures that were occurring even before the full effects of earlier tightening in financial conditions had been felt. At the same time, an apparent continued acceleration in underlying productivity was boosting the economy's potential output growth and, in the context of the leveling out of the broadest measures of equity prices this year, was doing so without the full feedback on demand of previous such accelerations. While prices were rising somewhat more than a year ago, most of this pickup seemed to reflect the direct and indirect effects of higher energy prices, and the increase in productivity growth had kept unit labor costs well contained despite more rapid gains in compensation. These developments had much improved the prospects for a sustainable economic expansion at the prevailing stance of monetary policy. Even so, the members anticipated that labor markets would remain exceptionally tight, and with labor compensation already accelerating and higher energy prices potentially raising inflation expectations, they agreed that the risks remained weighted toward rising inflation.

In the Committee's discussion of the outlook for the economy, members focused considerable attention on the growth rate of the economy's supply potential—its ability to satisfy further growth in demand on a sustainable basis. The widespread application of technological advances and the associated surge in outlays for capital equipment had been fostering an acceleration in labor productivity that seemed to be ongoing. Data on productivity and capital accumulation that had become available in recent months had tended to confirm these trends, and the statistical evidence was reinforced by comments from many business executives and by persistent upward revisions to long-term profit forecasts, which had yet to suggest a leveling out of productivity growth.

Quickening productivity had been the fundamental factor behind the economy's remarkable performance in recent years. Members noted, however, that historical episodes involving major changes in productivity trends had been rare, and the past therefore provided a limited basis for evaluating the course of future productivity developments. Accordingly, considerable caution needed to be exercised in assessing the outlook for productivity and in relying on projections of the economy and prices, which necessarily embodied judgments about this outlook, in making monetary policy. Another source of uncertainty related to the interactions of rising productivity and aggregate demand. Over the course of recent years, accelerating productivity gains had tended to boost aggregate demand by even more than potential aggregate supply owing to the effects of stronger profits on investment spending and, through the rising stock market, on consumption as well. However, the leveling out in stock prices this year suggested that recent increases in productivity growth had been built into market expectations and prices some time ago and were not likely to provide the same impetus to demand going forward as had past productivity acceleration. Members cautioned nonetheless that the possibility that long-term interest rates and equity prices did not yet adequately reflect ongoing productivity gains could not be ruled out, with attendant effects boosting demand. Finally, rising productivity clearly had been a major force in containing inflation in a period of unusually low unemployment rates, and while some of the interactions between productivity growth and wages and prices could be adduced, these interactions involved complex processes that were very difficult to assess given the paucity of prior experience. As a consequence, judgments about labor market pressures, productivity, and inflation had to be viewed with care on the basis of evolving developments.

In their review of the outlook for expenditures in key sectors of the economy, members observed that growth in consumer spending had moderated substantially after a period of exceptional gains in late 1999 and early 2000. The clearest evidence of softening consumer demand tended to be concentrated in sales of motor vehicles and in housing-related durable goods. Available data on reduced growth in consumer spending were supported by anecdotal reports of some slippage in retail sales below expectations in several parts of the country. Factors underlying these developments included diminishing wealth effects after several months of limited changes in equity prices, the cumulative buildup in the stock of motor vehicles and other consumer durables owned by the public, and the constraining effects of higher energy prices on incomes available to be spent on other goods and services. While these factors might well continue to damp the growth of consumer spending going forward, members noted that consumer confidence remained at a high level, consumer incomes were rising, and no anecdotal or other evidence pointed to any marked deterioration in consumer spending that would pose a potential threat to the sustainability of the economic expansion.

The housing sector provided the clearest indication of a response of aggregate demand to firming interest rates, affecting industries producing construction materials and household furnishings. Anecdotal reports from much of the country tended to confirm the statistical evidence of a downward trend in housing starts and home sales. Factors helping to explain the softness in housing, which included the rise that had occurred in mortgage interest rates and reported overbuilding in some metropolitan areas, were expected to continue to exert some downward pressure on housing activity. However, reference also was made to indications that wealth effects were continuing to boost housing demand and prices in parts of the country.

In sharp contrast to developments in the consumer and housing sectors, business outlays for capital equipment and software had continued to rise at exceptional rates, even after several years of rapid growth. The persistence of dramatic expansion evidently reflected expectations that such capital investments would continue to earn very high rates of return. Although the extraordinary rates of increase in investment outlays currently displayed little or no sign of abating, historical patterns indicated that even dramatic surges or shifts in technology invariably lost momentum once the new technology was widely adopted, and rates of return on further investments tended to diminish. There was no reliable way to anticipate the timing of such a downturn and indeed little reason to expect a turnaround over the nearer term in the current investment boom. Members noted, however, that the investment outlook for the nonresidential construction sector presented a much more mixed picture. While such business investment continued to exhibit considerable vigor in many areas, it clearly had weakened in others and for the nation as a whole seemed poised for a relatively subdued advance in coming quarters. One factor pointing in the latter direction was evidence of more cautious attitudes on the part of many business executives and especially their lending institutions.

The strengthening economies of many U.S. trading partners were fostering rising demand for U.S. exports, a trend that seemed likely to persist according to reports from many domestic business contacts. Nonetheless, the nation's current account deficit apparently continued to increase, a development about which members expressed concern in view of the risks that it posed for the foreign exchange value of the dollar and domestic inflation over time. Still, the experience of the past few years clearly demonstrated that the dollar was likely to remain strong as long as foreign investors continued to see attractive investment opportunities in the United States. Past experience also suggested that international capital flows can quickly reverse themselves, but the timing of a major turnaround in the dollar, if any, could not be predicted with any degree of confidence.

In the Committee's discussion of the outlook for inflation, members noted that overall measures of price inflation had picked up to fairly high levels by the standards of recent years, largely as a result of higher energy costs. Moreover, supply factors in major energy markets—petroleum, gas, and electricity generating capacity—did not point to significant relief for some considerable period of time. Still, core consumer price indexes remained relatively damped and had risen only a little over the past year, especially when measured by the PCE chain-price index, and that suggested underlying price pressures remained largely contained. Nonetheless, a number of members were concerned that unusually taut labor markets could begin at some point to show through to increases in labor compensation in excess of productivity gains, pressuring unit costs and prices. Evidence of this had yet to emerge, perhaps because productivity continued to accelerate, but a flattening out of the rate of increase in productivity, even at a high level, could well pose at some point a risk to continued favorable inflation performance. To be sure, there were a number of positive factors in the outlook for inflation, including highly competitive conditions in many markets, stable and relatively favorable expectations with regard to the longer-run inflation outlook, and signs that the remarkable acceleration in productivity was continuing. On balance, however, the members saw a mild upward trend in key measures of inflation as a distinct possibility, albeit one that was subject to considerable uncertainty.

In the Committee's discussion of policy for the intermeeting period ahead, all the members endorsed a proposal to retain the current stance of policy, consistent with a federal funds rate continuing to average about 6½ percent. In their assessment of factors leading to this decision, the members focused on the further evidence that moderating demand and accelerating productivity were closing the gap between the growth of aggregate demand and potential supply, even before earlier Committee tightening actions had exerted their full restraining effects. While the recent rally in domestic financial markets could be viewed as having partially eroded the degree of monetary restraint implemented earlier, real interest rates for private borrowers were still at relatively elevated levels, banking institutions were continuing to report further tightening of their standards and terms for business loans, equity prices had risen only modestly, and the dollar had firmed over recent months. In addition, the last few readings on core inflation had not suggested a further upward drift, unit labor costs were not increasing, and longer-term inflation expectations had been stable for some time. Accordingly, the Committee incurred little risk in leaving the stance of policy unchanged at this meeting and waiting to see how the various factors affecting both supply and demand in the economy unfolded and influenced the prospects for economic activity and prices.

At the same time, many members emphasized that the Committee needed to be prepared to act promptly should inflationary pressures appear to be intensifying, and in the Committee's discussion of the balance-of-risks sentence to be included in the press statement that would be issued after this meeting, all the members agreed that the sentence should continue to indicate that the risks to the economy remained weighted toward higher inflation in the foreseeable future. While the members did not expect underlying inflation to intensify materially, especially over the nearer term, the statement was intended to express their views about the longer term, and over that horizon they agreed that the risks lay in the direction of price acceleration. The risks of higher inflation over time were seen importantly to stem from the unusually taut conditions in labor markets, which could place upward pressures on unit costs and prices, especially once productivity growth leveled out in the future. But members also cited the potential for persistently higher energy prices to affect longer-run inflation expectations, and the possibility that, taking into consideration recent declines in long-term interest rates, financial conditions might not yet be tight enough to balance aggregate demand and potential supply in the face of optimism about the growth of labor and capital income in association with accelerating productivity.

At the conclusion of this discussion, the Committee voted to authorize and direct the Federal Reserve Bank of New York, until it was instructed otherwise, to execute transactions in the System Account in accordance with the following domestic policy directive:

> The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee in the immediate future seeks conditions in reserve markets consistent with maintaining the federal funds rate at an average of around 6½ percent.

The vote also encompassed approval of the sentence below for inclusion in the press statement to be released shortly after the meeting:

> Against the background of its long-run goals of price stability and sustainable economic growth and of the information currently available, the Committee believes that the risks are weighted mainly toward conditions that may generate heightened inflation pressures in the foreseeable future.

Votes for this action: Messrs. Greenspan, McDonough, Broaddus, Ferguson, Gramlich, Guynn, Jordan, Kelley, Meyer, and Parry. Votes against this action: None.

It was agreed that the next meeting of the Committee would be held on Tuesday, October 3, 2000.

The meeting adjourned at 12:50 p.m.

Donald L. Kohn
Secretary

Legal Developments

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 4 of the Bank Holding Company Act

FleetBoston Financial Corporation
Boston, Massachusetts

Order Approving the Acquisition of Shares of a Bank Holding Company

FleetBoston Financial Corporation ("Fleet"), a financial holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under the BHC Act (12 U.S.C. § 1841 *et seq.*) to acquire up to 9 percent of the voting shares of North Fork Bancorporation, Inc., Melville ("North Fork"), a registered bank holding company, and thereby acquire North Fork Bank, Mattituck ("NFB"), both in New York, and Superior Savings of New England, N.A., Branford, Connecticut. North Fork has applied under sections 4(c)(8) and 4(j) of the BHC Act (12 U.S.C. §§ 1843(c)(8) and (j)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire at least 50.1 percent of the voting shares of Dime Bancorp, Inc. ("Dime"), and thereby acquire Dime's wholly owned subsidiary, The Dime Savings Bank of New York, FSB, both in New York, New York ("Dime Savings"), a savings association.[1] Accordingly, Fleet also has filed for approval under sections 4(c)(8) and 4(j) of the BHC Act (12 U.S.C. §§ 1843(c)(8) and (j)) and section 225.24 of the Board's Regulation Y to acquire an ownership interest in a company that engages in the operation of a savings association. The ownership, control, or operation of a savings association is a permissible activity for a bank holding company, pursuant to section 225.28(b)(4) of Regulation Y.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (65 *Federal Register* 16,919 and 49,574 (2000)), and the time for filing comments has expired. The Board has received substantial comments on the proposal from Dime and Dime Savings (collectively "Dime") and Inner City Press/Community on the Move ("ICP"). The Board has considered the application and notice, the comments submitted, and all the other facts of record in light of the factors set forth in sections 3 and 4 of the BHC Act.

Fleet, with total consolidated assets of $181.3 billion, operates depository institutions in Connecticut, Florida, Maine, Massachusetts, New Hampshire, New Jersey, New York, and Rhode Island. Fleet operates the fifth largest commercial banking organization in New York, controlling deposits of $17.6 billion, representing approximately 4.2 percent of total deposits in insured depository institutions in the state ("state deposits").[2] Fleet operates the largest depository institution in Connecticut, controlling deposits of $14.9 billion, representing 25.4 percent of state deposits. In New Jersey, Fleet operates the fourth largest depository institution, controlling deposits of $8.8 billion, representing 6.3 percent of state deposits.

On consummation of its proposal to acquire Dime, North Fork would become the fifth largest commercial banking organization in New York, controlling total deposits of approximately $19.5 billion, representing approximately 4.6 percent of state deposits. North Fork would remain the twenty-fourth largest commercial banking organization in Connecticut, controlling deposits of $363.3 million, representing less than 1 percent of state deposits. North Fork would be the fourteenth largest commercial banking organization in New Jersey, controlling deposits of $2.3 billion, representing approximately 1.6 percent of state deposits.

As noted above, the Board has received comments from Dime objecting to the proposed acquisition. Dime asserts that Fleet presently exercises a controlling influence over North Fork and would continue to do so. Dime also argues that Fleet's investment would have an adverse effect on competition in Suffolk County, New York, where Fleet and North Fork operate. In addition, Dime challenges Fleet's record under considerations relating to the convenience and needs of the communities it serves. Dime requests that the Board convene a public hearing on the proposal and the related North Fork/Dime notice, and Dime claims that Fleet has compromised the integrity of the regulatory process by withholding documents from the Board, providing false or misleading information to the Board, and making improper confidentiality requests in connection with sub-

1. This proposal is discussed in detail in a Board order issued with this order. *See North Fork Bancorporation, Inc.*, 86 *Federal Reserve Bulletin* 767 (2000) ("*North Fork Order*"). North Fork plans to merge its wholly owned subsidiary bank, North Fork Bank, Mattituck, New York, with Dime Savings, and North Fork Bank would be the surviving institution. The merger would be subject to approval by the Federal Deposit Insurance Corporation ("FDIC") under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) ("Bank Merger Act") and by the New York State Banking Department ("NYSBD").

2. Deposit and ranking data are as of June 30, 1999, and reflect acquisitions as of April 20, 2000, for Connecticut and as of March 3, 2000, for New York. Asset data are as of December 31, 1999. In this context, depository institutions include commercial banks, savings banks, and savings associations.

missions to the Board. Dime contends that these issues reflect adversely on the managerial factors that the Board must consider when reviewing proposals under sections 3 and 4 of the BHC Act. The Board has also received comments from ICP that oppose the proposal for similar reasons, and that argue, in particular, that Fleet's and North Fork's records of performance under the Community Reinvestment Act are inadequate.

The Board has considered these comments and the responses submitted by Fleet carefully, and has reviewed the proposal in light of all the information presented and otherwise available to the Board. Based on this consideration and subject to Fleet's commitments and the conditions established by the Board, as described below, the Board has concluded that the proposal satisfies the criteria set out in the BHC Act. Accordingly, the Board has determined to approve the application and notice subject to Fleet's commitments and the conditions established herein by the Board.

Board Policy on Evaluating Contested Proposals and Minority Investments

Section 3(c) of the BHC Act requires the Board to review each application in light of the Act's competitive standards, the financial and managerial resources and future prospects of the companies and depository institutions concerned, and the convenience and needs of the communities to be served. Section 4 of the BHC Act requires the Board to consider whether the nonbanking aspects of the transaction 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.

Although Fleet's acquisition of the North Fork shares is a negotiated transaction, its investment in North Fork is directly related to a proposal by North Fork to acquire Dime, a transaction that Dime's management opposes. The Board has long held that, where the statutory criteria are met, the Board would be acting outside its discretion under the BHC Act to withhold approval based on other factors, such as whether the proposal is acceptable to the management of the organization to be acquired.[3] Consequently, the Board has consistently applied the statutory criteria equally to cases supported by the management of the company to be acquired and to cases that are opposed by management of an institution affected by the proposal.

This case involves a proposal to acquire approximately 9 percent of the voting shares of a bank holding company. The Board previously has indicated that the acquisition of less than a controlling interest in a bank or bank holding company is not an ordinary acquisition for a bank holding company.[4] Nonetheless, the requirement in section 3(a)(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 the acquisition by bank holding companies of between 5 and 25 percent of the voting shares of a bank or a bank holding company.[5] Nothing in the BHC Act, moreover, requires denial of an application solely because a bank holding company proposes to acquire less than a controlling interest in a bank or a bank holding company. On this basis, the Board has on numerous occasions approved the acquisition by a bank holding company of less than a controlling interest in a bank or bank holding company.[6]

Control of North Fork

Under section 2 of the BHC Act, a bank holding company controls a bank or company if:

(1) The bank holding company directly or indirectly or acting through one or more other persons owns, controls, or has power to vote 25 percent or more of any class of voting shares of the bank or company;
(2) The company controls in any manner the election of a majority of the directors or trustees of the bank or company; or
(3) The Board determines, after notice and opportunity for hearing, that the company directly or indirectly exercises a controlling influence over the management or policies of the bank or company.[7]

Dime and ICP contend that a number of circumstances indicate that Fleet has already exercised control over North Fork in connection with the proposed acquisition of Dime without the prior approval of the Board. Dime and ICP also argue that, after Fleet's proposed investment in North Fork, Fleet would control a merged North Fork/Dime for purposes of the BHC Act.

Fleet has applied to acquire only 9 percent of North Fork shares, and would not have any representation of the board of directors of North Fork or the right to control in any

3. *See, e.g., The Bank of New York Company, Inc.*, 74 *Federal Reserve Bulletin* 257, 259 (1988).

4. *See, e.g., North Fork Bancorporation, Inc.*, 81 *Federal Reserve Bulletin* 734 (1995) ("North Fork Bancorporation"); *State Street Boston Corporation*, 67 *Federal Reserve Bulletin* 862, 863 (1981).

5. 12 U.S.C. § 1842(a)(3); 12 C.F.R. 225.11(c).

6. *See, e.g., North Fork Bancorporation* (acquisition of up to 19.9 percent of the voting shares of a bank holding company); *Mansura Bancshares, Inc.*, 79 *Federal Reserve Bulletin* 37 (1993) ("*Mansura*") (acquisition of 9.7 percent of the voting shares of a bank holding company); *SunTrust Banks, Inc.*, 76 *Federal Reserve Bulletin* 542 (1990) (acquisition of up to 24.9 percent of the voting shares of a bank) ("*SunTrust*"); and *First State Corporation*, 76 *Federal Reserve Bulletin* 376 (1990) (acquisition of 24.9 percent of the voting shares of a bank).

7. 12 U.S.C. § 1841(a)(2).

manner the selection of the majority of the board of directors of North Fork.[8] Fleet has stated that it does not intend to exercise a controlling influence over the management or policies of North Fork, Dime, or any of either organization's subsidiaries, and Fleet has provided commitments designed to ensure that its proposed investment is noncontrolling. If Fleet were found to control North Fork, then North Fork would become a subsidiary of Fleet and would be treated as part of the Fleet organization for supervisory purposes.

A. Pre-consummation Control Analysis

Dime and ICP have questioned whether several recent events, in particular various remarks by management of North Fork, indicate that Fleet has already exercised a controlling influence over North Fork in connection with North Fork's bid to acquire Dime and would have a strong influence over a merged North Fork/Dime. Dime also contends that Fleet was selected to participate in this transaction because North Fork allegedly lacks experience in operating a large mortgage company, and Fleet intends to operate Dime's subsidiary mortgage company subsidiary, the North American Mortgage Company, Santa Rosa, California ("NAMCO").[9]

Dime further asserts that the purchase price to be paid by Fleet for the preferred shares and various rights to shares of North Fork and for 17 Dime Savings branches reflects below-market terms and indicates that Fleet exerts a controlling influence over North Fork.

The Board has compiled and carefully reviewed a significant record to understand the relationship between Fleet and North Fork and the involvement of Fleet in the proposed acquisition of Dime. This record includes copies of all documents, correspondence, and records of conversations between officials and representatives of Fleet and North Fork that relate to Fleet's investment in North Fork or the acquisition of Dime by North Fork, and depositions and other information provided by Dime from litigation arising out of North Fork's proposal to acquire Dime. In addition, the Board has reviewed the terms of the agreements between Fleet and North Fork that provide for Fleet's proposed investment in North Fork, Fleet's proposed acquisition of 17 Dime Savings branches, and the pricing of Fleet's proposed investment in North Fork.

After review of the information in the record, the Board does not believe that Fleet exercised or attempted to exercise a controlling influence over North Fork within the meaning of the BHC Act over North Fork before or in connection with the proposal by North Fork to acquire Dime. Although the investment by Fleet in North Fork is essential to North Fork's proposal to acquire Dime, neither the available documents concerning the negotiations between Fleet and North Fork nor the record of previous business relationships between Fleet and North Fork indicate that Fleet has exercised a controlling influence over the management or policies of North Fork. North Fork's proposal to acquire Dime was initiated by management for North Fork before Fleet's proposed involvement. When it became apparent that North Fork would benefit from additional capital in its effort to acquire Dime, North Fork approached Fleet with a proposed sale of its shares. There also is nothing in the record to indicate that North Fork could not have acquired financing from another source.

The terms of Fleet's investment in North Fork appear to be within the range of other proposals. The terms of the investment also might be viewed in light of the short time period available to North Fork to raise capital when North Fork initially made its bid for Dime, and the fact that the investment represents a private placement, which generally results in the buyer's ability to negotiate better-than-market terms because of the seller's unwillingness or inablility to obtain numerous offers. In addition, Fleet proposes to acquire a minority investment (less than 10 percent of the voting shares of North Fork) in a relatively large banking organization—an investment that is somewhat unusual because it is a significant investment without the attributes of control. The price to be paid for the 17 branches also reflects the fact that Fleet did not have an opportunity to perform "due diligence" on the branches before it negotiated the premium.

Fleet and North Fork currently do not have any significant business arrangements with each other that would indicate that the two institutions usually work together in the normal course of business, or that Fleet has, through its business relationships, pressured North Fork to take or refrain from taking any action in connection with North Fork's bid to acquire Dime. North Fork has a history of making investments opposed by management, is an aggressive acquirer, and previously has demonstrated its ability to successfully integrate other financial institutions into its

8. Fleet would receive 250,000 shares of convertible, non cumulative North Fork preferred stock, rights to acquire 7.5 million shares of North Fork common stock, and certain contingent additional rights to purchase North Fork common stock, in exchange for $250 million. Under the terms of the investment, Fleet may convert its preferred shares and exercise its rights at any time. North Fork also has agreed to sell 17 Dime Savings branches to Fleet at an 8 percent premium to deposits if North Fork successfully acquires Dime. Fleet has stated that it proposes to acquire the shares of North Fork as a passive investment, and that Fleet would not control North Fork or Dime after this investment.

9. Dime and ICP cite as evidence of Fleet's controlling influence over Dime the fact that Fleet assisted North Fork in analyzing and planning for the future of NAMCO before North Fork made its tender offer for Dime. The record indicates that Fleet provided general advice to North Fork regarding NAMCO. However, North Fork also had other independent advisors for this transaction, and North Fork retained and exercised full authority to make its own decisions on the transaction. There is no evidence in the record to demonstrate that discussions with Fleet resulted in Fleet's determining or controlling North Fork's investment decisions and there is no evidence of a formal or informal agreement between the parties that involves Fleet in the operation of NAMCO.

Dime also alleges that North Fork would need Fleet's assistance to integrate Dime into the North Fork's operations because Dime is significantly larger than North Fork. Dime Savings is a savings association and its consumer-oriented operations are similar to North Fork's operations. The record indicates that North Fork has integrated other savings associations into its operations successfully. In addition, North Fork has developed a plan for ensuring the successful integration of Dime into North Fork's operations.

own operations.[10] In light of North Fork's past performance integrating institutions and its plans for the integration of Dime in this case, North Fork appears capable of integrating Dime without assistance from Fleet. For these reasons, the Board concludes that Fleet has not exercised or attempted to exercise a controlling influence over North Fork or Dime in connection with the proposal by North Fork to acquire Dime.

B. Post-consummation Control Analysis

In order to avoid a determination that Fleet would have a controlling influence over North Fork in the future, Fleet has made commitments similar to those made by other companies with minority investments[11] and commitments that have been accepted by the Board to mitigate the potential for a controlling influence.[12] These commitments prohibit Fleet from having any director, officer, or employee interlocks with North Fork; proposing directors in opposition to North Fork's management; influencing the dividends, policies or credit decisions of North Fork; or, in general, exercising or attempting to exercise a controlling influence over North Fork.[13]

Fleet has requested that it be permitted to engage in certain business transactions with North Fork after the acquisition of shares of North Fork by Fleet. The Board has monitored and at times limited business relationships between companies in the context of minority investments to mitigate the ability of one party to exercise a controlling influence over another through business transactions and relationships.[14] As noted above, Fleet and North Fork have reported that the companies currently have limited transactions with each other. Fleet contends that because Fleet and North Fork are both large banking organizations with increasing presences in the mortgage banking area, in particular, the two companies would inevitably have business opportunities that are not influenced by Fleet's ownership relationship and that can be documented to be on terms identical to transactions with third parties, such as large loan participations and purchases and sales in the secondary mortgage market. Fleet has committed that these limited relationships would always be on market terms.

Permitting limited business relationships in this case would not appear to allow Fleet to control North Fork for purposes of the BHC Act.[15] As proposed, Fleet's investment in North Fork represents less than 10 percent of North Fork's voting shares, and the passivity commitments made by Fleet diminish Fleet's ability to exercise control over North Fork by reducing the means for Fleet to exercise control. In addition, the amount of business transac-

10. Since 1995, North Fork received Board approval to acquire seven institutions and received Board approval to make minority investments. *North Fork Bancorporation*, 84 *Federal Reserve Bulletin* 477 (1998) (9.9 percent investment in Long Island Bancorp); *North Fork Bancorporation* (19.9 percent investment in Suffolk Bancorp); *North Fork Bancorporation*, 81 *Federal Reserve Bulletin* 509 (1995) (9.9 percent interest in Sunrise Bancorp). All of the minority investments were opposed by the target institution.

11. The commitments are set forth in the Appendix. Dime has questioned whether Fleet's commitments can eliminate the impact of a controlling influence that was previously exercised and believes that Fleet should be limited to a 4.9 percent investment in North Fork. As noted above, the Board does not find that Fleet has exercised a controlling influence over North Fork or that the proposal by Fleet, in the context of the commitments and conditions discussed in this order, to acquire approximately 9 percent of the voting shares of North Fork would, by itself, result in Fleet controlling North Fork for purposes of the BHC Act.

12. *See, e.g., National Bancshares Corporation of Texas*, 82 *Federal Reserve Bulletin* 565, 568 (1996) ("National Bancshares"); *First Southern Bancorp, Inc.*, 82 *Federal Reserve Bulletin* 424, 426 (1996) ("*First Southern*"); *FCFT, Inc.*, 80 *Federal Reserve Bulletin* 1000, 1002 (1994) ("*FCFT*").

13. Commenters allege that Fleet, by virtue of the terms of and contractual rights secured under the stock purchase agreement governing Fleet's investment in North Fork, has already violated the passivity commitments provided to the Board in connection with this application or contractually has the right to do so in the future. Specifically, commenters note Fleet's right to inspect the books of and have access to the management of a combined North Fork/Dime.

Fleet has made passivity commitments to the Board irrespective of any contractual rights it may have under the stock purchase agreement and the order is conditioned on Fleet's compliance with the commitments made to or conditions imposed by the Board. Fleet has represented to the Board and the Department of Justice ("DOJ") that it will not, without prior Board approval, seek to obtain or review any competitively sensitive information about North Fork or any of its subsidiaries, other than information relating to Fleet's planned purchase of 17 Dime Savings branches from North Fork and copies of North Fork's consolidated financial statements. Fleet may not seek or obtain copies of North Fork's consolidated financial statements if they contain any projections, forward-looking statements, or information relating to prices or the business and strategic plans of North Fork or its subsidiaries.

This additional passivity commitment and a clarification of the scope of the passivity commitments discussed above that were provided by Fleet at the request of the DOJ also are set forth in the Appendix.

14. *See, e.g., National Bancshares; First Southern; FCFT.*

15. Dime contends that Fleet's status as the largest shareholder of a widely held company such as North Fork, along with the additional rights, the branch sale and any other business transactions the parties might be permitted to enter in the future, support a finding that a controlling influence would exist in this case.

Dime cites the order in the Amboy Bancorporation application as support for its contention that a minority investment, even when subject to passivity commitments, can result in a control relationship if a significant business relationship between the parties would exist in the future. *Amboy Bancorporation*, 83 *Federal Reserve Bulletin* 507 (1997) ("*Amboy*"). In *Amboy*, however, Amboy Bancorporation, proposed to underwrite and originate real estate and construction loans in the community of the bank in which it was investing, The Community Bank of New Jersey, Freehold, New Jersey ("CBNJ"). CBNJ, a *de novo* bank with no record of independent operations, would have participated in these loans under the proposal. This proposed business relationship did not limit the amount of CBNJ's assets that would represent loans originated or underwritten by Amboy Bancorporation, and the amount of such participation could have represented most or all of the loan portfolio of CBNJ.

In this case, nothing in the Fleet/North Fork proposal or record suggests that it is possible that North Fork would rely on Fleet for most or all of its assets. Although Dime has inferred an intimate and continuous working relationship between Fleet and North Fork based on statements by the management of North Fork, these statements cannot support the conclusion that the future business relationship contemplated under this proposal is comparable to the relationship proposed in *Amboy*.

tions proposed would not appear to be significant to either organization and would not be on terms that would allow one company to force changes in the management or policies of the other company. Moreover, Fleet may not increase its ownership interest in North Fork without further review and approval by the Board.

Because of the unusual circumstances of this investment, the Board concludes that it is appropriate to require Fleet to provide the Board with advance notice of any joint ventures or other investments it may undertake with North Fork, and of any proposal by Fleet to purchase substantially all the assets of North Fork or any of its subsidiaries. This requirement will allow the Board to monitor other types of investments by Fleet in North Fork that might indicate or involve a control relationship and, in particular, will allow the Board to monitor the relationship between Fleet and NAMCO.

The Board has adequate supervisory authority to monitor and enforce Fleet's compliance with its commitments, including the authority to initiate control proceedings against Fleet if facts come to the Board's attention that indicate that Fleet controls North Fork or Dime for purposes of the BHC Act. The Board believes that the commitments provided by Fleet and the condition imposed by the Board substantially mitigate the potential that consummation of the proposal would result in Fleet's ability to exercise a controlling influence over North Fork or Dime. Based on these commitments, conditions, and all other facts of record, it is the Board's judgement that the record does not support a finding that Fleet would acquire control of North Fork, Dime, or any of North Fork's or Dime's subsidiaries, for purposes of the BHC Act through consummation of the proposal.[16]

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any part of the United States. Section 3 also prohibits the Board from approving a proposal that would substantially lessen competition in any relevant banking market unless the anticompetitive effects of the proposal in that banking market are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[17]

The question of whether the acquisition of a minority interest in a competing bank or bank holding company would result in a substantial lessening of competition must be answered in light of the specific facts of record of each case.[18] The Board continues to believe that noncontrolling interests in directly competing banks or bank holding companies under the BHC Act require careful review of the effects of the proposal on competition in the relevant banking markets. The Board previously has noted that one company need not acquire control of another company to substantially lessen competition between them.[19] Based on a close review of the facts in this case, the Board has concluded that, even if the Board were to determine that Fleet would control the merged North Fork/Dime on consummation of the proposal, the elimination of competition between Fleet and merged the North Fork/Dime would not be so substantial as to warrant denial of the application.

A. Definition of the Relevant Geographic Banking Market

The Board has considered carefully the comments and information provided by the commenters in support of an analysis of the competitive effects of the proposal in New York that considers Suffolk County as a separate geographic banking market. They state that consummation of the proposal would substantially lessen competition for banking services in Suffolk County. Dime contends that local customers have no reasonable alternatives for banking services except depository institutions in Suffolk County, and that Fleet, assuming that it would control North Fork, would be able to raise prices or reduce service in Suffolk County without concern about competition from outside this area.

To determine the effect of a particular transaction on competition, it is necessary to designate the area of effective competition between the parties, which the courts have held is decided by reference to the relevant "line of commerce" or a product market and a geographic market. The Board and the courts consistently have recognized that the appropriate product market for analyzing the competitive effects of bank mergers and acquisitions is the cluster of products (various kinds of credit) and services (such as checking accounts and trust administration) offered by

16. Because of the above control determination, the Board also finds that Fleet is not required to obtain Board approval under section 3 of the BHC Act to acquire North Fork as a subsidiary as a result of this proposal. Dime has asserted that Fleet's proposal to purchase branches from North Fork must comply with sections 23A and 23B of the Federal Reserve Act because, in Dime's view, North Fork would be a subsidiary of Fleet and the branch purchases would be covered transactions between two affiliated companies. 12 U.S.C. § 371c. For the reasons discussed above, the Board has not found that North Fork would become an affiliate of Fleet for purposes of sections 23A and B of the Federal Reserve Act on the acquisition of Dime by North Fork.

17. *See* 12 U.S.C. § 1842(c) (1) and (2).

18. *See, e.g., North Fork Order; Mansura; SunTrust.*

19. It is possible, for example, that the acquisition of a substantial ownership interest in a competitor or a potential competitor of the acquiring firm may alter the market behavior of both firms in such a way as to weaken or eliminate independence of action between the organizations and increase the likelihood of cooperative operations. *See The Summit Bancorporation,* 75 *Federal Reserve Bulletin* 712 (1989); *Mansura* at 38. Dime contends that Fleet's proposal is an example of one company (North Fork), paying off another company (Fleet), to prevent it from bidding on a third company (Dime), and, therefore, presents the possibility of the cooperative operation of two commercial banking organizations in the same market. Fleet has been able to bid on Dime since May 17, 2000, however, and the analysis of the competitive effects discussed above reviewed Fleet's proposal as if Fleet would control the merged North Fork/Dime.

banking institutions.[20] In defining the relevant geographic market, the Board consistently has sought to identify the area in which the cluster of products and services is provided by competing institutions and in which purchasers of the products and services seek to obtain these products and services.[21] In applying these standards to bank acquisition proposals, the Board and the courts repeatedly have held that the geographic market for the cluster of banking products and services is local in nature.[22] In delineating the relevant geographic market in which to assess the competitive effects of a banking merger or acquisition, the Board reviews population density; worker commuting patterns; advertising patterns of financial institutions; the presence of shopping, employment, healthcare, and other necessities; and other indicia of economic integration and the transmission of competitive forces among banks.[23] In this case, the Board has defined the retail banking market first by identifying a market core, and then by including within the retail banking market those cities or counties that contain substantial patterns of commuting to the market core and that contain other indicia of economic integration with the market core.

Suffolk County occupies the eastern third of Long Island and has a population of approximately 1.3 million. An extensive network of highways, roads, railways and buses connects Suffolk County to its neighboring county, Nassau County, as well as to Queens and New York City, providing access to the rest of Long Island and New York City. The 1990 Census data indicated extensive commuting between Suffolk County and the rest of the New York Metropolitan area.[24] For example, 28.9 percent of the labor force residing in Suffolk County commuted to work elsewhere in the New York Metropolitan area, including 12.2 percent who commuted to New York City.[25]

To confirm that Suffolk County has not become less integrated with the rest of the market since 1990, the Board has reviewed additional commuting data compiled by an outside consultant.[26] This research suggests no substantial change in commuting rates between Suffolk County and the rest of the Metropolitan New York-New Jersey banking market ("New York banking market") from 1996 through 2000.[27] For example, the average estimated commuting rate between Suffolk County and New York City over that five-year period was 12.4 percent, almost identical to the 1990 Census data. The percentage of Suffolk County residents working elsewhere in the New York Metropolitan area also remained steady over the decade at an average of 29.6 percent for the same period. The high level of commuting between Suffolk County and the rest of the New York Metropolitan area indicates substantial economic integration between the two areas, including access to alternative providers of financial services.[28]

Dime asserts that the distance between Manhattan and Riverhead, the county seat of Suffolk County, is greater than the distances between other cities that the Board has found to be in distinct markets. In particular, Dime cites the Board's decision in *First Security Corporation*, in which the Board concluded that long distances separating cities and the lack of continuous economic development between cities were factors that indicated separate banking markets.[29] In this case, however, the analysis of the market indicates that, in addition to the commuting data discussed above, there is continuous development from Manhattan along Long Island that helps to transmit competitive forces from New York City to eastern Long Island.

In addition to commuting data, the Board has reviewed other data to confirm its determination that Suffolk County is part of the New York banking market. For example, the deposit and loan rates in New York City and Long Island are almost identical, indicating the integration of the market and the ability of competitive forces to be transmitted

20. *See Chemical Banking Corporation*, 82 *Federal Reserve Bulletin* 239 (1996) ("*Chemical*"), and the cases and studies cited therein. The Supreme Court has emphasized that it is the cluster of products and services that, as a matter of trade reality, makes banking a distinct line of commerce. *See United States v. Philadelphia National Bank*, 374 U.S. 321, 357 (1963) ("*Philadelphia National*"); *accord United States v. Connecticut National Bank*, 418 U.S. 656 (1974); *United States v. Phillipsburg National Bank*, 399 U.S. 350 (1969) ("*Phillipsburg National*").

21. *See, e.g., Sunwest Financial Services, Inc.*, 73 *Federal Reserve Bulletin* 463 (1987); *Pikeville National Corporation*, 71 *Federal Reserve Bulletin* 240 (1985); *Wyoming Bancorporation*, 68 *Federal Reserve Bulletin* 313 (1982), *aff'd* 729 F.2d 687 (10th Cir. 1984).

22. *See Philadelphia National; Phillipsburg National; First Union Corporation*, 84 *Federal Reserve Bulletin* 489 (1998); *Chemical; St. Joseph Valley Bank*, 68 *Federal Reserve Bulletin* 673 (1982) ("*St. Joseph*").

23. *See Crestar Bank*, 81 *Federal Reserve Bulletin* 200, 201 n.5 (1995) ("*Crestar*"); *Pennbancorp*, 69 *Federal Reserve Bulletin* 548 (1983); *St. Joseph; Chemical*.

24. The Board has previously recognized that commuting patterns are a significant factor in the determination of a relevant geographic banking market. *See Crestar; St. Joseph; U.S. Bancorp*, 67 *Federal Reserve Bulletin* 60, 61 fn. 2 (1981).

25. Dime argues that Suffolk County should not be included in the New York banking market because of the long commute to New York City. Despite the length of the commute, a substantial number of people commute from Suffolk County to New York City and an even greater numbers commute to the market areas outside the central city.

26. The relevant surveys and data compilation were conducted by Scarborough Research.

27. The New York banking market is defined as New York City; Nassau, Orange, Putnam, Rockland, Suffolk, Sullivan and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, Warren, and a portion of Mercer Counties in New Jersey; Pike County in Pennsylvania; and portions of Fairfield and Litchfield Counties in Connecticut.

28. Dime also argues that because the New York Ranally Metropolitan Area ("RMA") does not include all of Suffolk County, neither should the New York banking market. An RMA generally consists of a defined geographical area with a relatively high population density that is demographically and commercially integrated by commuting, retail, and wholesale trade patterns. The Board has found an RMA definition to be a useful guideline in defining a relevant geographic banking market, but not a proxy for the banking market definition. The Board frequently defines a relevant geographic banking market differently from a related RMA after considering where consumers may practicably turn to obtain banking services.

29. *See First Security Corporation*, 86 *Federal Reserve Bulletin* 122, 125 (2000) (Ogden and Provo-Orem RMAs, both in Utah).

throughout the region. A number of major New York City banks advertise in the telephone book and through newspapers, radio, and television that serve eastern Suffolk County. The loan and deposit rates of many New York City banks are published in the local Long Island newspaper.[30]

After review of these data and other facts of record, including Dime's comments,[31] the Board concludes the record indicates that customers in Suffolk County can practicably turn to providers of banking services in the broader New York area. Based on all the facts of record, including Dime's comments and studies conducted by the New York Reserve Bank, the Board reaffirms that Suffolk County should be included in the New York banking market for purposes of analyzing the competitive effects of this proposal.

On consummation of the acquisition of Dime by North Fork, Fleet and North Fork would continue to compete directly in the New York and New Haven banking markets.[32] In the New York banking market, assuming the fullest effects on competition through a combination of Fleet and the merged North Fork/Dime, the combined organization would control deposits of $45.9 billion, representing 10.5 percent of total deposits in banking or thrift organizations ("depository institutions") in the market ("market deposits").[33] The Herfindahl–Hirschman Index ("HHI") would increase by 51 points to 837.[34]

In the New Haven banking market, assuming the fullest effects on competition through a combination of Fleet and the merged North Fork/Dime, the combined organization would control deposits of $1.8 billion, representing 29 percent of total deposits in depository institutions in the market. The HHI would increase by 274 points to 1684.[35]

The DOJ has reviewed the record of Fleet's application and notice in its entirety and Fleet's initial passivity commitments to the Board. After requiring that Fleet provide an additional passivity commitment and clarify the scope of its initial passivity commitments, the DOJ has advised the Board that consummation of the proposal is not likely to have a significantly adverse effect on competition in any relevant banking market. The Office of the Comptroller of the Currency ("OCC"), FDIC, the NYSBD, and the Con-

30. Dime also argues that Suffolk is a self-sufficient county and its residents do not need to travel for basic goods and services. Although Suffolk County provides many basic services, the commuting data indicate that a substantial number of residents, in fact, do travel outside the county for jobs and have easy access to the rest of the market.

31. Dime also identifies the following as indicia that Suffolk County is a separate banking market from the New York banking market:

(1) The fact that only 6.5 percent of all commercial banks and thrifts with a presence in the non-Suffolk County portion of the New York banking market also have a presence in Suffolk County;

(2) The lack of penetration in Suffolk County by New York's three largest daily newspapers; and

(3) The notion that Suffolk County is its own economic "hub." Dime also cites other cases where the courts have found Suffolk County to be a distinct market. These cases, however, do not involve the geographic market for banking services. *See United States v. Long Island Jewish Med. Ctr.*, 983 F. Supp. 121, 141–42 (E.D.N.Y. 1997) (involving hospital services); Competitive Impact Statement, 64 *Federal Register* 18214, 18222 (Department of Justice 1998) (in the *United States v. Hicks, Muse, Tate & Furst Inc.* litigation) (involving radio advertising time).

The Board also notes that 85 percent of the banks in Suffolk County also have branches in other parts of the New York banking market, and that the circulation rates of *The New York Times* and *The Sunday Times* in Suffolk County are equal to or higher than their circulation rates in some of New York City's boroughs. In addition, Suffolk County is not a "Basic Trading Center" (a city which serves as a center for shopping goods purchases for the surrounding area and serves its surroundings with various specialized services, such as medical care, entertainment, higher education, and a daily newspaper), a "Basic Trading Area" (an area surrounding at least one Basic Trading Center), or a "Principal Business Center" (a city of major economic importance, including, but not limited to Basic Trading Centers), as defined by Rand McNally. *Rand McNally Commercial Atlas*, 1998. Suffolk County is considered a part of the New York Basic Trading Area.

32. The New Haven banking market includes the New Haven RMA.

33. Market share data for all banking markets are as of June 30, 1999. These data are based on calculations that include the deposits of thrift institutions 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, e.g., 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 Dime Savings would be acquired by a commercial banking organization under the proposal, those deposits are included at 100 percent in the calculation of Fleet'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).

34. Under the DOJ Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market is considered unconcentrated when the post-merger HHI is less than 1000 points, and moderately concentrated when the post-merger HHI is between 1000 and 1800. The DOJ 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 DOJ has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial institutions.

35. Dime contends that deposits controlled by North Fork in the New Haven banking market decreased from $363 million, as of June 30, 1999, to approximately $152 million, as of December 31, 1999. Dime believes it likely that Fleet acquired these deposits, but provides no evidence to support this allegation. The Board has calculated the existing and *pro forma* HHI levels in the affected banking markets based on the most recently available (June 30, 1999) summary of deposits data to allow accurate comparisons. Because the Board analyzed deposit data as of June 30, the analysis of the New Haven banking market evaluated the competitive effects of this proposal before the decrease in North Fork's market share.

Dime also argues that Sovereign Bancorp, Inc. ("Sovereign") is not an effective competitor in this market, and, therefore, the HHI data do not reflect competitive realities in New Haven. Sovereign recently entered the New Haven banking market by acquiring branches from Fleet. As previously discussed, thrift institutions have become or have the potential to become significant competitors of commercial banks and their deposits are included in market share calculations on a 50-percent weighted basis. Nothing in the record suggests that its activities are so limited as to justify weighting the deposits held by Sovereign's savings association at less than 50 percent.

necticut Banking Commissioner have been afforded an opportunity to comment and have not objected to consummation of the proposal.[36]

After carefully reviewing all the facts of record, the Board concludes that consummation of the proposal would not result in any significantly adverse effects on competition or on the concentration of banking resources in the banking markets in which Fleet, North Fork, and Dime directly compete or in any other relevant banking market.[37]

Managerial and Financial Considerations and Future Prospects

In acting on an application, section 3(c) of the BHC Act[38] requires the Board, in acting on an application, to consider the financial and managerial resources and future prospects of the companies and depository institutions involved in a proposal, and certain other supervisory factors. The Board has carefully considered the financial and managerial resources[39] and future prospects[40] of Fleet, North Fork, their respective subsidiary depository institutions, and other supervisory factors in light of all the facts of record, including confidential reports of examination and other supervisory information received from the primary federal supervisors of the organizations.

Based on these and other facts of record, the Board concludes that considerations relating to the financial and managerial resources and future prospects of Fleet, North Fork, and their respective subsidiaries are consistent with approval of the proposal, as are the other supervisory factors that the Board must consider under section 3 of the BHC Act.[41]

Record of Performance Under the Community Reinvestment Act

Section 3 of the BHC Act also requires the Board, in every case involving the acquisition by a bank holding company of an interest in a bank or bank holding company, to consider the effects of the proposal on the convenience and needs of the communities to be served. The Board has long held that this analysis includes a review of the performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operations of such institution," and to take this record into account in its evaluation of bank holding company applications.[42]

The Board has reviewed the record of performance of Fleet's subsidiary banks and NFB in light of all the facts of record, including comments received from Dime and ICP. Dime and ICP criticize Fleet's record, based, in part, on their analyses of data filed under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA"). Dime and ICP are concerned about Fleet's record of serving minorities and low- and moderate-income ("LMI") communities and LMI individuals. Specifically, the commenters criticize Fleet for increasing its fees for products used by, and reducing the basic banking services provided to, LMI individuals, especially former LMI customers of BankBoston Corporation, Boston, Massachusetts ("Bank-

36. Dime contends that Fleet, in connection with this proposal, must file applications with New York and Connecticut under applicable state banking law. Fleet maintains that its proposal does not require the approval of the state banking regulator under the laws of New York and Connecticut. *See* N.Y. BANKING § 143-b (2000); CONN. GEN. STAT. § 36a-411 (2000). Neither New York nor Connecticut has required an application, and approval of this proposal is conditioned on Fleet receiving any required state regulatory approval.

37. In analyzing the competitive effects of this transaction, the Board has considered claims by commenters that Fleet has, on occasion, been able to increase fees in certain New England communities where it has few competitors with minimal or no corresponding loss of customers.

38. *See* 12 U.S.C. § 1842(c).

39. Dime has questioned North Fork's ability to integrate Dime's operations into its banking organization and North Fork's ability to operate a mortgage company in light of its lack of experience in this area. These matters are discussed in the *North Fork Order.*

Dime and ICP have also claimed that statements made or submitted to various regulatory agencies by the management of Fleet and North Fork are false or misleading and indicate that management of Fleet and North Fork are not credible. The record does not indicate that either Fleet or North Fork has intentionally, willfully, or recklessly misled the Board. Subsequent submissions by both parties have clarified or corrected the record on a number of matters that have been raised.

On several occasions, Dime and ICP have criticized Fleet's requests for confidential treatment of material submitted in connection with this application as vague, over-inclusive, and made in bad faith in a manner calculated to cause the public portion of the various submissions to be misleading, and they alleged that Fleet and North Fork have shared confidential information and thereby waived any right to confidential treatment of that information. These concerns are properly raised and resolved in the context of the Freedom of Information Act ("FOIA"), 5 U.S.C. § 552, and the Board's Rules Regarding Availability of Information, 12 C.F.R. 261.

40. Dime argues that Fleet should be required to discuss the possible effects of various contractual conditions on the proposals by Fleet and North Fork. Fleet would only make its investment in North Fork if North Fork could acquire Dime, and North Fork has conditioned its exchange offer for Dime on, among other things, the tender of at least a majority of Dime's shares and on North Fork's determination that neither Delaware law nor Dime's shareholders' rights plan apply. The Board reserves the right in the event of significant changes in the terms or circumstances of the proposal to require a new application from Fleet.

41. Dime claims that Fleet has not demonstrated the managerial resources necessary to finance North Fork's bid to acquire Dime or to make and monitor a minority investment. The Board has taken into account all the facts of record in evaluating Fleet's managerial resources in the context of this proposal, including examination reports, the nature of the investment, Fleet's past experience in making and monitoring minority investments, and the limited role that Fleet's management may permissibly play in the operation or policies of North Fork.

42. 12 U.S.C. § 2903.

Boston");[43] the decline in customer service provided to customers of the branches Fleet divested in connection with the BankBoston merger; Fleet's level of lending to LMI and minority individuals and in predominantly minority and LMI communities; and Fleet's small business lending record to minorities and LMI individuals. Commenters note that the contested nature of North Fork's proposed acquisition of Dime could create confusion that might negatively affect the provision of banking services to the relevant communities. Finally, Dime and ICP question whether it is in the public interest to allow Fleet to purchase 17 Dime Savings branches at some later date without determining whether Fleet plans to close, consolidate, or sell the branches.[45]

A. CRA Performance Examinations

As provided in the CRA, the Board evaluates an institution's record of performance in light of examinations of the CRA performance records of the institution conducted by the appropriate federal supervisory agency. An institution's most recent CRA performance evaluation is a particularly important consideration in the application process, because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.[46]

All Fleet's subsidiary banks examined pursuant to the CRA received "satisfactory" ratings at their most recent performance examinations, with the exception of one bank that received an "outstanding" rating.[47] In particular, Fleet National Bank, Providence ("Fleet Bank"), which represents approximately 79.2 percent of the assets controlled by Fleet, and Fleet Bank, N.A., Jersey City, New Jersey ("Fleet-NJ"), received "satisfactory" ratings from the OCC, as of February 1998. North Fork's lead subsidiary bank, NFB, received an overall rating of "outstanding" from its primary federal supervisor, the FDIC, at its most recent CRA performance evaluation, as of September 1999.

B. Fleet's CRA Performance Record

Fleet-NJ.[48] Fleet-NJ designated its assessment area as all of New Jersey, New York City, and Nassau, Suffolk, and Westchester Counties, all in New York. The New York portion of the service area and the 14 northernmost counties in New Jersey are part of the New York-New Jersey Consolidated Metropolitan Statistical Areas ("MSA") ("New York City CMSA") and accounted for 91 percent of the bank's HMDA-reported and small business lending and 92 percent of the bank's consumer lending.

Examiners found that Fleet-NJ made loans throughout its assessment area, including LMI census tracts. During the examination period, Fleet-NJ made 13 percent of the total number of home mortgage loans made by all lenders in LMI census tracts in its assessment area, which represented more than twice the market share of any other lender. The bank also had a commendable record of lending to LMI borrowers and, despite competition from much larger financial institutions in the market, was among the five largest lenders to all borrowers in the New York City CMSA during 1996, and among the two largest home purchase mortgage lenders for LMI borrowers that year. Examiners also noted the bank's success in making consumer loans in LMI census tracts and to LMI borrowers.

Examiners reported that Fleet-NJ offered affordable home mortgage loans under proprietary and government-supported loan programs. For example, the bank's Home Mortgage Opportunity Loan program featured below-market interest rates, no points, a 5-percent downpayment requirement, and required private mortgage insurance for applicants with up to 100 percent of the area's median family income. In 1998, Fleet-NJ made 1,235 loans, totaling $86 million, under this program.[49] Another program

43. Dime has requested that the Board suspend Fleet's ability to increase fees charged to, or change the products used by, the customers of the 17 Dime branches to be sold to Fleet under this proposal and require Fleet to provide the Board with information concerning the fee increases and balance requirements imposed on BankBoston customers, and updates on the progress of the divestitures required in connection with Fleet's acquisition of BankBoston.

The proposal by Fleet to acquire the Dime branches is subject to review by the OCC under the Bank Merger Act. Fleet has stated that all past fee increases were reviewed by senior management at Fleet to ensure that the changes were implemented fairly among all categories of Fleet customers and were not related to the present proposal. Although the Board has recognized that banks help to serve the banking needs of communities by making basic services available free of charge or for a nominal fee, the CRA does not require an institution to provide any specific types of products or services or limit the fees it charges for them. In addition, the Board has received updates on the progress of Fleet's divestitures throughout the divestiture process.

45. As noted above, any proposal by Fleet to acquire branches of Dime would be subject to review by the appropriate federal banking agency under the Bank Merger Act. ICP also claims that Fleet is reducing its investments in New York. ICP contends that Fleet, under the terms of the Community Investment Commitment ("CIC") it made in connection with the BankBoston merger, would expend only 20 to 30 percent of the resources devoted to the CIC in New York, even though 32 percent of Fleet's branches are in New York. The CIC does not require a direct correlation between the percentage of overall CRA-related expenditures going to a particular area and the percentage of overall Fleet branches in that area. Also, Fleet's CIC was not a commitment made to the Board and is not enforceable by the Board.

46. Interagency Questions and Answers Regarding Community Reinvestment, 64 *Federal Register* 23,618 and 23,641 (1999) ("Interagency Questions and Answers").

47. BankBoston, N.A., Boston, Massachusetts, received an overall rating of "outstanding" from its primary federal supervisor, the OCC. Fleet Bank (RI), National Association, Providence, Rhode Island, a credit card bank, has been examined for CRA performance since its formation in November 1997.

48. For reviews of the records of Fleet's other depository institutions under the CRA, which are based on the institutions' most recent performance examinations, *see Fleet Financial Group, Inc.*, 85 *Federal Reserve Bulletin* 747 (1999) ("*Fleet Order*").

49. In late 1998, Fleet-NJ modified this program to focus on low-income borrowers. Between September 1998 and February 1999, the bank made 438 loans, totaling more than $50 million, under the modified program.

featured a 5-percent downpayment requirement, of which up to 2.5 percent could be provided by grants of gifts.[50]

Examiners considered Fleet-NJ to be very responsive to the credit needs of the communities it served in its small business lending, notwithstanding a decline in lending volume between 1996 and 1997. During this period, the bank made 12,975 small business loans, totaling $2 billion. Three percent of the bank's small business loans were in low-income census tracts, which corresponded to the percentage of small businesses in these areas and the percentage of small business loans by lenders in the aggregate.[51] Lending by Fleet-NJ to small businesses also was consistent with lenders in the aggregate, with 43 percent of the bank's small business loans made to firms with annual gross revenues of less than $1 million and in principal amounts of less than $100,000.[52] Through the Fleet INCITY program, the bank offered small business loans featuring reduced documentation, flexible underwriting criteria, and no minimum loan amount.[53]

Examiners characterized Fleet-NJ as an active community development lender, noting that during the examination period the bank made 30 qualified community development loans, totaling $129 million, which resulted in the construction or rehabilitation of 2,300 affordable housing units.[54] Examiners also commended Fleet-NJ for its community development investments. During the examination period, the bank made $41 million of qualified investments and grants and made commitments to provide an additional $74 million of qualified investments.[55]

Examiners found Fleet-NJ's branch network and alternative delivery systems, including proprietary automated teller machines ("ATMs"), telephone banking, and WorkPlace Banking, to be reasonably accessible throughout the bank's assessment area and to persons of all income levels. Eighteen percent of the bank's branches were located in LMI census tracts, compared with the percentage of LMI census tracts and LMI households (26 percent) in the bank's service area. WorkPlace Banking, which offered reduced costs on checking and savings accounts, direct payroll deposit, and reduced rates on loans and ATM-based transactions, was used by 286 companies and approximately 47,700 households throughout the assessment area. Fleet-NJ also offered basic checking and savings accounts and offered to cash U.S. government benefit checks for customers and noncustomers.

Fleet Bank. Fleet Bank operates in Massachusetts, Connecticut, portions of upstate New York, and Rhode Island.[56] During 1996 and 1997, the bank made 53,305 HMDA-reported loans, totaling $4.4 billion, and 27,827 loans to small businesses in amounts less than $1 million ("small business loans"), totaling $4.2 billion, in its assessment area.

Examiners considered Fleet Bank's lending performance to be particularly strong in home purchase lending. In every state, and in most MSAs in its assessment area, the percentage of the bank's loans made in LMI census tracts was higher than the percentage of owner-occupied housing in these census tracts and higher than the percentage of such loans made by lenders in the aggregate. At the time of its most recent examination, the bank used several programs to provide affordable home mortgage loans, including:

(1) Fleet's proprietary Affordable Housing program, which featured reduced downpayment requirements, flexible underwriting standards, and no mortgage insurance requirement for borrowers unable to meet traditional secondary market credit standards;
(2) Local partnership programs offered in cooperation with organizations, such as the Association of Community Organization for Reform Now, Neighborhood Assistance Corporation of America, and Hartford Areas Rally Together, which were similar to Fleet's proprietary programs, but offered more flexible underwriting standards and extensive financial and homebuyer counseling;
(3) Federal-government-sponsored secondary market programs, such as Federal Housing Administration and VA loans and the Fannie Mae Community Home Buyers program, which featured reduced downpayment requirements, flexible underwriting

50. In 1998, Fleet expanded its Down Payment Assistance Grant program to provide grants up to $4,000 to homebuyers who qualify for a Veterans Administration ("VA") loan or a loan eligible for purchase by the Federal National Mortgage Association ("Fannie Mae").

51. The aggregate represents the cumulative lending for all institutions that have reported HMDA data in a given market.

52. During 1998, in New Jersey, small business loans (loans of less than $1 million) by Fleet-NJ increased 16 percent and loans to small businesses (businesses with annual revenues of less than $1 million) increased 39 percent. The percentage of these loans in low-income census tracts and moderate-income census tracts was comparable with the percentage made by lenders in the aggregate.

53. In 1998 and early 1999, Fleet-NJ made $2 million of loans in New York's Chinatown to small businesses that did not satisfy automated lending guidelines.

54. Included among these projects were a $13.1 million construction loan to renovate 12 apartment buildings in East Harlem, creating 133 affordable rental housing units; a $9.7 million construction loan to rehabilitate 29 vacant city-owned brownstone residences in New York; a $3 million construction loan to a nonprofit entity to build a 61-unit apartment complex for the elderly in northern New Jersey; and a $3.5 million construction loan to build 128 units of affordable housing for elderly or disabled LMI individuals in Burlington County in southern New Jersey.

55. After the examination period, Fleet-NJ committed $50 million to fund the construction of affordable housing and $7.5 million for small business loans in the Harlem/South Bronx Empowerment Zone designated by the Department of Housing and Urban Development.

56. At the time of its most recent CRA performance examination, the bank owned several subsidiaries, and the most significant subsidiary for purposes of considering its CRA performance was Fleet Mortgage Group, Inc., Columbia, South Carolina ("Fleet Mortgage"). In addition, Fleet owned the Fleet Community Development Corporation, Providence ("Fleet CDC"), which engaged in community development lending and investments. Home mortgage loans by Fleet Mortgage and loans and investments by Fleet CDC and Fleet Bank's affiliated banks that were made in Fleet Bank's assessment area were included by Fleet Bank for CRA purposes, and thus were considered by the OCC in its examination of Fleet Bank's CRA performance.

standards, and flexible financing of closing costs; and

(4) State- and local-government-supported programs, such as the Jumpstart program in Massachusetts, New York, and Rhode Island, which combined a first mortgage loan from a state housing finance authority with an unsecured loan from Fleet Bank at the same rate to cover downpayment or closing costs.[57] The distribution of consumer lending by Fleet Bank also generally corresponded to the distribution of the population, including LMI borrowers, in the bank's service area.

For small business lending, examiners reported that Fleet Bank was particularly active in Massachusetts and Connecticut, where the percentage of the bank's small business loans in LMI census tracts was generally 3 to 4 percent higher than the comparable percentage for lenders in the aggregate. Through the Fleet INCITY Business and Entrepreneurial Services Group, established to support businesses in LMI areas, Fleet Bank offered small business loans featuring reduced documentation, flexible underwriting, and no minimum loan amount. Fleet CDC also supported small businesses through low-interest loans, longer-term loans, and equity investments in financial intermediaries and nonprofit organizations that focused their efforts on small businesses located in LMI areas. Fleet Bank was an active lender through Small Business Administration ("SBA") programs. Overall, Fleet was the largest SBA lender in New England in 1997 and the second largest in 1998. In the first six months of 1999, Fleet made more small business loans under a new Small Business Administration ("SBA") express approval program than it made in all of 1998, according to Fleet.

Examiners also judged Fleet Bank's performance in making community development investments to be particularly strong. In 1996 and 1997, the bank made \$253 million of qualified investments and grants and committed to make an additional \$269 million. The bank's two largest investments consisted of the purchase of \$220 million of bond anticipation notes to assist state and local governments in funding efforts to revitalize and stabilize economically depressed areas and the purchase of \$60 million of low-income housing tax credits. In 1997, Fleet Bank entered into an agreement with Neighborhood Housing Services of America ("NHSA") to purchase up to \$10 million of affordable first and second mortgages and home improvement loans originated and underwritten by NHSA's local affiliates in Fleet's assessment area. Fleet also committed to make grants of \$1.4 million of working capital over three years to NHSA's affiliated Neighbor Works Organizations to support neighborhood revitalization and affordable housing development. In addition, Fleet Bank made a grant of \$200,000 in 1997, payable over three years to Local Initiatives Support Corporation to support the participation of seven rural New England community development corporations in Maine, Massachusetts, New Hampshire, and upstate New York in its programs.

According to examiners, Fleet Bank's branch network, ATMs, and its alternative delivery systems provided consistent service and reached consumers in all geographic areas, and its products and services were designed to serve all consumers, including LMI individuals. For example, the bank's Basic Checking program allowed up to eight transactions per month for a minimal opening deposit and small monthly fee. Approximately 600 companies participated in the bank's WorkPlace Banking program, which provided basic banking services at reduced cost to approximately 53,000 households. The program was provided through branches, ATMs, and telephone banking system, thereby enhancing access to services for certain predominantly minority communities. The bank also offered seminars for first-time LMI homebuyers and small business owners.

C. Fleet's HMDA Data

The Board has carefully considered the lending records of Fleet and North Fork in light of comments on HMDA data reported by subsidiaries of the organizations. Comments by Dime and ICP express concern about Fleet's HMDA-reportable loans to minorities and LMI individuals. In addition, Dime alleges that Fleet's submission to the Board misrepresented Fleet's lending record relative to Dime's record by comparing HMDA data for the two companies throughout the New York banking market, instead of limiting the comparison to the New York Metropolitan Area where Dime has a strong presence.[58]

The Board has carefully considered the 1997, 1998, and 1999 HMDA data reported by Fleet. The data indicate that Fleet made a significant number and amount of housing-related loans in each of these years, including in LMI areas and to LMI individuals, and minorities. The data generally show that overall HMDA loan applications and lending activities by Fleet increased from 1998 to 1999. Fleet's HMDA lending increased in the New York, New York City MSA, and Nassau-Suffolk MSA assessment areas. Although the data revealed an overall decline in HMDA lending activity in the New Jersey assessment area in certain categories, the decreases did not occur disproportionately across any particular racial or income-level categories.

The increase in the volume of Fleet's applications and originations benefited minorities and LMI areas and individuals, according to the 1999 HMDA data. African Americans, Hispanics, LMI areas and LMI individuals all shared in Fleet's increased lending activity in the New York, New

57. Under the Jumpstart program, Fleet Bank made 2,173 loans in 1998, totaling \$254.1 million; 1,950 loans in 1997, totaling \$202.7 million; and 3,338 loans in 1996, totaling \$325.9 million.

58. Fleet's analysis considered HMDA data for all Fleet subsidiaries that operate in the New York and New Jersey banking markets. The Board's review of Fleet's HMDA data has excluded BankBoston's HMDA data, because Fleet and BankBoston reported separately for 1999 and BankBoston does not serve the assessment areas under review.

York City MSA, and Nassau-Suffolk MSA assessment areas. The 1999 data also showed significant increases in Fleet's lending in predominantly minority census tracts in all four assessment areas reviewed in terms of number of applications and originations and percentage of total applications and originations in each assessment area.[59]

The data, however, reflect certain disparities in the rates of loan applications, originations, and denials among members of different racial groups and persons at different income levels, both generally and in certain states and local areas. The Board is concerned when an institution's record indicates such disparities in lending, and believes that all banks are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound banking, but also equal access to credit by creditworthy applicants, regardless of their race or income level.

The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community because the data cover only a few categories of housing-related lending.[60] HMDA data, moreover, provide only limited information about the covered loans. HMDA data, therefore, have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has not adequately assisted in meeting its communities' credit needs or has engaged in illegal discrimination in making lending decisions.

Because of the limitations of HMDA data, the Board has carefully considered the data in light of other information, including examination reports that provide an on-site evaluation of compliance by the subsidiary banks of Fleet and North Fork with fair lending laws and the overall lending and community development activities of the banks, as well as fair lending examinations of Fleet Mortgage, which is a subsidiary of Fleet Bank. Examiners found no evidence of prohibited discrimination or illegal credit practices at the subsidiary banks of Fleet or at Fleet Mortgage. Fleet Mortgage's fair lending policies, procedures, training programs, and internal monitoring programs were considered to be satisfactory.[61]

The Board also considered the HMDA data in light of the overall lending record of Fleet, including the lending and other programs outlined above. As the discussion illustrates, Fleet has implemented a variety of programs that help to meet the credit needs of the community in areas other than home mortgage lending, including, in particular, small business loans and consumer credit.

D. Small Business Lending Data

Fleet reported an increase in its number and percentage of total loans made to small businesses in each market reviewed. Increases from 1998 to 1999 ranged from 17 percent in the Nassau-Suffolk MSA assessment area to 11 percent in the New Jersey assessment area. In the New York City MSA assessment area, Fleet increased its number of loan origination to small businesses by 16 percent from 1998 to 1999.

Fleet's volume of loans to small businesses in predominantly minority census tracts in 1999 remained relatively unchanged in all four markets. Specifically, slight increases were reported in three of the four markets reviewed, while a slight decrease was reported in the Nassau-Suffolk MSA assessment area. Similarly, its percentage of total originations in predominantly minority census tracts remained essentially unchanged from the 1998 levels. In 1998, the last year for which aggregate data are available, the volume of lending in the Nassau-Suffolk MSA, New Jersey, and New York City MSA assessment areas exceeded the aggregate percentage of lending to minority small businesses, while the volume in the New York assessment area slightly lagged the aggregate.

Fleet's volume of loans to small businesses in LMI census tracts in 1999 increased significantly from 1997 levels in all four markets under review and has increased, or remained at the higher 1998 levels, in three of the four markets, with the Nassau-Suffolk MSA assessment area as the exception. Volumes from 1997 to 1999 increased 28 percent in the Nassau-Suffolk MSA assessment area, 55 percent in the New York assessment area, 75 percent in the New York City MSA assessment area, and 91 percent in the New Jersey assessment area. From 1998 to 1999, Fleet's percentage of total loans made to small businesses in LMI census tracts declined slightly in all four assessment areas reviewed from 1998 to 1999, however, Fleet's percentage either approximated or exceeded the aggregate in all four assessment areas in 1998 and 1999.

Fleet's overall volume of originations of small loans to businesses increased from 1997 through 1999. The New York, New York City MSA, and Nassau-Suffolk MSA

59. In addition to playing a role in Fleet's increased lending in predominantly minority census tracts, in minority census tract lending, Fleet's HMDA lending in the New Jersey assessment area also demonstrated improvement in the following areas: number of originations to African Americans; number of applications from LMI areas; and number of applications from LMI individuals.

60. The data, for example, do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and 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 levels relative to income (reasons most frequently cited for a credit denial) are not available from HMDA data.

61. One commenter has alleged that Fleet made home purchase and home improvement loans to minority and LMI borrowers in the Boston area for more than the fair market value of the property, which resulted in excessive debt service and an increased risk of loan default and foreclosure. The Board previously has considered these allegations in connection with other applications by Fleet. *See Fleet Order; Fleet Financial Group, Inc.*, 84 *Federal Reserve Bulletin* 227 (1998); *Fleet Financial Group, Inc.*, 82 *Federal Reserve Bulletin* 558 (1996); *Fleet Financial Group, Inc.*, 82 *Federal Reserve Bulletin* 50 (1995). Fleet continues to deny any complicity with redevelopers in these transactions and maintains that all loans were made on the basis of independent appraisals. The Board referred the commenter's complaints and evidence to the OCC. The OCC, the primary federal supervisor of Fleet Bank and its mortgage company subsidiary, has sufficient supervisory authority to address violations of law by Fleet involving its home mortgage lending programs if violations are found.

assessment areas experienced increases in volume each year from 1997 to 1999, while the volume in the New Jersey assessment area experienced a significant increase from 1997 to 1998, before leveling off in 1999.

Fleet's volume of originations of small loans to businesses originated in predominantly minority census tracts in 1999 remained relatively unchanged in all four markets. Specifically, slight increases were reported in three of the four markets reviewed, while a slight decrease was reported in the New Jersey assessment area. Similarly, its percentage of total originations in predominantly minority census tracts remained essentially unchanged from the 1998 levels, except for the New York City MSA assessment area, where there was a slight decline. In 1998, the volume of lending in the Nassau-Suffolk MSA, New Jersey, and New York City MSA assessment areas exceeded the aggregate percentage of lending to minority small businesses, while the volume in the New York assessment area slightly lagged the aggregate.

Fleet's volume and percentage of total small loans to businesses originated in LMI census tracts remained relatively unchanged from 1997 through 1999. Slight increases in volume were reported in the New Jersey and New York City MSA assessment areas, while slight declines were reported in the New York and Nassau-Suffolk MSA assessment areas. An analysis of its percentage of total small loans to businesses originated in LMI census tracts also demonstrates a relatively static pattern, with slight declines in the New York, Nassau-Suffolk MSA, and New York City MSA assessment areas, and a slight increase in the New Jersey assessment area. Fleet's 1997 and 1998 levels of small loans to businesses exceeded the aggregate level for originations in LMI census tracts, with the exception of the New Jersey assessment area, which slightly lagged aggregate levels.

E. North Fork's CRA Performance Record

Dime and ICP also have criticized the CRA performance record of North Fork in connection with Fleet's application. The Board carefully analyzed North Fork's CRA performance record and comments on its record in connection with North Fork's proposal to acquire Dime.[62]

NFB received an overall rating of "outstanding" from its primary federal supervisor, the FDIC, at its most recent evaluation for CRA performance, as of September 1999. As of June 1999, the NYSBD rated North Fork Bank's performance "outstanding" in helping to meet the credit needs of its entire community pursuant to New York law.[63] Because Fleet would not control North Fork as a result of this proposal, Fleet would not be able to influence the CRA policies of North Fork.

F. Closure and/or Consolidation of the Dime Branches

Commenters criticize Fleet for not indicating in its application or subsequent submissions whether it would consolidate, close, or sell any of the 17 Dime Savings branches it intends to purchase as a future date under the proposal. Fleet has indicated that, until Fleet or North Fork could perform due diligence on the branches, it will be unable to make a decision on such matters.

The acquisition of the Dime branches by Fleet is subject to review by the appropriate federal banking supervisor under the Bank Merger Act. The Board also has considered that federal banking law provides a specific mechanism for addressing branch closings. Federal law requires an insured depository institution to provide notice to the public and to the appropriate federal supervisory agency before closing a branch.[64] The law does not authorize federal regulators to prevent the closing of any branch. In addition, any branch closings resulting from this proposal would be considered by the appropriate federal supervisor at the relevant institution's next CRA examination.

G. Conclusion on Convenience and Needs

As discussed, the record demonstrates that Fleet and North Fork have established records of performance in helping to meet the convenience and needs of the communities they serve. On balance, and based on a review of the entire record, the Board concludes that convenience and needs considerations, including the records of CRA performance by both organizations' subsidiary depository institutions, are consistent with approval of the proposal.

Nonbanking Activities

Fleet also has filed a notice under section 4 of the BHC Act (12 U.S.C. §§ 1843(c)(8) and (j)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire an ownership interest[65] in North Fork, a company that pro-

62. *See North Fork Order* (for a detailed analysis of North Fork's CRA and HMDA performance record performance record).

63. North Fork also owns Superior Savings of New England, Branford, Connecticut, which received an overall rating of "satisfactory" from its primary federal supervisor, the FDIC, at its most recent evaluation for CRA performance, as of May 1996 (when it was known as Branford Savings Bank). On June 6, 2000, Superior Savings received approval from the Office of the Comptroller of the Currency to convert to a national bank charter under the name Superior Savings of New England, National Association.

64. Section 42 of the Federal Deposit Insurance Act, 12 U.S.C. § 1831r-1, as implemented by the Joint Policy Statement Regarding Branch Closings (64 *Federal Register* 34,844 (1999)), requires that a bank provide the public with at least a 30-day notice and the appropriate federal supervisory agency with at least a 90-day notice before the date of the proposed branch closing. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

65. Dime claims that Fleet and North Fork are acting in concert to acquire Dime and, consequently, that Fleet must provide the Board with notice to control Dime. As discussed above, the Board has found that Fleet has not exerted a controlling influence over North Fork or Dime, and that the passivity commitments provided by Fleet would prevent Fleet from controlling North Fork or Dime in the future. Accordingly, the notice filed by Fleet satisfies the requirements of section 4 with regard to Fleet's proposal to acquire 9 percent of North

poses to engage in the operation of a savings association, Dime Savings.[66] Section 4(j) of the BHC Act requires that, in reviewing a proposal to acquire an interest in a savings association, the Board must consider whether the acquisition "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."[67]

As part of its evaluation of these factors, the Board considers the financial and managerial resources of the notificant and its subsidiaries, including the companies to be acquired, and the effect of the proposed transaction on those resources. For the reasons noted above, and based on all the facts of record, the Board has concluded that financial and managerial factors are consistent with approval of the notice. As discussed above, the Board also has considered the competitive effects of Fleet's proposal to acquire an interest in a company that proposes to engage in the operation of a savings association in light of all the facts of record, including the public comments received.[68] Based on all the facts of record, the Board concludes that this proposal would not result in any significantly adverse effects on competition from the nonbanking acquisitions proposed in this transaction.

Fleet asserts that consummation of the proposal would result in the public benefits to be derived from permitting capital markets to operate so that bank holding companies can make potentially profitable investments in financial institutions and from permitting banking organizations to allocate their resources in the manner they consider to be most efficient when such investments are consistent with the relevant considerations under the BHC Act.[69] The Board also has carefully considered Dime's contention that Fleet and North Fork have disrupted the operation of the capital markets and interfered with a proposal by Dime to acquire Hudson United Bancorp, Mahwah, New Jersey.[70] Dime's contentions in this area are misplaced. The information provided and offers made by Fleet and North Fork can be and are being evaluated by the market. Although there are certainly extra costs to the organizations associated with an offer to acquire an organization with management that has not consented to be acquired, broader public benefits result from allowing shareholders to make their own determination on the desirability of these transactions. In addition, the public benefits to be derived from the North Fork/Dime proposal would be facilitated by Fleet's financing of that proposal.

Moreover, the record does not indicate that consummation of the proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that would not be outweighed by its likely public benefits. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(j)(2)(A) of the BHC Act is favorable and consistent with approval of Fleet's notice to acquire an interest in the merged North Fork/Dime.

Fork. Fleet may be required to file an additional notice to acquire added shares of, or control over, North Fork.

66. Dime asserts that Fleet's notice under section 4 is inadequate for several reasons, including the following: the notice is ambiguous because it does not clearly indicate under which subsection of Regulation Y it has been filed; the public notice provided by Fleet is ambiguous and published in an untimely fashion; the notice does not incorporate by reference the DOJ-requested letter by Fleet that clarifies the scope of Fleet's passivity commitments to the Board; the notice fails to address any effects that Fleet's investment in North Fork would have on Dime Savings; the notice does not discuss the likely effects that North Fork's efforts to acquire Dime has had on Dime Saving's safety and soundness; and the notice does not address the effect that North Fork's efforts to acquire control of Dime, through Dime's board of directors rather than through North Fork's tender offer, would have on Fleet's role in the proposal or the effect that the March 31, 2000, bilateral discretionary termination date might have on Fleet's investment in North Fork and North Fork's attempt to acquire Dime. Dime also raises the question of whether the updated financial statements provided in connection with Fleet's notice were sufficiently current and whether the financial statements reflect different assumptions or information of importance to the Board. Dime requests that Fleet's notice be withdrawn until its alleged inadequacies are addressed, or, in the alternative, that Fleet's request that its notice be processed as quickly as possible be denied.

Fleet's public notice is sufficient to provide affected communities an opportunity to comment on Fleet's acquisition of an indirect interest in Dime Savings through North Fork's proposed acquisition of at least a majority of Dime's stock. In fact, the Board received comments from Dime and others on aspects of Fleet's proposal related to Dime in response to the public notice. Fleet's notice meets the filing requirements established and described in section 4 of the BHC Act and the Board's Regulation Y, and Fleet has provided all information required or requested by the Board in connection with the notice. 12 C.F.R. 225.24. Accordingly, the Board concludes that the record for Fleet's notice is complete and provides the Board with all the information necessary to approve Fleet's notice pursuant to section 4 of the BHC Act.

67. 12 U.S.C. § 1843(j)(2)(A).

68. Because the section 4 notice filed by Fleet relates only to the operation by North Fork of Dime Savings, Dime asserts that Fleet has not adequately detailed how it may permissibly acquire interests in the various nonbanking subsidiaries of North Fork and Dime under the BHC Act. Fleet, as a financial holding company, may acquire interests in companies other than a bank (as defined in the BHC Act) or a savings association pursuant to section 4(k) of the BHC Act without prior Board approval. To the extent that Dime's subsidiaries may be engaged in activities that are impermissible for bank holding companies to conduct under the BHC Act, North Fork has committed to conform all these activities to the limitations of section 4(c)(8) of the BHC Act within two years of North Fork's acquisition of Dime. *See North Fork Order.*

69. *See, e.g., North Fork Bancorporation, Inc.,* 84 *Federal Reserve Bulletin* 477, 480 (1998); *Mercantile Bancorporation, Inc.,* 83 *Federal Reserve Bulletin* 683, 688 (1997); *South Central Texas Bancshares, Inc.,* 83 *Federal Reserve Bulletin* 47, 51 n. 20 (1997).

70. Dime claims that the Fleet/North Fork proposal might result in Fleet's earning profits at the expense of remaining shareholders. However, Dime provides no evidence to substantiate its claim, this assertion, and the record does not otherwise support the assertion.

Dime also argues that there are numerous negative effects of the contest for control of Dime. Dime states that its management has spent a considerable amount of time and resources defending against North Fork's efforts to acquire Dime to the detriment of the communities served by Dime Savings.

Other Issues

Dime has argued that the Board should deny the related applications by Fleet and North Fork in connection with North Fork's attempt to acquire Dime on the basis that it is unlikely that North Fork and, therefore, Fleet, would be able to consummate its proposal within the three-month period normally provided by the Board.

The BHC Act does not require that consummation of a transaction occur within a specified period of time. Generally, the Board requires an applicant to consummate an approved transaction within three months from the date of the Board's action to ensure that there are not substantial changes in an applicant's condition that might require the Board to reconsider its approval.

Although the Board has a policy against intervening in contests for corporate control, it recognizes that when the ownership of an institution is in doubt over a prolonged period of time, the personnel and financial resources of both the offeror and the target are subject to strain. The Board has considered the effects of the contest for control of Dime on the safety and soundness of all the institutions involved in the proposal, as well as on the other statutory factors the Board is required to consider under the BHC Act, and has determined that these considerations are consistent with approval of Fleet's application and notice. If Fleet requests an extension of the three-month period provided to consummate the proposal, the Board will examine carefully all relevant circumstances surrounding the proposal, and may require Fleet to provide supplemental information necessary to allow the Board to evaluate the financial and managerial resources of Fleet and North Fork at the time any extension is requested, as well as the impact of any extension on those financial and managerial resources and on the other statutory factors that the Board must consider under the BHC Act. The Board reserves the right in the event of significant changes in the terms or circumstances of the proposal to require a new application from Fleet.[71]

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application and notice should be, and hereby are, approved.[72] The Board's approval is specifically conditioned on compliance by Fleet with all the commitments made in connection with this application and notice and with the conditions in this order. In addition, the Board's approval is conditioned on Fleet's investment in North Fork not exceeding $250 million as proposed in the application and notice by Fleet. The Board's determination on the nonbanking activity also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders thereunder. For purposes of this action, the commitments and conditions relied on by the Board in reaching its 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 shall not be consummated before the fifteenth calendar day after the effective date of this order, and the 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.

By order of the Board of Governors, effective September 27, 2000.

Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Meyer and Gramlich. Absent and not voting: Governor Kelley.

JENNIFER J. JOHNSON
Secretary of the Board

71. *See also* the discussion on the consummation period in the *North Fork Order.*

72. Dime has requested a hearing on the proposal. The BHC Act does not require that the Board hold a public hearing on applications or notices, although the Board may do so when appropriate. Section 4 of the BHC Act and the Board's rules thereunder provide for a hearing on an application to acquire a savings association if there are disputed issues of material fact that cannot be resolved in some other manner. *See* 12 C.F.R. 225.25(a) (2). In addition, under its rules, the Board may, in its discretion, hold a public hearing or meeting on an application or notice to clarify factual issues related to the application and notice and to provide hearing or meeting on an application or notice to clarify factual issues related to the application and notice and to provide an opportunity for testimony, if appropriate. *See* 12 C.F.R. 262.3(e) and 262.25(d). Dime requests a hearing for two reasons:

(1) To determine whether Fleet would control North Fork; and
(2) To determine whether alleged credibility questions about the management of Fleet and North Fork preclude the approval of the application and notice on managerial grounds.

The Board has carefully considered Dime's request for a hearing in light of all the facts of record. The Board has accumulated a substantial record in this case that includes examination information, supervisory information, public records, and information submitted by Fleet and North Fork. Dime also has had ample opportunity to present its views, and has submitted substantial written comments that have been carefully considered by the Board in acting on the proposal. Dime's request for a hearing or meeting fails to demonstrate why Dime's numerous written presentations do not adequately present its evidence, allegations, and views on this proposal. Moreover, the Board does not believe that a public meeting or hearing would clarify or enhance the record as it relates to the limited factors that the Board is required by statute to review in this case. For these reasons, and based on all the facts of record, the Board has determined that a public hearing or meeting is not required or warranted to clarify the factual record for the proposal, or otherwise warranted in this case. Accordingly, the request for a hearing or meeting on the proposal is hereby denied.

In addition, Dime has alleged that the Board's *ex parte* communication policies have not been complied with in this case. The Board conducted an internal investigation of this matter and has determined that Board and Reserve Bank staff have followed all applicable policies.

Appendix

Fleet hereby commits that it will not, without the prior approval of the Board or its staff, directly or indirectly:

(1) Exercise or attempt to exercise a controlling influence over the management or policies of North Fork or any of its subsidiaries;[1]

(2) Seek or accept representation on the board of directors of North Fork or any of its subsidiaries;

(3) Have or seek to have any employee or representative serve as an officer, agent, or employee of North Fork or any of its subsidiaries;

(4) Take any action that would cause North Fork or any of its subsidiaries to become a subsidiary of Fleet, or any of its subsidiaries;

(5) Acquire or retain shares that would cause the combined interests of Fleet and its subsidiaries, and their respective officers, directors, and affiliates, to equal or exceed 9.0% of the outstanding voting shares of North Fork Common Stock (it being understood that, in making such calculation, Fleet shall include:

  (a) Such shares of North Fork Common Stock as may be acquired by conversion of the North Fork Preferred or the exercise of the Rights, *regardless* of whether such North Fork Preferred or Rights are immediately convertible into shares of North Fork Common Stock as an economic matter, and

  (b) Such shares of North Fork Common Stock as may be held in a fiduciary capacity by Fleet subsidiaries and are not exempt under 12 C.F.R. § 225.12(a) due to the fact that they are held with sole voting power);

(6) Propose a director or slate of directors in opposition to a nominee or slate of nominees proposed by the management or the board of directors of North Fork or any of its subsidiaries;

(7) Solicit or participate in soliciting proxies with respect to any matter presented to the shareholders of North Fork or any of its subsidiaries;

(8) Attempt to influence the dividend policies or practices of North Fork or any of its subsidiaries (other than with respect to Fleet's right to obtain payment of dividends under the terms of the North Fork Preferred);

(9) Attempt to influence the investment, loan or credit decisions or policies, pricing of services, personnel decisions, operational activities (including the location of any offices or branches or their hours of operation, etc.), or any similar activities or decisions of North Fork or any of its subsidiaries;

(10) Dispose or threaten to dispose of shares of North Fork or any of its subsidiaries as a condition of specific action or non- action by North Fork or any of its subsidiaries; or

(11) Enter into any banking or nonbanking transactions with North Fork or any of its subsidiaries,[2] except for the anticipated Branch Sale Transaction or Ordinary Course Transactions.

Fleet provided an additional passivity commitment and clarified the scope of the above passivity commitments, at the request of the DOJ as follows:

(i) Fleet represents that it will not, without prior approval of the Board, seek to obtain competitively sensitive information from North Fork or its subsidiaries, other than information appropriate to engage in the process of acquiring the 17 retail branches of Dime that Fleet would acquire under this proposal and North Fork's consolidated financial statements so long as the financial statements do not contain projections or forward-looking statements, or information relating to prices or the business and strategic plans of North Fork or its subsidiaries;[3]

(ii) Fleet will not, without prior approval of the Board, provide any competitively sensitive information to North Fork; and

(iii) Fleet reaffirms, consistent with the commitments provided to the Board, that it will not, without prior approval of the Board, directly or indirectly attempt to seek to affect or influence the board of directors or the business, operations, affairs, financial matters or policies of North Fork or any of its subsidiaries; nominate, appoint or otherwise designate the officers or directors of North Fork or any of its subsidiaries; or acquire or exercise veto power or approval rights with respect to the business of North Fork or any of its subsidiaries, beyond those specified in Fleet's stock purchase agreement with North Fork, including acquiring or exercising veto power or approval rights over:

  (a) Changes in control of North Fork or any of its subsidiaries;

  (b) Asset purchases or sales by North Fork;

  (c) Change in majority ownership of North Fork or any of its subsidiaries;

  (d) Mergers or acquisitions by North Fork or any of its subsidiaries; or

  (e) Actions by North Fork or any of its subsidiaries to raise equity or capital, including actions to authorize, create or increase the authorized amount of or issue any class or series of any debt or equity securities of North Fork or any of its subsidiaries, or any warrants, options or other rights convertible or exchangeable into any class or series of any debt or equity securities of North Fork or any of its subsidiaries.

1. For the purposes of the Appendix, "North Fork or any of its subsidiaries" refers to North Fork, Dime, and the subsidiaries of either company.

2. This commitment does not preclude the branch sale transaction and additional rights offerings contemplated by the proposal.

3. Fleet, without prior consultation with North Fork, has waived any rights it may have under its stock purchase agreement with North Fork to obtain other competitively sensitive information.

North Fork Bancorporation, Inc.
Melville, New York

Order Approving the Acquisition of a Savings Association

North Fork Bancorporation, Inc. ("North Fork"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under sections 4(c)(8) and 4(j) of the BHC Act (12 U.S.C. §§ 1843(c)(8) and (j)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire at least 50.1 percent of the voting shares of and to exercise control over Dime Bancorp, Inc. ("Dime"), and thereby acquire Dime's wholly owned subsidiary, The Dime Savings Bank of New York, FSB ("Dime Savings"), both of New York, New York.[1] North Fork also has requested the Board's approval to acquire all Dime's and Dime Savings' nonbanking subsidiaries.[2]

In addition, FleetBoston Financial Corporation, Boston, Massachusetts ("Fleet") has entered into an agreement with North Fork to purchase up to 9 percent of the voting shares of North Fork in the form of convertible preferred stock and rights to acquire North Fork common stock, if certain conditions related to the North Fork/Dime proposal are met. The proceeds of the sale of stock and rights to Fleet would be used to fund the cash portion of North Fork's acquisition of Dime. The Fleet proposal is discussed in a separate order issued today.[3]

Notice of the North Fork proposal, affording interested persons an opportunity to submit comments, has been published (65 *Federal Register* 17,657 (2000)), and the time for filing comments has expired. The Board has considered the proposal and all comments received in light of the factors set forth in section 4 of the BHC Act. Dime has submitted extensive comments and information regarding the proposal. In addition, the Board received comments from several organizations, including Inner City Press/Community on the Move ("ICP"), the Association for Neighborhood & Housing Development Inc. ("ANHD"), and the Northwest Bronx Community and Clergy Coalition ("NWBCCC").

North Fork, with total consolidated assets of $14.7 billion, operates depository institutions in New York and Connecticut. North Fork is the 12th largest depository organization in New York, controlling deposits of $9.1 billion, representing 2.2 percent of total deposits in depository institutions in the state ("state deposits").[4] North Fork also is the 24th largest depository organization in Connecticut, controlling deposits of $363.3 million, representing less than 1 percent of state deposits. Dime, with total consolidated assets of $25.3 billion, is the tenth largest depository organization in New York, controlling total deposits of $11.5 billion, representing approximately 2.8 percent of state deposits. Dime also is the 14th largest depository organization in New Jersey, controlling deposits of $2.3 billion, representing approximately 1.6 percent of state deposits. On consummation of the proposal, North Fork would become the fifth largest depository organization in New York, controlling deposits of approximately $20.7 billion, representing approximately 4.9 percent of state deposits.

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.[5] The Board requires that savings associations acquired by bank holding companies conform their direct and indirect activities to those permissible for bank holding companies under section 4 of the BHC Act. Dime engages in mortgage lending and related activities, which the Board also has determined to be closely related to banking. North Fork has committed to conform all the activities of Dime Savings to those permissible under section 4(c)(8) of the BHC Act and Regulation Y.

In reviewing the proposal, the Board is required by section 4(j)(2)(A) of the BHC Act to determine that the acquisition of Dime by North Fork "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."[6] As part of its evaluation of a proposal under these public interest factors, the Board reviews the financial and managerial resources

1. North Fork intends to merge its wholly owned subsidiary bank, North Fork Bank, Mattituck, New York, with Dime Savings, and North Fork Bank would be the surviving institution. The merger would be subject to approval by the Federal Deposit Insurance Corporation ("FDIC") under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) ("Bank Merger Act") and by the New York State Banking Department ("NYSBD").

2. Dime has filed comments with the Board objecting to this proposal. Among other contentions, Dime asserts that North Fork's previous solicitation of proxies from Dime's stockholders in opposition to a proposed merger of Dime and Hudson United Bancorp and its concurrent tender offer for a majority of Dime's shares constituted an acquisition of control of Dime by North Fork without prior Board approval in violation of section 4 of the BHC Act. Based on a review of the facts and circumstances, including the fact that the proxies solicited by North Fork were of limited duration and scope and that North Fork owned a small percentage of Dime's shares at the time, the Board has determined that North Fork's participation in the proxy solicitation was not prohibited by the BHC Act. *See* 12 C.F.R. 225.2(c)(1)(iii).

Dime also expresses concerns that North Fork might commence another proxy solicitation to elect five individuals selected by North Fork to Dime's board of directors, and contends that any such proxy solicitation would require prior Board approval. Such approval is included in this Board action.

3. *See FleetBoston Financial Corporation*, 86 *Federal Reserve Bulletin* 751 (2000) ("Fleet Order").

4. Asset data are as of June 30, 2000, and state deposit and ranking data are as of June 30, 1999. In this context, depository institutions include commercial banks, savings banks, and savings associations.

5. 12 C.F.R. 225.28(b)(4).

6. 12 U.S.C. § 1843(j)(2)(A).

of the companies involved as well as the effect of the proposal on competition in the relevant markets.

The Board has previously stated that in evaluating acquisition proposals, the Board must apply the criteria in the BHC Act to proposals that are opposed by the management of the target institution in the same manner as proposals that are supported by the target's management. The Board has long held that, where the statutory criteria are met, the Board would be acting outside its discretion under the BHC Act to withhold approval based upon other factors, such as whether the proposal is acceptable to the management of the organization to be acquired.[7] The Board also is mindful of the potential adverse effects that contested acquisitions may have on the financial and managerial resources of the company to be acquired and the acquiring organization. In addition, the Board takes into account the potential for adverse effects on safety and soundness if a contested proposal is prolonged.

As noted above, the Board has received comments from Dime objecting to the proposal. Dime has provided comments and information on, among other things, North Fork's relationship with Fleet; the intended sale of 17 Dime Savings branches by North Fork to Fleet; the competitive impact of the proposal, including the impact of Fleet's proposed investment in North Fork; the accuracy of the financial projections provided by North Fork; the managerial resources of North Fork; the ability of North Fork to consummate the proposed merger in light of Dime's corporate defenses and opposition; and the effect of the proposed acquisition on the convenience and needs of the communities served by Dime Savings. In addition to Dime's comments, the Board also received comments from the three organizations previously noted regarding the impact of the proposal on the convenience and needs of the communities served by Dime and North Fork, and on the performance records of North Fork Bank and Dime Savings under the Community Reinvestment Act ("CRA") (12 U.S.C. § 2901 *et seq.*), and certain other matters.

The Board has considered these comments, and the responses submitted by North Fork carefully, and has reviewed the notice in light of all the information presented and otherwise available to the Board. Based on this review and subject to North Fork's commitments and the conditions set forth below, the Board has concluded that North Fork's proposal satisfies the criteria in the BHC Act. Accordingly, the Board has determined to approve the notice subject to compliance with the commitments and conditions referenced or described in this order. The Board's review as expressed in this order is limited to applying the statutory factors set out in the BHC Act to the proposal as currently constituted and presented to the Board and the Board expresses no view on any matter regarding this transaction other than those statutory factors.

Financial and Managerial Considerations

In connection with its review of the public interest factors under section 4 of the BHC Act, the Board has carefully reviewed the financial and managerial resources of North Fork and Dime and their respective subsidiaries and the effect the transaction would have on such resources in light of all the facts of record.[8] The Board has considered, among other things, confidential reports of examination and other supervisory information received from the primary federal supervisors of the organizations involved, and the Federal Reserve System's confidential supervisory information. The Board also has considered publicly available financial and other information on the organizations and their subsidiaries, and all the information submitted on the financial and managerial aspects of the proposal by North Fork and the commenters, including Dime. As part of this review, the Board has considered concerns expressed by commenters about the financial and managerial resources of North Fork. Dime, in particular, has expressed concerns about the integration of the organizations' operations, North Fork's estimates of the cost savings that might result from the proposed merger, North Fork's managerial depth and experience, and the credibility of North Fork's senior management.[9]

In evaluating financial factors in expansion proposals by banking organizations, the Board consistently has considered capital adequacy to be especially important.[10] The Board expects banking organizations contemplating expansion to maintain strong capital levels substantially in excess of the minimum levels specified in the Board's Capital Adequacy Guidelines. Strong capital is particularly important in proposals that involve higher transaction costs or risks, such as proposals that are opposed by the management of the target institution. North Fork proposes to finance a portion of the transaction with $250 million in capital raised through the purchase of preferred shares by Fleet. North Fork has stated that it will not incur debt in connection with this proposal. North Fork and Dime and each of their subsidiary depository institutions are well capitalized, and North Fork has stated that these companies would continue to be well capitalized on consummation of the proposal. In the Board's view, North Fork's ability to raise capital to finance its proposed acquisition of Dime, through the issuance of preferred shares to Fleet or other-

7. *See The Bank of New York Company, Inc.*, 74 *Federal Reserve Bulletin* 257, 259 (1988) ("BONY Order").

8. *See* 12 C.F.R. 225.26.

9. Dime alleges that integrating the organizations would be especially difficult for North Fork. Dime also alleges that North Fork's cost savings estimates are unrealistically high, thereby making its financial projections for the combined North Fork/Dime organization overly optimistic. In addition, Dime argues that the information provided by North Fork to the Board and to the public is insufficient to allow adequate analysis of the financial and managerial aspects of the proposal. After receiving North Fork's initial notice, the Board requested additional information on all aspects of the proposal and received substantial information, including confidential and nonconfidential information that has been included in the record of this case.

10. *See, e.g., Banc One Corporation*, 84 *Federal Reserve Bulletin* 961 (1998).

wise, is an essential element of the proposal. The Board's action in this case is conditioned on North Fork's successfully raising $250 million before consummation of the proposal.[11]

In addition, the Board has given special consideration to the financial projections submitted by North Fork, including, in particular, the levels of capital projected by North Fork on consummation of the acquisition of Dime and on the expected merger of Dime Savings with North Fork Bank and the completion of the branch sales in connection with that merger. These projections indicate that North Fork and its depository institutions expect to maintain capital levels that include a cushion above the minimum levels necessary to meet the regulatory definition of well capitalized. The ability to meet these projections is particularly important in light of the proposed acquisition of a larger organization by a smaller organization, the challenges that arise in connection with integrating the operations of two different types of organizations, and the transactional risks and costs associated with consummation of an acquisition that is opposed by the management of the target organization. Accordingly, the Board conditions its action in this case on North Fork's achieving at least the capital levels indicated in its commitments and its projections for the transaction without completion of the branch sales based on *pro forma* capital information provided by North Fork, as of June 30, 2000.

The Board also has considered the managerial resources of the entities involved and of the proposed combined organization. Dime argues that a number of matters reflect negatively on the managerial resources of the combined organization. Dime alleges that, because Dime is substantially larger than North Fork, the combination of Dime and North Fork would put severe strain on the management of North Fork, especially if North Fork does not retain the senior management of Dime.[12] Dime also alleges that there are inconsistencies between certain public statements by North Fork's chairman and chief executive officer ("CEO") and documents filed by North Fork with the Securities and Exchange Commission ("SEC"), that reflect poorly on the quality of North Fork's management.[13]

The Board has carefully reviewed all available information on the management of North Fork, including confidential reports of examination, information submitted by North Fork and the commenters, and other publicly available information. In particular, the Board has reviewed all the information submitted by North Fork regarding its plans for integrating and managing the North Fork and Dime organizations, including confidential information. The Board also has reviewed the public statements of North Fork's management in light of all the information submitted by North Fork as part of the notice, including North Fork's relevant SEC filings. North Fork, Dime, and their subsidiary depository institutions currently are well managed, with appropriate risk management processes in place, and both organizations have management resources that have established records of positive earnings and operations. As mentioned above, North Fork and its subsidiary depository institutions currently are well capitalized, with a record of positive earnings.[14] North Fork has maintained this record over the last several years while growing substantially through the acquisition of other depository organizations, including several thrift organizations.[15] North Fork's plan for integrating Dime and its subsidiaries into North Fork appears adequate. The Board also has reviewed the evaluations of North Fork's management in examinations that cover an extended period, considered the expertise and experience of North Fork's management, and taken into account the context of the remarks by North Fork's management cited by Dime. Based on these and all the facts of record, the Board concludes that the financial and managerial resources of the organizations involved in the proposal are consistent with approval.

Competitive Considerations

As part of its consideration of the public interest factors under section 4 of the BHC Act, the Board has considered carefully the competitive effects of the proposal in light of

11. North Fork has requested that the preferred stock and associated rights that it proposes to sell to Fleet be treated as tier 1 capital. The Board has determined that the preferred stock would qualify as tier 2 capital under the Board's risk-based capital guidelines. The preferred stock qualifies for treatment as regulatory capital because it has no maturity date, cannot be redeemed at the option of the holder, and has no other provisions that would require future redemption. The preferred stock does not qualify as tier 1 capital under the Board's guidelines and supervisory guidance for holding companies, however, because the instrument provides for the granting of additional stock purchase rights after a designated period (*i.e.*, three years) if the instrument is not called by the issuer. The granting of additional rights in this circumstance creates incentives for the instrument's early redemption that are economically similar to those that result from an increase in an instrument's dividend rate if it is not redeemed. Instruments that include incentives for early redemption are generally not accorded treatment as tier 1 capital, although they may, as in this case, qualify for treatment as tier 2 capital. 12 C.F.R. 225 App. A (II)(A)(1)(b) and (A)(2)(b); *see also* Bank Holding Company Supervision Manual § 4060.3.2.1.1.2.

12. In particular, Dime argues that North Fork does not have the managerial expertise or experience to operate a large mortgage company like Dime Savings' subsidiary, the North American Mortgage Company ("NAMCO").

13. In addition, Dime alleges that other public remarks critical of Dime's management by North Fork's CEO were "intemperate" and justify denial of North Fork's notice on managerial grounds. Dime and ICP also criticize the credibility of North Fork's CEO based on his testimony in a 1997 lawsuit.

14. Dime requests that the Board examine the recent decline in the assets of North Fork's subsidiary, Superior Savings of New England, National Association, Branford, Connecticut ("Superior Savings"), arguing that this decline reflects poorly on North Fork's management. The Board has considered the matter, taking into account that Superior Savings' business plan continues to change significantly, and has concluded that the asset decline does not indicate improper management by North Fork. Moreover, on June 6, 2000, Superior Savings received approval from the Office of the Comptroller of the Currency to convert from a state to a national bank charter.

15. *See, e.g., North Fork Bancorporation, Inc.*, 86 *Federal Reserve Bulletin* 226 (2000); *North Fork Bancorporation, Inc.*, 86 *Federal Reserve Bulletin* 230 (2000).

all the facts of record.[16] North Fork and Dime compete directly in the Metropolitan New York/New Jersey banking market ("New York banking market").[17] On consummation of the proposal, North Fork would become the sixth largest depository organization in the New York banking market, controlling deposits of $22.9 billion, representing approximately 5.3 percent of market deposits.[18] The Herfindahl–Hirschman Index ("HHI") would not increase, the market would remain unconcentrated, and numerous competitors would remain in the market.[19] Based on these and all other facts of record, the Board concludes that consummation of the proposal would not result in any significantly adverse effects on competition or on the concentration of banking resources in the New York banking market or any other relevant banking market.[20]

Records of Performance Under the Community Reinvestment Act

In acting on notices to acquire a savings association, the Board reviews the records of performance of the relevant depository institutions under the CRA.[21] The Board has reviewed the records of performance of North Fork Bank and Dime Savings in light of all the facts of record, including comments received from ICP, ANHD, NWBCCC, and Dime.

ICP and ANHD criticize North Fork Bank's level of lending to minority and low- and moderate-income ("LMI") borrowers, and LMI census tracts and census tracts with predominantly minority populations ("minority tracts"), based primarily on their analyses of data filed under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA"). They express concern that the contested nature of the proposal could create confusion that might negatively affect the ability of the combined North Fork/Dime organization to meet the needs of its communities. ICP also contends that the number and volume of small business loans made by North Fork Bank in the Bronx are inadequate compared with North Fork Bank's market share of deposits in the Bronx and North Fork Bank's lending record in other parts of its assessment area. NWBCCC alleges that North Fork Bank is not as diligent or responsive to community concerns as it could be in monitoring the physical condition of apartment buildings in the Northwest Bronx on which North Fork Bank holds the mortgages. Dime contends generally that an acquisition by North Fork would negatively affect the CRA performance of Dime Savings, and views the proposal as raising a policy issue of whether a smaller institution with a "satisfactory" rating for CRA performance should be permitted to acquire a larger institution with a CRA rating of "outstanding" without first submitting a plan for the merged institution to achieve the higher rating.

A. CRA Performance Examinations

As provided in the CRA, the Board evaluates an institution's record of performance in light of examinations of the

16. *See First Hawaiian, Inc.*, 79 *Federal Reserve Bulletin* 966 (1993). Dime argues that North Fork's bid is anticompetitive because it eliminated a competitor by preventing the merger of Dime and Hudson United Bancorp. Dime also contends that the involvement of Fleet and Salomon Smith Barney ("Salomon"), initially retained by North Fork as one of its investment bankers for the proposed transaction, has allowed North Fork to improperly eliminate Fleet and Salomon's affiliate, Citigroup Inc., as potential bidders for Dime. The Board has considered these allegations in light of the Williams Act, which explicitly contemplates that multiple persons may join together to make a tender offer. *See* 12 U.S.C. § 78n(d)(2). Furthermore, the involvement Fleet and Citigroup in North Fork's bid does not prevent either organization from bidding for Dime. North Fork released Fleet on May 17, 2000, from the restriction in the Fleet-North Fork stock purchase agreement that prevented Fleet from acquiring Dime, and Salomon no longer acts as North Fork's investment banker for the proposal.

17. The New York banking market includes Bronx, Dutchess, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk, Sullivan, Ulster, and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, Warren, and a portion of Mercer Counties in New Jersey; Pike County in Pennsylvania; and portions of Fairfield and Litchfield Counties in Connecticut. In the Fleet Order issued today the Board has affirmed the definition of the New York banking market. *See* 86 *Federal Reserve Bulletin* 751, 755 (2000) and the discussion of the New York banking market therein.

18. Market share data are as of June 30, 1999, 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 WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Because the Board has analyzed the competitive factors in this case as if North Fork Bank and Dime Savings were a combined entity, the deposits of Dime Savings are included at 100 percent in the calculation of *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669 (1990).

19. 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 less than 1000 points is considered to be unconcentrated. 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 more than 200 points. The DOJ has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial institutions. The post-merger HHI in this case would be 782.

20. Dime has raised objections to the individuals proposed by North Fork as potential candidates for election to Dime's board of directors. Dime contends that service on Dime's board by some of the individuals would be in violation of the Depository Institutions Management Interlocks Act (12 U.S.C. § 3201 *et seq.*) ("Interlocks Act") and the Board's Regulation L (12 C.F.R. Part 212). The Board expects all directors or management officials of Dime and North Fork to be in compliance with the Interlocks Act and Regulation L. In light of the uncertainty about when or whether any of these individuals might serve on the Dime board, a determination under Regulation L regarding such service is premature. In addition, the appropriate federal supervisor may grant an exemption for any prohibited interlock.

21. *See, e.g., Banc One Corporation*, 83 *Federal Reserve Bulletin* 602 (1997).

CRA performance records of the institution conducted by the appropriate federal supervisory agency. An institution's most recent CRA performance evaluation is a particularly important consideration in the application process, because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.[22]

North Fork Bank received an overall rating of "outstanding" from its primary federal supervisor, the FDIC, at its most recent evaluation for CRA performance, as of September 1999 ("1999 Examination"). As of June 1999, the NYSBD rated North Fork Bank's performance "outstanding" in helping to meet the credit needs of its entire community pursuant to New York law ("State Examination").[23] Dime Savings also received an overall rating of "outstanding" from its primary federal supervisor, the Office of Thrift Supervision, at its most recent evaluation for CRA performance, as of November 1999.

B. North Fork Bank's CRA Performance Record

In the 1999 Examination, examiners found that North Fork Bank demonstrated an excellent responsiveness and willingness to meet the credit needs of its community, including its overall level of lending (North Fork Bank's net-loan-to-deposit ratio was 93.4 percent, as of June 30, 1999) and a very strong record of lending in its assessment area. In particular, examiners found that North Fork Bank displayed an excellent, and increasing, level of lending to LMI geographies in its assessment area, and that it had a good record of lending to LMI borrowers. North Fork Bank's penetration levels in moderate-income tracts for 1-4 family loans reported under HMDA significantly exceeded the market's performance in number of loans and dollar amount, and surpassed the composition of the area's housing stock.[24] In concluding that North Fork Bank had a satisfactory record of lending to borrowers of different income levels, the 1999 Examination found that the bank's number of loans to LMI borrowers exceeded the aggregate, and that the dollar amount of such loans was comparable with the aggregate.[25]

Examiners separately assessed North Fork Bank's multifamily lending, which accounted for 13 percent of the number and 49 percent of the dollar amount of all lending by North Fork Bank in its assessment area. Although some of this lending was reported under HMDA, much of it was not, in particular Modification, Extension, and Consolidation Agreements ("MECAs").[26] From January 1998 through June 1999, North Fork Bank originated almost $315 million in multifamily residential loan refinances that were not reportable under HMDA. With regard to HMDA-reportable multifamily lending, examiners found that North Fork Bank exceeded the aggregate in 1997 and 1998 in both number and dollar amount of loans, and that the level of lending in 1999, if sustained, would exceed 1998 LMI penetration levels. North Fork Bank's 1998 MECA activity was found to be consistent with housing stock composition and distribution, and year-to-date 1999 data indicated substantial percentage increases in the number and dollar amount of MECAs in LMI tracts. Examiners noted that 45 percent of the number and 50 percent of the dollar amount of North Fork Bank's LMI MECA activity was in Bronx County, which had the highest percentage of LMI tracts in the assessment area, and stated that this activity was indicative of North Fork Bank's responsiveness to the credit needs of the LMI neighborhoods in its assessment area.[27]

The State Examination found that North Fork Bank made 3423 small business loans in 1998, totaling $368.3 million, which represented an increase over the bank's 1997 totals of 2627 loans, totaling $291.7 million. The geographic distribution of North Fork Bank's small business loans was viewed as excellent, exceeding the aggregate in 1997 and 1998 in terms of the percentage of small business loans and percentage of dollar amount of such loans, extended in LMI areas. North Fork Bank's market share of small business lending was found to be higher in LMI areas than in non-LMI areas. Data for the first six months of 1999 continued to show good performance, with North Fork Bank originating 446 small business loans, totaling $46.8 million, in LMI areas. This

22. Interagency Questions and Answers Regarding Community Reinvestment, 64 *Federal Register* 23,618 and 23,641 (1999) ("Interagency Questions and Answers").

23. North Fork also owns Superior Savings, which received an overall rating of "satisfactory" from its primary federal supervisor, the FDIC, at its most recent evaluation for CRA performance, as of May 1996 (doing business as Branford Savings Bank).

24. For example, although only 9.5 percent of the owner-occupied units in the assessment area were in moderate-income tracts, 28.1 percent of North Fork Bank's 1–4 family HMDA-reportable loans, and 17.8 percent of the dollar amount of those loans, were on properties in moderate-income tracts.

25. The aggregate represents the cumulative lending for all institutions that have reported HMDA data in a particular market. North Fork Bank's assessment area consists of Bronx, Kings, Nassau, New York, Queens, Richmond, Rockland, Suffolk, and Westchester Counties in New York.

26. A MECA is an agreement by a lender with a borrower that modifies the terms of an existing loan by, for example, extending the final repayment date. MECAs do not involve lending additional money and are not reported under HMDA, but are regarded as loans and may be considered in evaluating an institution's CRA performance. *See* Interagency Questions and Answers, 64 *Federal Register* at 23,634.

27. As mentioned above, NWBCCC's comments concern primarily North Fork Bank's oversight of the physical condition of apartment buildings in the Bronx mortgaged to the bank. NWBCCC indicates that North Fork Bank previously had been responsive to its concerns about particular buildings. NWBCCC has made specific recommendations for ways that North Fork Bank might improve its oversight of all buildings and has requested that the Board require North Fork to meet with NWBCCC to discuss these issues. The Board previously has noted that, although communications by depository institutions with community groups provide a valuable method of assessing and determining how an institution may best address the credit needs of the community, the CRA, the CRA regulations of the federal financial supervisory agencies, or the BHC Act do not require depository institutions to have meetings or enter into agreements with any organization. *See Fifth Third Bancorp*, 80 *Federal Reserve Bulletin* 838 (1994).

represented 21.7 percent of the bank's small business loans, and 23 percent of the dollar amount of its small business loans.[28]

The 1999 Examination found that North Fork Bank had originated numerous community development loans during the examination period totaling $400 million, or approximately 7 percent of outstanding loans. This lending included $316 million for multifamily properties in LMI tracts in the bank's assessment area, and more than $13 million for the construction of affordable housing for LMI senior citizens in eastern Suffolk County. North Fork Bank also provided financial support to a not-for-profit organization supporting the development of affordable housing in troubled neighborhoods in New York City, and renewed a $1.8 million letter of credit to help fund the rehabilitation of more than 70 housing units in an LMI neighborhood in Harlem.

Examiners also found that North Fork Bank's financial commitment to the community development organizations supporting its assessment area was strong, and that it had demonstrated its awareness of and responsiveness to community development needs by investing more than $31 million in local and regional organizations. This amount included investments of more than $17 million in two Fannie Mae mortgage-backed securities involving an affordable housing property in New York County, and a purchase of over $12 million of the New York City Mortgage Loan Trust, a pool of second-lien mortgages to low-income borrowers. North Fork Bank also made more than $280,000 in grants to community development organizations during the examination period, including grants to support affordable housing, social services for residents of LMI areas of the Bronx, and care and services for the developmentally disabled in eastern Long Island.

Examiners also noted that North Fork Bank made its retail banking services available to all segments of its assessment area, including LMI geographies. Twenty percent of the 110 branches and 18 percent of the 113 automated teller machines ("ATMs") North Fork Bank maintained at the time of the 1999 Examination were in LMI tracts. Examiners considered this distribution to be reasonable, particularly in light of the fact that the counties in which North Fork Bank had the greatest presence also had relatively few LMI tracts. In addition, North Fork Bank offered 24-hour telephone account access and branch opening hours (with extended weekday and weekend hours) that were found to be convenient and comparable with other local financial institutions.[29]

Finally, examiners found no violations of the substantive provisions of the antidiscrimination laws and regulations.

C. Dime Savings' CRA Performance Record

The Board recently has reviewed the CRA performance of Dime Savings in the context of Dime's application to merge with Hudson United Bancorp.[30] The Board noted that in the most recent CRA performance examination of Dime Savings (the "1999 Dime Examination"), examiners found that Dime Savings performed at a high level in meeting the credit needs of its assessment area, including substantial increases in lending in LMI areas and to LMI individuals. In particular, Dime Savings had increased the number and volume of its consumer loans in LMI areas since its previous performance examination, and Dime Savings' small business lending was regarded as having had a positive impact on serving the credit needs of the community. The geographic distribution of Dime Savings' lending, including housing, consumer, and small business loans, was found to reflect a good penetration throughout the assessment area, including LMI areas. Dime Savings also offered a number of affordable loan programs for LMI borrowers that featured lower interest rates, reduced closing costs, and more flexible debt-to-income ratios.

Dime Savings was found to be active in community development lending, particularly through its substantial multifamily housing lending. Examiners noted that 44 percent of the properties for which Dime Savings made multifamily loans in 1998 were in LMI areas.

Dime Savings was rated "outstanding" for its community development investment and grant activity, based on the complexity of its qualified community development investments, and excellent levels of activity and responsiveness. In the period between the 1999 Dime Examination and its previous CRA performance examination, Dime Savings made a total of $41.2 million of qualified investments, including $14.7 million in low-income-housing tax credits and $21.4 million invested with the Community Preservation Corporation, which finances the upgrading and construction of LMI housing in the New York City area. Dime made $1.6 million in grants and donations during this period to organizations supporting community development projects and programs. Examiners also com-

28. ICP contends that North Fork Bank gathers deposits in less affluent and predominantly minority areas, such as the Bronx, and concentrates its loans and investments in more affluent and nonminority areas, such as Nassau and Suffolk Counties. In ICP's view, North Fork Bank's small business lending in the Bronx and similar areas should reflect more closely its level of deposits in those areas. The Board has reviewed North Fork Bank's record of lending to small businesses throughout its assessment area, including minority and LMI census tracts in all portions of its assessment area. Although North Fork Bank's lending to small businesses in specific segments of its assessment area might not closely correspond to the bank's market share of deposits in those segments at any particular time, deposits are used to fund other lending activities. As noted above, the Board also has considered that North Fork Bank provides significant multifamily housing credit and other types of credit, including consumer loans and single family housing loans, throughout North Fork Bank's assessment area, includes minority and LMI areas.

29. The 1999 Examination found that North Fork Bank provided a range of community development services, including actively participating in several financial literacy programs; providing information and assistance to job seekers, such as help in completing applications and interviewing; participating in homebuying counseling seminars; and working with local groups to share bank staff's expertise in small business lending with local small businesses.

30. *Dime Bancorp, Inc.*, 86 *Federal Reserve Bulletin* 413 (2000).

mended Dime Savings' efforts to ascertain the credit needs of its community through its outreach efforts.

Examiners noted with approval Dime Savings' use of a wide range of delivery systems for its products and services, its accessibility to all segments of the community, and its leadership in providing community development services. Examiners found that the bank's services were available in all portions of its assessment area and noted that 16 percent of Dime Savings' 127 branches were in LMI areas, as were 16 percent of its 227 ATMs.

Finally, examiners identified no violations of the substantive provisions of the antidiscrimination laws and regulations and found that Dime Savings had implemented extensive fair lending policies, procedures, training programs, and internal assessment efforts.

D. HMDA Data

The Board has also carefully considered the lending records of North Fork and Dime in light of comments on their 1998 HMDA data.[31] The Board has recently reviewed North Fork Bank's 1998 HMDA data in the context of North Fork's applications to acquire JSB Financial, Inc. and Reliance Bancorp, Inc.,[32] and reviewed Dime Savings' 1998 HMDA data in approving Dime's application to merge with Hudson United Bancorp. In reviewing the 1998 data, the Board found that although North Fork Bank's denial disparity ratios for African Americans and Hispanics were lower than those reported by lenders in the aggregate in parts of North Fork Bank's New York assessment area,[33] including the New York City Metropolitan Statistical Area ("MSA") portion, these ratios were higher than the aggregate in other areas, such as the Nassau-Suffolk MSA, and comparable with the aggregate for the entire assessment area.[34] Concerning Dime Savings, the Board found that its denial disparity ratio in 1998 for African Americans was more favorable than the aggregate in all its assessment areas. In addition, 43 percent of Dime's multifamily loans, which constituted a substantial portion of its HMDA-reportable lending, were for properties in minority tracts in its New York assessment area in 1998.

The 1999 data indicate that North Fork Bank outperformed the aggregate in certain areas, such as the percentage of its HMDA- related loans in LMI tracts (19.9 percent for North Fork Bank, compared with 15 percent for the aggregate), although its denial disparity ratios for minorities in its New York assessment area had increased. North Fork Bank continued to engage in substantial multifamily lending, representing 28.5 percent of the dollar volume of its HMDA-reportable lending in 1999, and a significant percentage of those loans were made in minority tracts (44.5 percent) and LMI tracts (52.7 percent), which represented increases over 1998 data for minority and LMI tracts. In 1999, Dime Savings' percentage of loan originations in its New York assessment area to African Americans, Hispanics, LMI individuals, and in minority and LMI tracts, were all higher than in 1998.

The data, however, reflect certain other disparities in the rates of loan applications, originations, and denials by racial group and income level.[35] The Board is concerned when an institution's record 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 equal access to credit by creditworthy applicants regardless of their race or income level. The Board recognizes 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. HMDA data, moreover, provide only limited information about the covered loans.[36] HMDA data, therefore, have limitations that make them an inadequate basis, absent other information, for concluding that an institution has not adequately assisted in meeting its community's credit needs or has engaged in illegal lending discrimination.

Because of the limitations of HMDA data, the Board has considered these data carefully in light of other information, including periodic and examination reports that provide an on-site evaluation of the compliance by the subsidiary banks of North Fork and Dime with fair lending laws and the overall lending and community development activities of the banks. In particular, the Board notes that examiners found no evidence of prohibited discriminatory practices or substantive violations of the fair lending laws at the

31. ICP was generally critical of North Fork Bank's record of HMDA-related lending to minority and LMI borrowers. ANHD criticized the percentage of single-family mortgage loans that North Fork Bank and Dime Savings make to minorities or in predominantly minority or LMI census tracts. ANHD also was critical of the percentage of such loans that Dime Savings makes to LMI borrowers and of the multifamily HMDA-related lending records of both institutions.

32. *North Fork Bancorporation, Inc.*, 86 *Federal Reserve Bulletin* 226 (2000); *North Fork Bancorporation, Inc.*, 86 *Federal Reserve Bulletin* 230 (2000).

33. The denial disparity ratio compares the denial rate for minority loan applicants with that for white applicants. North Fork's assessment areas are the New York City MSA and the Nassau-Suffolk MSA; Dime Savings' assessment areas include those MSAs, as well as New York State and New Jersey.

34. The 1998 data also showed that North Fork Bank received a significantly smaller percentage of HMDA-related loan applications from minority and LMI individuals than did lenders in the aggregate, and made a correspondingly smaller percentage of its HMDA-related loans to minority and LMI borrowers. The Board noted, however, that approximately one-half of the dollar volume of North Fork Bank's HMDA-related lending was through multifamily loans, and that 43 percent of these loans were made in minority census tracts.

35. For example, North Fork Bank's percentage of housing-related loans to minorities and LMI individuals lagged the aggregate in its New York assessment area in 1999, and Dime Savings' percentage of loan originations to Hispanics and in minority and LMI tracts lagged the aggregate in all its assessment areas in 1999.

36. The data, for example, do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and 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 levels relative to income (reasons most frequently cited for a credit denial) are not available from HMDA data.

most recent examinations of the subsidiary depository institutions of North Fork or Dime. The Board also has taken into account factors such as North Fork's focus on MECA lending, which is not reported under HMDA, in considering whether North Fork and Dime are meeting the credit needs of their communities.

E. Branch Closings

Dime and ICP each express concern that consummation of the proposal would result in branch closings.[37] North Fork indicates that it has made no determination on which, if any, North Fork Bank or Dime Savings branches it might close or consolidate as a result of the proposed transaction. North Fork has, however, preliminarily identified eight North Fork Bank branches that are within approximately one-half mile of Dime Savings branches.[38]

The Board has carefully considered all the facts of record concerning branch closings, including the eight pairs of neighboring branches identified by North Fork, and North Fork's record in opening and closing branches. The Board notes that none of the eight branch pairs are in LMI areas. Furthermore, the 1999 Examination found that although North Fork Bank closed nine branches in 1997-1998, which included two branches in moderate-income census tracts, but none in low-income tracts, it gained 35 branches through a merger and opened three additional branches, including one branch in a low-income tract. The Board also has reviewed the branch closing policies of North Fork Bank and Dime Savings.[39] The policies are consistent with federal law, which requires an insured depository institution to provide notice to the public and to the appropriate federal supervisory agency before closing a branch.[40] Any branch closings resulting from the proposal would be considered by the appropriate federal supervisor at the relevant institution's next CRA examination.

37. As part of its arrangement with Fleet, North Fork has agreed to sell to Fleet 17 Dime branches with deposits of approximately $2 billion, if North Fork's bid for Dime is successful.

38. Dime has argued that North Fork's cost savings estimates assume more branch closings than North Fork has indicated may occur as a result of the proposal. Dime alleges that these closings may cause significant customer disruption and employee layoffs. The effect of a proposed transaction on employment in a community is not among the factors included in the BHC Act, and the convenience and needs factor has been consistently interpreted by the federal banking agencies, the courts, and Congress to relate to the 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).

39. The Board reviewed Dime Savings' branch closing policy in the context of Dime's application to merge with Hudson United Bancorp. *See Dime Bancorp, Inc.*, 86 *Federal Reserve Bulletin* 413 (2000).

40. Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1), as implemented by the Joint Policy Statement Regarding Branch Closings (64 *Federal Register* 34,844 (1999)), requires that a bank provide the public with at least a 30 day notice and the appropriate federal supervisory agency with at least a 90 day notice before the date of the proposed branch closing. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings. The law does not authorize federal regulators to prevent the closing of any branch.

F. Conclusion on CRA Performance Records

The Board has carefully considered all the facts of record, including reports of examination of CRA performance of the institutions involved, other information provided by North Fork and Dime, and all comments received and responses to the comments. Based on a review of the entire record, and for the reasons discussed above, the Board concludes that the CRA performance records of the institutions involved are consistent with approval of the proposal.

Provisions of Delaware Law and Dime's Shareholders' Rights Plan

Dime is a Delaware corporation and Delaware law provides some protection for Delaware corporations that are the object of an unsolicited takeover offer.[41] In addition, Dime's bylaws provide certain rights to shareholders that are intended to ward off bidders that are not approved by Dime's management. If the Dime rights plan is triggered, an acquisition of Dime by a bidder such as North Fork could become substantially more expensive. Dime argues that Delaware corporate law and Dime's shareholders' rights plan (the "Dime rights plan") present insurmountable barriers to North Fork's contested acquisition of Dime.

Dime's board has significant discretion in determining whether the Dime rights plan will become effective in a particular case, and whether it will have its full effect of making an acquisition of Dime prohibitively expensive for a potential acquirer. North Fork has conditioned its exchange offer for Dime on, among other things, the tender of at least a majority of Dime's shares and on North Fork's determination that neither Delaware law nor the Dime rights plan apply to North Fork's acquisition of Dime shares or to the proposed second-step merger of North Fork and Dime. North Fork has stated that it will comply with Delaware law in connection with its acquisition of Dime.

41. Under Delaware law (Del. Code Ann. tit. 8, § 203 (1999)), a Delaware corporation may not engage in a "business combination" (including a merger or consolidation) with an "interested stockholder" (in general, the beneficial owner of 15 percent or more of the corporation's voting stock) for a period of three years after that person becomes an interested stockholder. This prohibition does not apply if either:

(1) Before the time a person becomes an interested stockholder, the corporation's board of directors approves either the business combination or the transaction that causes the interested stockholder to become an interested stockholder;

(2) Following the transaction that causes the interested stockholder to become an interested stockholder, the interested stockholder owns at least 85 percent of the corporation's voting stock (excluding certain shares); or

(3) At or after the time a person becomes an interested stockholder, the business combination with the interested stockholder is approved by the corporation's board of directors and by a two-thirds vote of the stockholders other than the interested stockholder.

Other Considerations

As a part of its evaluation of the public interest factors, the Board also has carefully reviewed the other public benefits and possible adverse effects of the proposal. The record indicates that consummation of the proposal would result in benefits to consumers and businesses.[42] The proposal would enable North Fork to provide customers of Dime Savings with access to a broader array of products and services, including commercial bank products, in an expanded service area. Among the North Fork products that would become available to customers of Dime Savings are a range of products specifically intended for small- and medium-size businesses, commercial cash management and deposit products, and trust and asset management services. North Fork customers, in turn, would have access to Dime Savings' residential mortgage products, and would also be able to take advantage of an expanded branch network, particularly in New Jersey, where North Fork Bank currently has no branches. Additionally, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies may make potentially profitable investments in nonbanking companies and from permitting banking organizations to allocate their resources in the manner they believe is most efficient when, as in this case, those investments are consistent with the relevant considerations under the BHC Act.[43]

Dime has argued that the Board should deny North Fork's application to acquire Dime because North Fork has no realistic plan to consummate the acquisition within a short period of time. Dime contends that prolonging the contest is costly to Dime and North Fork and creates a significant diversion of the time and resources of the management of the institutions involved, thereby eroding any public benefits of the proposal.

Dime is particularly concerned that North Fork has publicly announced its intention to pursue the takeover until the next Dime shareholders' meeting, which will not occur for another year. Dime contends that this strategy would increase costs for North Fork and Dime and cause further diversion of resources. Dime also argues that, unlike other contested takeovers approved by the Board, North Fork does not have a short-term plan to address the continued objection of Dime's board.[44] North Fork responds that if the Board limits the consummation period, Dime's management would be able to delay beyond the Board-imposed limit and North Fork would not have been afforded a fair opportunity to acquire Dime.

The BHC Act does not require that consummation of a transaction occur within a certain period of time. Generally, the Board requires an applicant to consummate an approved transaction within three months from the date of the Board's approval to ensure that there are not substantial changes in an applicant's condition that might require the Board to reconsider its approval. When ownership of an institution is in doubt over a prolonged period of time, the personnel and financial resources of both the offeror and the target are subject to strain. In previous cases, the Board has stated that it was concerned that the extension of the post-approval consummation period over a prolonged period of time in a contested situation might result in adverse effects on the financial and managerial resources of the organizations in a variety of different areas.

In this case, although prolonged delay may have a negative impact on Dime and North Fork, a short delay should not impact the financial or managerial resources of either organization so severely as to warrant denial of the proposal. Accordingly, the Board has followed its standard practice and provided a three-month period for North Fork to consummate the transaction. If North Fork requests an extension of the consummation period, the Board will examine carefully all relevant circumstances surrounding the proposal, and may require North Fork to provide supplemental information necessary to allow the Board to evaluate the managerial and financial resources of North Fork and Dime at the time any extension is requested, as well as the impact of any extension on those financial and managerial resources and on the other statutory factors that the Board must consider under the BHC Act. In the event of any material change in the transaction, such as a material change in the price, financing, or structure of the transaction, North Fork must consult with the Board to determine whether the change is consistent with the Board's action in this case or whether further Board action is necessary. The Board reserves the right in the event of significant changes in the terms or circumstances of the proposal to require a new application from North Fork.

Based on the foregoing and all the facts of record, the Board has determined that consummation of the proposal can reasonably be expected to produce public benefits that would outweigh any likely adverse effects under the standard of review set forth in section 4(j)(2) of 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.[45] The Board's approval of the pro-

42. Dime asserts that North Fork has not provided sufficient information in discussing the public benefits of the proposal, and disputes North Fork's description of those public benefits. The Board has, as discussed below and elsewhere in this order, fully evaluated the public benefits of the proposal in light of all the facts of record, and has concluded that they outweigh any possible adverse effects such as decreased competition or undue concentration of resources.

43. In evaluating the public benefits and potential adverse effects of the proposal, the Board has taken into account the additional costs to all parties resulting from the contested nature of the proposal.

44. *See* the BONY Order.

45. Dime and NWBCCC each requested that the Board hold a public meeting or hearing on the proposal. The BHC Act does not require that the Board hold public hearings on applications or notices, although the Board may do so when appropriate. The Board's rules allow for a hearing on a notice to acquire nonbanking companies if there are disputed issues of material fact that cannot be resolved in some other manner. 12 C.F.R. 225.25(a)(2). The Board has considered carefully these commenters' requests in light of all the facts of record.

posal is specifically conditioned on compliance by North Fork with the conditions imposed and commitments made in connection with this notice and the conditions described or referenced in this order. The Board's determination is also subject to all the conditions in Regulation Y, including those in sections 225.7 and 225.25(c) (12 C.F.R. 225.7 and 225.25(c)), 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 ensure 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 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 transaction shall not be consummated later than three months after the effective date of this order, unless such period is extended by the Board.

By order of the Board of Governors, effective September 27, 2000.

Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Meyer and Gramlich. Absent and not voting: Governor Kelley.

JENNIFER J. JOHNSON
Secretary of the Board

The Board has accumulated a substantial record in this case that includes examination information, supervisory information, public records, and information submitted by North Fork. Commenters also have had ample opportunity to present their views, and have submitted written comments that have been considered carefully by the Board in acting on the proposal. The commenters' requests for a hearing or meeting fail to demonstrate why their written comments do not present their evidence, allegations, and views on this proposal. Moreover, the Board does not believe that a public meeting or hearing would clarify or enhance the record as it relates to the limited factors that the Board is required by statute to review in this case. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not required or warranted in this case. Accordingly, the requests for a public meeting or hearing on the proposal are denied.

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

Mizuho Holdings, Inc. (In Formation)
Tokyo, Japan

Order Approving Formation of a Bank Holding Company and Acquisition of Nonbanking Companies

Mizuho Holdings, Inc. (In Formation) ("Mizuho") has requested the Board's approval under section 3 of the Bank Holding Company Act (12 U.S.C. § 1842) ("BHC Act") to become a bank holding company by indirectly acquiring the U.S. subsidiary banks of The Dai-Ichi Kangyo Bank, Ltd. ("DKB"); The Fuji Bank, Ltd. ("Fuji"); and The Industrial Bank of Japan, Ltd. ("IBJ"), all of Tokyo, Japan.[1] Mizuho also has requested the Board's approval under sections 4(c)(8) and 4(j) of the BHC Act (12 U.S.C. § 1843(c)(8) and (j)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire the U.S. nonbanking subsidiaries of DKB, Fuji, and IBJ and thereby engage in certain permissible nonbanking activities.[2] In addition, Mizuho proposes to acquire Fuji Bank International, Inc., Los Angeles, California, an Edge corporation, pursuant to section 25A of the Federal Reserve Act (12 U.S.C. § 611 *et seq.*) and the Board's Regulation K (12 C.F.R. 211).

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (65 *Federal Register* 19,766 (2000)). 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 and 4 of the BHC Act.

Mizuho is a corporation that would be formed under the laws of Japan to acquire DKB, Fuji, and IBJ.[3] On consummation of the proposal, Mizuho would become the largest banking organization in the world, with total consolidated assets of $1.4 trillion.[4]

DKB, with total consolidated assets of $489.9 billion, is the fourth largest bank in Japan.[5] In the United States, DKB owns DKB California, and a controlling interest in DKF Trust Co. (USA). DKB also operates branches in Chicago, Illinois, and New York, New York, and an agency in Los Angeles, California. In addition, DKB's subsidiary bank, Chekiang First Bank, Ltd., Hong Kong Special Administrative Region, People's Republic of China, operates an agency in San Francisco, California.

Fuji, with total consolidated assets of $548.7 billion, is the second largest bank in Japan. In the United States, Fuji

1. The U.S. subsidiary banks are Dai-Ichi Kangyo Bank of California, Los Angeles, California ("DKB California"), and The Fuji Bank and Trust Company ("Fuji Trust"), The Industrial Bank of Japan Trust Company ("IBJ Trust"), and IBJ Whitehall Bank & Trust Company ("IBJ Whitehall"), all of New York, New York. Mizuho also has requested approval to acquire DKF Trust Co. (USA), New York, New York ("DKF Trust"), currently authorized by the Board to operate as a nondepository trust company. Mizuho proposes to operate DKF Trust as a commercial bank.

2. The nonbanking activities of DKB, Fuji, and IBJ for which Mizuho has sought Board approval under section 4(c)(8) and 4(j) of the BHC Act are listed in the Appendix. Mizuho also seeks the Board's approval to own and operate a *de novo* industrial loan corporation chartered in Utah, in accordance with section 225.28(b)(4)(i) of Regulation Y (12 C.F.R. 225.28(b)(4)(i)). In addition, Mizuho has requested the Board's approval to engage in financial and investment advisory activities through Nomura IBJ Global Investment Advisors, Inc., New York, New York, in accordance with section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28(b)(6)).

3. The transaction would be effected through an exchange of shares. Mizuho's corporate existence would begin on its commercial registration after consummation of the exchange of shares. *See* Japanese Commercial Code, art. 370.

4. Asset and ranking data are as of March 31, 2000, and are based on the exchange rate then applicable.

5. Asset data for DKB, Fuji, and IBJ are as of March 31, 2000, and are based on the exchange rate then applicable. Ranking data for Japanese banks are as of September 30, 1999.

owns Fuji Trust, and a controlling interest in DKF Trust Co. (USA). Fuji also operates branches in New York, New York, and Chicago, Illinois; agencies in Los Angeles, California, and Houston, Texas; and a representative office in New York, New York.

IBJ, with total consolidated assets of $400.1 billion is the seventh largest bank in Japan. In the United States, IBJ owns IBJ Trust and IBJ Whitehall. IBJ also operates branches in New York, New York, and Chicago, Illinois; an agency in Los Angeles, California; and representative offices in Atlanta, Georgia; Houston, Texas; and San Francisco, California.

In addition, DKB, Fuji, and IBJ engage in a broad range of permissible nonbanking activities in the United States through subsidiaries.

Factors Governing Board Review of Transaction

The BHC Act sets forth the factors that the Board must consider when reviewing the formation of a bank holding company or the acquisition of banks. These factors are the competitive effects of the proposal in the relevant geographic markets; the financial and managerial resources and future prospects of the companies and banks involved in the proposal; the convenience and needs of the community to be served, including the records of performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA") of the insured depository institutions involved in the transaction; the availability of information needed to determine and enforce compliance with the BHC Act and other applicable federal banking law; and, in the case of applications involving foreign banks, whether the foreign banks involved are subject to comprehensive supervision and regulation on a consolidated basis by their home country supervisor. In cases involving interstate bank acquisitions, the Board also must consider the concentration of deposits in the nation and relevant individual states, and compliance with other provisions of section 3(d) of the BHC Act.

The Board has considered these factors in light of a record that includes information provided by Mizuho, DKB, Fuji, and IBJ; confidential supervisory and examination information; and publicly reported financial and other information. The Board also has considered information collected from the primary home country supervisor of DKB, Fuji, and IBJ, and from various federal and state agencies, including the New York State Banking Department ("NYSBD") and other relevant agencies. In addition, the Board has considered comments submitted by the public on the proposal.[6]

6. The Board received a comment from Inner City Press/Community on the Move & Inner City Public Interest Law Center (collectively, "ICP") in connection with the proposal.

Interstate Analysis

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of the bank holding company if certain conditions are met. For purposes of the BHC Act, the home state of Mizuho is New York,[7] and Mizuho's subsidiary banks would be located in New York and California.[8] All the conditions for an interstate acquisition enumerated in section 3(d) are met in this case.[9] In light of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly. The BHC Act also prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant banking market unless 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 to be served.[10]

DKB, Fuji, and IBJ control banking operations that compete directly in the New York/New Jersey Metropolitan banking market ("New York banking market").[11] Consummation of the proposal would result in an increase of less than one point in the Herfindahl–Hirschman Index ("HHI") in the New York banking market, and the banking market would remain unconcentrated with numerous competitors operating in the market.[12] Based on these and

7. A bank holding company's home state is that state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. 12 U.S.C. § 1841(o)(4)(C). On consummation of the proposal, Mizuho would become a bank holding company, and the state in which the total deposits of its U.S. banking subsidiaries would be the largest is New York.

8. For purposes of section 3(d), the Board considers a bank to be located in the states in which the bank is chartered, headquartered, or operates a branch.

9. Mizuho is adequately capitalized and adequately managed, as defined by applicable law. 12 U.S.C. § 1842(d)(1)(A). On consummation of the proposal, Mizuho and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States (12 U.S.C. § 1842(d)(2)), and would not exceed applicable deposit limitations in any state as calculated under state and federal law. All other requirements of section 3(d) of the BHC Act would be met on consummation of the proposal.

10. 12 U.S.C. § 1842(c)(1).

11. The New York banking market includes New York City; Nassau, Orange, Putnam, Rockland, Suffolk, Sullivan, and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, Warren, and a portion of Mercer Counties in New Jersey; Pike County in Pennsylvania; and portions of Fairfield and Litchfield Counties in Connecticut.

12. Market share data are as of June 30, 1999. The HHI for the New York banking market would remain at 786 after consummation of the proposal. Under the revised Department of Justice Merger Guidelines,

all other facts of record, the Board concludes that consummation of the proposal would not result in any significantly adverse effects on competition or on the concentration of banking resources in the New York banking market or in any other relevant banking market.

Financial and Managerial Considerations

The Board has carefully considered the financial and managerial resources and future prospects of Mizuho and the banks involved in the proposal, the effect the proposed transaction would have on such resources, and other supervisory factors in light of all the facts of record, including public comments.[13] The Board notes that the proposal is intended to enhance the overall financial strength and future prospects of the combined organization. The transaction would occur through an exchange of shares, and Mizuho, DKB, Fuji, and IBJ would issue no debt as part of the transaction. Mizuho's stated capital levels exceed the minimum levels that would be required under the Basle Capital Accord, and its capital levels are considered equivalent to the capital levels that would be required of a U.S. banking organization under similar circumstances.

The Board also has reviewed supervisory information from the home country authorities responsible for supervising DKB, Fuji, and IBJ concerning the proposal; confidential financial information from DKB, Fuji, and IBJ; and reports of examination from the appropriate federal and state supervisors assessing the financial and managerial resources of the organization. Based on all the facts of record, the Board has concluded that the financial and managerial resources and future prospects of the organization are consistent with approval.

Convenience and Needs Factor

The Board also has carefully considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record, including comments contending that the proposal would have an adverse effect on the communities to be served.

A. CRA Performance Examinations

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 CRA. As provided in the CRA, the Board evaluates the record of performance of an institution in light of examinations by the appropriate federal supervisors of the CRA performance records. 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 appropriate federal supervisor.[14]

This case involves the proposed formation of a new bank holding company. Accordingly, the Board has reviewed in detail the CRA performance records of the U.S. subsidiary insured depository institutions of the institutions involved in the transaction. Almost all the insured depository institutions of DKB, Fuji, and IBJ received "outstanding" CRA performance ratings at their most recent examination under the CRA, and each of their other insured depository institutions that had been examined received a "satisfactory" CRA performance rating. DKB California received a "satisfactory" CRA performance rating from the Federal Deposit Insurance Corporation ("FDIC") at its most recent examination, as of May 24, 1999 ("1999 DKB California Examination").[15] Fuji Trust received an "outstanding" CRA performance rating from the FDIC at its most recent examination, as of June 15, 1999 ("1999 Fuji Trust Examination"). In addition, the NYSBD, as of June 11, 1999, rated Fuji Trust's CRA performance "outstanding" pursuant to section 28-b of New York state banking law. IBJ Trust received ratings of "outstanding" from the FDIC at its most recent examination for CRA performance, as of March 8, 2000 ("2000 IBJ Trust Examination"), and from the NYSBD, as of May 28, 1999. IBJ Whitehall received an "outstanding" CRA performance rating from the Federal Reserve Bank of New York ("Reserve Bank") at its most recent examination, as of November 30, 1998 ("1998 IBJ Whitehall Examination"), and from the NYSBD, as of July 31, 1998.

Examiners found no evidence of prohibited discrimination or other illegal credit practices at any of the insured depository institutions involved in this proposal, and found no violations of fair lending laws.[16] Examiners also re-

49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is less than 1000 points is considered to be unconcentrated. 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 more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial entities.

13. ICP cites press reports declaring that Mizuho would be confronted by high levels of bad debts, inadequate spending on information technology, and potential problems in reconciling different management styles.

14. The Interagency Questions and Answers Regarding Community Reinvestment provide that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record. *See* 64 *Federal Register* 23,641 (1999).

15. DKF Trust has not been examined for CRA performance since becoming a subsidiary of DKB and Fuji. Yasuda Bank and Trust Company (U.S.A.), the predecessor institution to DKF Trust, received a "satisfactory" CRA performance rating from the FDIC at its examination, as of June 30, 1998.

16. ICP's comments include contentions that CIT Group, Inc., Livingston, New Jersey ("CIT"), a subsidiary of DKB, engages in predatory lending by making subprime loans and imposing prepayment penalties more frequently than competitors, and engages in these

viewed the assessment areas delineated by these insured depository institutions and found that the respective assessment areas were reasonable and did not arbitrarily exclude low- and moderate-income ("LMI") areas.[17]

B. DKB California

The 1999 DKB California Examination indicated that approximately 97 percent of DKB California's loans were for business purposes. DKB California made 62.5 percent of its small business loans in 1997 and 1998 in its assessment areas, which examiners found reflected satisfactory penetration of its assessment areas. In its Los Angeles assessment area, DKB California made 56.8 percent of its small business loans in LMI census tracts in 1997 and 1998, although only 32 percent of all small businesses in the assessment area were located in LMI census tracts. Approximately 68 percent of DKB California's small business loans in its Los Angeles assessment area were for amounts of $100,000 or less. Examiners noted DKB California's participation in three innovative government lending programs for small businesses, including the California Export Finance Office Program, which provides debt financing to certain small businesses not qualifying for traditional bank financing.

The 1999 examination also found that DKB California made $11.6 million in qualified community development investments since its previous CRA examination, including investments of $11.4 million in low-income mortgage pools and mortgage-backed securities collateralized by real estate in the Los Angeles portion of DKB California's assessment area. Examiners also noted DKB California's investment of $25,000 in the California Economic Development Lending Initiative, a community development corporation that lends to community development organizations and small businesses in California. In addition, examiners noted DKB California's investment of $50,000 in Clearinghouse Community Development Financial Institution, a consortium that seeks to increase the housing stock for low- and very-low-income residents of Southern California by making direct loans to affordable housing projects and other community development initiatives.

Fuji Trust

Fuji Trust engages primarily in syndicating and participating in loans to major corporations, commercial leasing, and corporate trust services, and it has been designated as a wholesale bank by the FDIC for purposes of assessing its CRA performance.[18] The performance test for wholesale banks evaluates an institution's record of community development lending, investments, and services in its designated assessment area.[19]

The 1999 Fuji Trust Examination found Fuji Trust's community development activities during the examination period totaled $30.8 million. Examiners noted that the level of Fuji Trust's community development activities increased despite a decrease in its total assets during the preceding four years. Among Fuji Trust's lending activities, examiners highlighted a $2 million revolving line of credit to fund the purchase of approximately 30 buildings that provided rental housing in LMI portions of Fuji Trust's assessment area.

The 1999 examination found that Fuji Trust originated or renewed a total of $890,000 of qualified community development investments since the previous examination. Examiners noted that Fuji Trust renewed its $100,000 certificate of deposit in a community development bank that provides loan and deposit services to LMI communities in New York City. Examiners also highlighted Fuji Trust's purchase of nonmember certificates of deposit in nine low-income credit unions in New York City, and noted Fuji Trust's grants of $418,000 during the examination period, primarily to organizations that served LMI individuals.

D. IBJ Trust

IBJ Trust also operates as a wholesale bank, providing investment management, lending, leasing, trust, cash management, and other services to multinational corporations and government agencies, and has been designated by the

practices more often in certain metropolitan areas with respect to African Americans than do its competitors. ICP also asserts that CIT has supported predatory lending by purchasing loans from Long Beach Mortgage Company, Orange, California ("Long Beach"). CIT purchased no mortgage loans or had any other business relationships with Long Beach since 1998. The Board has forwarded copies of ICP's comments on CIT to the Department of Housing and Urban Development, the Department of Justice, and the Federal Trade Commission, which have responsibility for fair lending law compliance by nondepository companies like CIT and Long Beach. The Board also has consulted with these agencies. In addition, the Board has considered information submitted by Mizuho on CIT's consumer lending practices, including the processes by which CIT makes credit available to consumers, the compliance procedures established by CIT, the methodology employed by CIT in setting risk-based interest rates, and the relationship of CIT with loan brokers and correspondents.

17. ICP questions the appropriateness of the delineated assessment area of CIT Online Bank ("CITOB"), the *de novo* Utah industrial loan corporation that Mizuho proposes to operate. Mizuho states that CITOB intends to make small purchase money consumer loans to individuals throughout the United States. As an initial matter, CITOB proposes to define its assessment area as Salt Lake County, Utah, which is the county in which CITOB would be located. CITOB will, at the time it opens for business, be subject to the CRA. *See* 12 C.F.R. 345.11(c). The Board has consulted with the FDIC on the adequacy of CITOB's CRA plan. In acting on CITOB's application for federal deposit insurance, the FDIC would consider CITOB's plans for meeting CRA objectives. 12 C.F.R. 345.29(b). In addition, the adequacy of CITOB's assessment area can and will be reviewed by the FDIC in the CRA examination process as CITOB develops its operations.

18. A "wholesale bank" is a bank that

(i) Is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers and

(ii) Has been designated as a wholesale bank by its appropriate Federal banking agency. 12 C.F.R. 345.12(w). In October 1996, the FDIC designated Fuji Trust as a wholesale bank.

19. 12 C.F.R. 345.25(a), (e).

FDIC as a wholesale bank.[20] The 2000 IBJ Trust Examination found that IBJ Trust was involved in lending to several community development projects. Examiners noted that IBJ Trust extended its commitment to fund a $3.5 million of line of credit to a nonprofit mortgage lender that, as of the date of the Examination, had financed construction or rehabilitation of almost 50,000 housing units in New York City and surrounding counties. Examiners also noted a $300,000 loan commitment by IBJ Trust to a nonprofit organization to rehabilitate and resell 29 buildings in low-income neighborhoods in Brooklyn and Queens.

The 2000 examination cited several community development investments made by IBJ Trust, including its renewal of a $100,000 certificate of deposit in Community Capital Bank, a community development bank that finances community development in LMI neighborhoods in New York City. Examiners also noted IBJ Trust deposits totaling $300,000 in six low-income credit unions in New York City, and stated that $641,000 in grants were made since the previous examination to organizations serving LMI residents or engaging community development activities. These grants included $30,000 to Asian Americans for Equality to provide home mortgage education and counseling to LMI individuals with disabilities, and $25,000 to Common Ground Job Training Corporation for its job training and placement program for residents of supportive housing.

E. IBJ Whitehall

IBJ Whitehall provides commercial lending, private banking, investment management, and other services to corporations, governments, and individuals with high net worth, and has been designated by the Federal Reserve System as a wholesale bank.[21] The 1998 IBJ Whitehall Examination found that the bank had increased the amount of its qualified investments by 122 percent to $13.3 million since the previous examination.[22]

Examiners stated that IBJ Whitehall was engaged in a number of innovative or complex community development activities. For example, examiners noted that IBJS Capital Corporation, a subsidiary small business investment corporation of IBJ Whitehall, provided long-term financing to small businesses in IBJ Whitehall's assessment area. The 1998 examination also mentioned IBJ Whitehall's participation in programs operated by Neighborhood Housing Services to provide low-interest loans for the rehabilitation of small multifamily and mixed use buildings and down payment and closing cost assistance to LMI homebuyers. Examiners cited IBJ Whitehall's involvement in forming the Neighborhood 2000 Fund, an organization making grants to community development corporations that support housing and economic development initiatives.

F. Conclusion on Convenience and Needs

In reviewing the proposal's effect on the convenience and needs of the communities to be served, the Board has carefully considered all the facts of record, including the public comments received, responses to the comments, and reports of examinations of CRA performance of the institutions involved.[23] The Board expects that, after consummation of the proposal, Mizuho's U.S. subsidiary banks would demonstrate the same commitment to serving the community development needs of their communities that they have demonstrated to date. DKB, Fuji, and IBJ are large banking organizations with satisfactory records of compliance with U.S. banking regulations, and Mizuho has financial and managerial resources that are sufficient to ensure compliance by the U.S. subsidiary banks with all relevant regulatory requirements, including the CRA. Based on a review of the entire record, and for the reasons discussed above, the Board concludes that convenience and needs considerations, including the CRA performance records of the U.S. subsidiary banks involved, are consistent with approval of the proposal.[24]

20. In September 1996, the FDIC designated IBJ Trust as a wholesale bank for purposes of assessing its CRA performance.

21. *See* 12 C.F.R. 228.25. In April 1997, the Federal Reserve System designated IBJ Whitehall as a wholesale bank for purposes of evaluating its CRA performance.

22. At the time of the examination, IBJ Whitehall was named IBJ Schroeder Bank and Trust Company.

23. ICP contends that DKB, Fuji, and IBJ have indirectly supported predatory lending by providing financing to Delta Funding Corporation, Woodbury, New York ("Delta"); Ameriquest Mortgage Company, Orange, California ("Ameriquest"); and PinnFund USA, Carlsbad, California ("PinnFund"). Mizuho represents that the business relationships cited by ICP were limited to equipment leases to Delta and Ameriquest by subsidiaries of DKB and Fuji, and that a credit facility arranged by IBJ for PinnFund expired without being funded. The Board has considered these assertions in evaluating the managerial and convenience and needs factors in this case.

24. ICP contends that CIT has supported predatory lending by providing financing to United Companies Financial Corporation, Baton Rouge, Louisiana ("United") and Cityscape Financial Corporation, Elmsford, New York ("Cityscape"). The only business relationships that CIT had with Cityscape involved two credit facilities totaling $105 million. Mizuho represents that CIT did not control Cityscape's underwriting or lending practices, and that CIT was not involved in Cityscape's credit review process. With regard to United, CIT agreed to fund up to $75 million of a $150 million credit facility for United. The average loan under the facility was $5.5 million. This facility was arranged for United by another lender and was CIT's only business relationship with United. The facility was terminated earlier this year. Mizuho represents that CIT did not control United's underwriting or lending practices, and was not involved in United's credit review process.

ICP also contends that IBJ has indirectly supported predatory lending by securitizing high-loan-to-value mortgage loans. IBJ arranged three securitizations as short-term warehousing facilities for mortgage loans originated by three different lenders: PinnFund, Empire Funding Corporation, Austin, Texas ("Empire"), and FirstPlus Financial, Inc., Dallas, Texas ("FirstPlus"). IBJ states that it had no involvement in the origination of the mortgage loans warehoused in these facilities. The PinnFund financing vehicle was never used. With respect to each of the securitizations, IBJ arranged for reviews of samples of the loan documentation for compliance with the disclosure requirements of the consumer protection laws, and the lender involved made representations and warranties about its compliance with consumer protection laws. The Department of Housing and Urban Development, the Department of Justice, and Federal Trade Commission have responsibility for reviewing the compliance with the fair lending laws of nonde-

Other Supervisory Considerations

Under section 3 of the BHC Act, the Board may not approve an application involving a foreign bank unless the bank is "subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank's home country."[25] The Board previously has determined, in applications under the BHC Act, that certain Japanese commercial banks, including Fuji, were subject to comprehensive consolidated supervision by their home country supervisor.[26] In this case, the Board has determined that DKB and IBJ are supervised on substantially the same terms and conditions as the other Japanese banks. In addition, Japan's Financial Services Agency ("FSA") has supervisory authority with respect to Mizuho and its nonbanking subsidiaries. The FSA may conduct inspections of Mizuho and its subsidiaries and require Mizuho to submit reports about its operations on a consolidated basis. The FSA also may review transactions between Mizuho and its subsidiaries and has authority to require Mizuho to take measures necessary to ensure the safety and soundness of the Mizuho organization. Based on all the facts of record, the Board has concluded that DKB, Fuji, and IBJ are subject to comprehensive supervision and regulation on a consolidated basis by their home country supervisor.[27]

The BHC Act also requires the Board to determine that foreign banks have provided adequate assurances that they will make available to the Board such information on their operations and activities and those of their affiliates that the Board deems appropriate to determine and enforce compliance with the BHC Act. The Board has reviewed the restrictions on disclosure in jurisdictions where DKB, Fuji, and IBJ have, and Mizuho would have, material operations and has communicated with relevant government authorities concerning access to information. Mizuho has committed that, to the extent not prohibited by applicable law, it will make available to the Board such information on the operations of Mizuho and any of its affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act and other applicable federal law. Mizuho also has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary in order to enable Mizuho to make any such information available to the Board. In light of these commitments and other facts of record, the Board has concluded that Mizuho has provided adequate assurances of access to any appropriate information the Board may request. For these reasons, and based on all the facts of record, the Board has concluded that the supervisory factors it is required to consider under section 3(c)(3) of the BHC Act are consistent with approval.

Nonbanking Activities

Mizuho also has filed notices under sections 4(c)(8) and (4)(j) of the BHC Act to acquire the U.S. nonbank subsidiaries of DKB, Fuji, and IBJ, and to engage in the United States in various permissible nonbanking activities. Through these subsidiaries, Mizuho would engage in a number of nonbanking activities, including lending activities, activities related to extending credit, leasing activities, performing trust company functions, providing investment and financial advisory services, providing securities brokerage, private placement, riskless principal, futures commission merchant, and other agency transactional services, underwriting and dealing in bank-eligible securities, investing and trading activities, management consulting activities, certain specific insurance agency activities,[28] community development activities, and data processing and transmission activities. In addition, Mizuho seeks the Board's approval to own and operate a *de novo* industrial loan company, and to engage in financial and investment advisory activities through Nomura IBJ Global Investment Advisors, Inc. The Board determined by regulation before November 12, 1999, that the types of activities for which notice has been provided are closely related to banking for purposes of section 4(c)(8) of the BHC Act.[29] Mizuho has committed that it will conduct these activities in accordance with the Board's regulations and in accordance with the orders approving these activities for bank holding companies.[30]

pository institutions like Cityscape, United, PinnFund, Empire, and FirstPlus, and the Board has forwarded copies ICP's assertions to the agencies.

25. 12 U.S.C. § 1842(c)(3)(B). As provided in Regulation Y, the Board determines whether a foreign bank is subject to consolidated home country supervision under the standards set forth in Regulation K. 12 C.F.R. 225.13(a)(4). Regulation K provides that a foreign bank may be considered subject to consolidated supervision if the Board determines that the bank is supervised or regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the foreign bank, including the relationships of the bank to its affiliates, to assess the foreign bank's overall financial condition and compliance with law and regulation. 12 C.F.R. 211.24(c)(1)(ii).

26. *See The Sanwa Bank, Limited,* 86 *Federal Reserve Bulletin* 54 (2000); *The Fuji Bank, Limited,* 85 *Federal Reserve Bulletin* 338 (1999); and *The Mitsubishi Bank, Limited,* 82 *Federal Reserve Bulletin* 436 (1996).

27. In reaching this conclusion, the Board has considered ICP's contention that home country supervision of Mizuho would be inadequate.

28. Specifically, Mizuho has requested the Board's authorization to retain credit-related property and casualty insurance activities which DKB currently conducts through CIT pursuant to exemption D of the Garn–St Germain Depository Institutions Act of 1982. Mizuho has committed to comply with the commitments regarding this activity as outlined in the Board's order authorizing DKB's acquisition of CIT. *See The Dai-Ichi Kangyo Bank, Limited,* 76 *Federal Reserve Bulletin* 75 (1990). CIT will remain a separate subsidiary of DKB, and these insurance activities will not be conducted by any of Mizuho's other subsidiaries. Pursuant to exemption D, CIT may sell insurance only in New York, states adjacent to New York, and states where Manufacturers Hanover Corporation conducted insurance agency activities on May 1, 1982.

29. *See* 12 C.F.R. 225.28(b)(1), (2), (3), (4)(i), (5), (6), (7)(i)-(v), (8)(i) and (ii), (9), (11)(iv), (12), and (14).

30. In connection with its July 1999 acquisition of HealthCare Financial Partners, Inc. ("HFP"), Fuji committed to conform the activities and investments of HFP to those permissible for bank holding companies under section 4 of the BHC Act and Regulation Y within two years of acquiring HFP. *See Fuji Bank, Ltd.,* 85 *Federal Reserve Bulletin* 643, fn 2 (1999). In connection with its November

In order to approve the notice, the Board also must determine that the acquisition of the U.S. nonbank subsidiaries of DKB, Fuji, and IBJ, and the performance of the proposed activities by Mizuho 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.[31]

Mizuho has indicated that the proposal would improve the financial position and future business prospects of the current banking and nonbanking subsidiaries of DKB, Fuji, and IBJ. In addition, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies can make potentially profitable investments in nonbanking companies and from permitting banking organizations to allocate their resources in the manner they consider to be most efficient when such investments and actions are consistent, as in this case, with the relevant considerations under the BHC Act.

The Board has carefully considered the competitive effects of the proposed transaction under section 4 of the BHC Act. To the extent that DKB, Fuji, and IBJ offer different types of nonbanking products, the proposed acquisition would result in no loss of competition. Certain nonbanking subsidiaries of DKB, Fuji, and IBJ compete, however, in the markets for commercial lending, commercial leasing, swaps and derivatives, securities brokerage and dealing, corporate trust services, and financial investment advisory markets. The markets for each of these nonbanking activities are regional or national. The record in this case indicates that there are numerous providers of these services and that the markets for these nonbanking services are unconcentrated. For these reasons, and based on all the facts of record, the Board concludes that consummation of the proposal would have a *de minimis* effect on competition.

The Board also believes that the conduct of the proposed nonbanking activities within the framework established in this order, prior orders, and Regulation Y is not likely to result in adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would not be outweighed by the public benefits of the proposal, such as increased customer convenience and gains in efficiency.

Accordingly, based on all the facts of record, the Board has determined that the balance of public interest factors that the Board must consider under the standard of section 4(j) of the BHC Act is favorable and consistent with approval.

Mizuho also has provided notice under section 25A of the Federal Reserve Act and section 211.4 of Regulation K (12 C.F.R. 211.4) to acquire Fuji Bank International, Inc., a company organized under section 25A of the Federal Reserve Act. The Board concludes that all the factors required to be considered under the Federal Reserve Act and Regulation K are consistent with approval of the proposal.

Conclusion

Based on the foregoing, the Board has determined that the transaction should be, and hereby is, approved.[32] In reaching its conclusion, the Board has considered all the facts of record in light of the factors that the Board is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by Mizuho with all the commitments made in connection with this application and notice, including the commitments discussed in the order, and the conditions set forth in the order and the above-noted Board regulations and orders, and on the Board's receiving access to information on the operations or activities of Mizuho and any of its affiliates that the Board determines to be appropriate to determine and enforce compliance by Mizuho and its affiliates with applicable federal statutes. The Board's approval of the nonbanking aspects of the proposal also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the

1999 acquisition of Newcourt Credit Group, Inc. ("Newcourt"), DKB committed to conform the activities and investments of Newcourt to those permissible for bank holding companies under section 4 of the BHC Act and Regulation Y within two years of acquiring Newcourt. *See Dai-Ichi Kangyo Bank, Ltd.*, 85 *Federal Reserve Bulletin* 736, fn 3. (1999). Mizuho has committed to conform the activities and investments of HFP and Newcourt within the time frames specified in the original commitments by Fuji and DKB. In addition, Mizuho has committed that it will conform all other nonconforming activities to the requirements of section 4 of the BHC Act within two years after the consummation of the proposal, and that it will make no new nonconforming investments after consummation of this proposal.

31. *See* 12 U.S.C. § 1843(j)(2)(A).

32. ICP requests that the Board hold a public meeting or hearing on the proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for a bank to be acquired makes a timely written recommendation of denial of the application. The Board has not received such a recommendation from any of the appropriate supervisory authorities.

Under its rules, the Board also may, in its discretion, hold a public meeting or hearing on an application to acquire a bank if a meeting or hearing is necessary or appropriate to clarify factual issues related to the application and to provide an opportunity for testimony. 12 C.F.R. 225.16(e). Section 4 of the BHC Act and the Board's rules thereunder provide for a hearing on a notice to acquire nonbanking companies if there are disputed issues of material fact that cannot be resolved in some other manner. 12 U.S.C. § 1843(c)(8); 12 C.F.R. 225.25(a)(2). The Board has considered carefully ICP's request in light of all the facts of record. ICP has had ample opportunity to submit its views, and, in fact, submitted written comments that have been considered carefully by the Board in acting on the proposal. ICP's request fails to demonstrate why its written comments do not present its views adequately and fails to identify disputed issues of fact that are material to the Board's decision that would be clarified by a public meeting or hearing. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not required or warranted in this case. Accordingly, the request for a public meeting or hearing on the proposal is denied.

Board's regulations and orders issued thereunder. These commitments and conditions 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 the subsidiary banks of DKB, Fuji, and IBJ, may not be consummated before the fifteenth calendar day after 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 by the Reserve Bank acting pursuant to delegated authority.

By order of the Board of Governors, effective September 5, 2000.

Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley, Meyer, and Gramlich.

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Appendix
Nonbanking activities of DKB, Fuji, and IBJ in which Mizuho proposes to engage:

(1) Extending credit and servicing loans, in accordance with section 225.28(b)(1) of the Board's Regulation Y (12 C.F.R. 225.28(b)(1));
(2) Activities related to extending credit, in accordance with section 225.28(b)(2) of the Board's Regulation Y (12 C.F.R. 225.28(b)(2));
(3) Providing leasing services, in accordance with section 225.28(b)(3) of Regulation Y (12 C.F.R. 225.28(b)(3));
(4) Performing trust company functions, in accordance with section 225.28(b)(5) of Regulation Y (12 C.F.R. 225.28(b)(5));
(5) Providing investment and financial advisory services, in accordance with section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28(b)(6));
(6) Providing securities brokerage, riskless principal, private placement, futures commission merchant, and other agency transactional services, in accordance with section 225.28(b)(7)(i)-(v) of Regulation Y (12 C.F.R. 225.28(b)(7)(i)-(v));
(7) Underwriting and dealing in government obligations and money market instruments in which state member banks may underwrite and deal under 12 U.S.C. §§ 335 and 24(7), and investing and trading activities, in accordance with section 225.28(b)(8)(i) and (ii) of Regulation Y (12 C.F.R. 225.28(b)(8)(i) and (ii));
(8) Providing management consulting services, in accordance with section 225.28(b)(9) of Regulation Y (12 C.F.R. 225.28(b)(9));
(9) Engaging in specific insurance agency activities through a subsidiary that engaged in such activities on May 1, 1982, in accordance with section 225.28(b)(11)(iv) of Regulation Y (12 C.F.R. 225.28(b)(11)(iv));
(10) Community development activities, in accordance with section 225.28(b)(12) of Regulation Y (12 C.F.R. 225.28(b)(12)); and
(11) Data processing and transmission activities, in accordance with section 225.28(b)(14) of Regulation Y (12 C.F.R. 225.28(b)(14)).

Orders Issued Under International Banking Act

Banca Antoniana Popolare Veneta S.c.p.a.r.l. Padua, Italy

Order Approving Establishment of a Branch

Banca Antoniana Popolare Veneta S.c.p.a.r.l. ("Bank"), Padua, 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 a state-licensed branch in New York, New York. 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 branch 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 (*New York Post*, April 6, 2000). The time for filing comments has expired, and the Board has considered all comments received.

Bank, with total consolidated assets of approximately $41.9 billion, is a commercial bank and the parent company of a number of banks operating in Italy and San Marino.[1] Bank and its subsidiaries operate an extensive network of branches in Italy and offer a full range of banking services to individual and corporate customers. Bank also operates a branch in Luxembourg. Bank's shares are widely held, and no shareholder controls more than 1 percent of shares.

The proposed branch is currently operated by Banca Nazionale dell' Agricoltura, S.p.A. ("BNA"), a subsidiary of Bank, which will soon be merged into Bank.[2] Bank has requested authority to retain and continue the operations of the branch.

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 shall take into account whether the foreign bank and any foreign bank parent is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C.

1. All data are as of June 30, 2000.
2. Bank acquired BNA in 1999. BNA's merger into Bank is expected to be completed on or about October 1, 2000.

§ 3105(d)(2); 12 C.F.R. 211.24).[3] The Board may also take into account additional standards as set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)-(3)).

As noted above, Bank engages directly in the business of banking outside the United States. Bank also has provided the Board with information necessary to assess the application through submissions that address the relevant issues. With respect to supervision by home country authorities, the Board previously has determined, in connection with applications involving other banks in Italy, that those banks were subject to home country supervision on a consolidated basis.[4] Bank is supervised by the Bank of Italy on substantially the same terms and conditions as those other banks. Based on all the facts of record, the Board has determined that Bank is subject to comprehensive supervision on a consolidated basis by its home country supervisor.

The Board has also taken into account the additional standards set forth in section 7 of the IBA and Regulation K (*see* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)-(3)). The Bank of Italy has no objection to the establishment of the proposed branch.

Italy's risk-based capital standards conform to the European Union capital standards, which are consistent with those established by the Basle Capital Accord. 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 for the proposed branch to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations generally.

With respect to access to information about Bank's operations, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities regarding access to information. Bank has 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 and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited by law or otherwise, Bank has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure of such 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 that the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a branch 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 require termination of any of Bank's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Bank 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 September 25, 2000.

Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Meyer and Gramlich. Absent and not voting: Governor Kelley.

ROBERT DEV. FRIERSON
Associate Secretary of the Board

3. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors:
   (i) Ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide;
   (ii) Obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;
   (iii) Obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;
   (iv) Receive from the bank financial reports that are consolidated on a worldwide basis or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis;
   (v) Evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. These are indicia of comprehensive, consolidated supervision. No single factor is essential, and other elements may inform the Board's determination.

4. *See Banca Sella S.p.A.*, 86 *Federal Reserve Bulletin* 503 (2000); *Banca Intesa S.p.A.*, 86 *Federal Reserve Bulletin* 433 (2000); *Istituto Bancario San Paolo di Torino S.p.A.*, 82 *Federal Reserve Bulletin* 1147 (1996); *Banca di Roma S.p.A.*, 82 *Federal Reserve Bulletin* 1145 (1996).

5. The Board's authority to approve the establishment of the proposed branch parallels the continuing authority of the State of New York to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the New York State Banking Department ("Department") to license the proposed office of Bank in accordance with any terms or conditions that the Department may impose.

Banco Venezolano de Credito S.A.C.A.
Caracas, Venezuela

Order Approving Establishment of a Representative Office

Banco Venezolano de Credito S.A.C.A. ("Bank"), Caracas, Venezuela, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in 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 (*The Miami Herald*, January 26, 2000). 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 $494 million, is a full service commercial bank.[1] Its shares are publicly traded and widely held. Bank operates 89 branches in Venezuela and a branch in the Cayman Islands. Bank currently does not have any operations in the United States.

The proposed representative office would act as a liaison between Bank and existing and prospective customers, solicit new business for Bank, provide information to customers, collect credit information, receive applications for extensions of credit and other banking services on behalf of Bank, and perform other permissible activities.

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 the United States, and has furnished to the Board the information it needs to assess the application adequately. The Board also shall take into account whether the foreign bank and any foreign bank parent is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3107(a)(2); 12 C.F.R. 211.24(d)(2)).[2] In addition, the Board may 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)(2)). The Board has previously stated that the standards that apply to the establishment of a branch or agency need not in every case apply to the establishment of a representative office, because representative offices do not engage in a banking business and cannot take deposits or make loans.[3] With respect to home country supervision of Bank, the Board has considered the following information. The Superintendency of Banks and Other Financial Institutions (the "Superintendency") is the regulatory and supervisory authority for banks and other financial institutions in Venezuela and, as such, is the home country supervisor of Bank. A number of changes recently have been made in the Superintendency's system of supervision, which are now in the process of being implemented. The Superintendency obtains information on Bank's financial condition and compliance with law through annual on-site examinations. Examiners assess the existence of adequate policies, procedures, and systems for supervising and controlling the activities of Bank domestically and abroad. In addition, special examinations of particular areas of Bank may be conducted at the discretion of the Superintendency.

The Superintendency also receives periodic reports from Bank, including monthly reports on the financial operations of Bank's domestic and foreign offices, and consolidated financial statements of Bank's financial group on a semiannual basis.[4] The financial statements of bank and its foreign branch are audited semiannually by external auditors.

Bank has established a system of internal monitoring and controls, which are applied on a daily basis to every type of operation conducted by Bank. Bank's internal controls are evaluated by external auditors who report their findings to Bank's management, shareholders, and the Superintendency. The proposed representative office would be required to establish internal policies and procedures consistent with those established by Bank. The proposed representative office would submit monthly reports to Bank, which would be reviewed by Bank's internal auditors; Bank's internal auditors would also audit the books and records of the proposed office annually.

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, taking into account the nature of its activities.

The Board also has determined that for purposes of the IBA and Regulation K, Bank engages directly in the busi-

1. Data are as of December 31, 1999.

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;
(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* 58 *Federal Register* 6348, 6351 (1993). *See also Citizens National Bank,* 79 *Federal Reserve Bulletin* 805 (1993); *Agricultural Bank of China,* 83 *Federal Reserve Bulletin* 617 (1997).

4. Venezuelan law defines a "financial group" as a group of banks, financial institutions or other companies that comprise a single decisionmaking or managerial unit. Such a group includes foreign and domestic offices, affiliates, and subsidiaries.

ness of banking outside the United States. Bank has provided the Board with information necessary to assess the application through submissions that address the relevant issues.

The Board also has taken into account the additional standards set forth in section 7 of the IBA and Regulation K (see 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). The Superintendency has no objection to the establishment of the proposed representative office. 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 office and has established controls and procedures for the proposed representative office to ensure compliance with U.S. law.

With respect to access to information on Bank's operations, the Board has reviewed the restrictions on disclosure in Venezuela and has communicated with relevant government authorities regarding access to information. Bank has 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 the provision of such information to the Board may be prohibited by law or otherwise, Bank has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure of such information. In light of these commitments and other facts of record, and subject to the conditions described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information that the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, and 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. If 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 obtain information 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. Approval of this application is also specifically conditioned on Bank's compliance with the commitments made in connection with this application and with the conditions in this order.[5] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank and its affiliates.

By order of the Board of Governors, effective September 27, 2000.

Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Meyer and Gramlich. Absent and not voting: Governor Kelley.

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Turkiye Is Bankasi, A.S.
Ankara, Turkey

Order Approving Establishment of a Representative Office

Turkiye Is Bankasi, A.S. ("Bank"), Ankara, Turkey, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in New York, New York. 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 New York, New York (*The New York Times*, January 20, 2000). 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 $14.3 billion,[1] is the second largest private banking organization in Turkey. Bank was established in 1924. Bank's two largest shareholders, its employee pension fund and a political party, respectively hold 45 percent and 28 percent of Bank's shares. The remaining 27 percent of Bank's shares are publicly traded and widely held, with no shareholder controlling more than 5 percent of shares.

Bank engages in retail and commercial banking and other financial activities, including insurance and reinsurance, investment banking, leasing, and factoring, directly and through its bank and nonbank subsidiaries. Outside of Turkey, Bank has branches in the United Kingdom and northern Cyprus, and a subsidiary bank in Germany (which has branches in The Netherlands and France). Bank presently has no direct or indirect operations in the United States.

The proposed representative office would act as liaison with existing and prospective customers of Bank. Staff of the office would conduct market and industry research, assemble credit information, and visit with representatives of various government departments and agencies.

In acting on an application to establish a representative office, the IBA and Regulation K provide that 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 ("Department"), to license the proposed representative office of Bank in accordance with any terms or conditions that the Department may impose.

1. Data are as of fiscal year ending December 31, 1999.

shall take into account whether the foreign bank engages directly in the business of banking outside the United States, and has furnished to the Board the information it needs to assess the application adequately. The Board also shall take into account whether the foreign bank and any foreign bank parent is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3107(a)(2); 12 C.F.R. 211.24(d)(2)).[2] In addition, the Board may 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)(2)). The Board previously has stated that the standards that apply to the establishment of a branch or agency need not in every case apply to the establishment of a representative office, because representative offices do not engage in a banking business and cannot take deposits or make loans.[3]

With respect to home country supervision of Bank, the Board has considered the following information. Bank is supervised primarily by the Turkish Undersecretariat of Treasury and Foreign Trade (the "Treasury"), through its Banking Directorate and the Board of Sworn Auditors ("Sworn Auditors"), as well as by the Central Bank of Turkey ("Central Bank"). The Treasury serves as Bank's primary home country supervisor. Both the Treasury and the Central Bank have stated that they have no objection to Bank's establishment of the proposed representative office. The Board previously approved an application involving another bank in Turkey,[4] and Bank is currently supervised by the Treasury and the Central Bank on substantially the same terms and conditions as the other Turkish bank;[5] however, a recently enacted banking law, described below, will result in changes to the supervisory structure.

In addition to information previously considered by the Board in connection with the prior application by a Turkish bank, the Board has taken into account new information on the Turkish bank supervisory system. A banking law passed in June 1999, still in the process of being implemented, is intended to address certain supervisory gaps and to provide a more comprehensive framework for the regulation and supervision of Turkish banks. Under it, the bank regulatory and supervisory functions of the Treasury and the Central Bank are being transferred to a newly created government entity, the Banking Regulation and Supervision Agency ("BRSA"). In addition, the law requires banks to establish comprehensive internal audit, risk control, and management reporting systems, and to employ an adequate number of internal auditors. The law also increases the minimum capitalization required of banks and creates new rules regarding large exposures of banks that parallel directives of the European Union. Amendments to the banking law, passed in December 1999, provide for increased transparency and independence of the BRSA, strengthen prudential regulations, and provide tools to improve the resolution of financially weak banks. During 2000, the BRSA is expected to issue new accounting standards for financial disclosure, adopt capital adequacy standards addressing market risk, and establish improved internal risk management requirements.

Based on all the facts of record, which include the information described above, the Board concludes that factors relating to the supervision of Bank by its home country supervisors are consistent with approval of the proposed representative office.

The Board has also determined that for purposes of the IBA and Regulation K, Bank engages directly in the business of banking outside of the United States. Bank has provided the Board with information necessary to assess the application through submissions that address the relevant issues.

The Board also has taken into account the additional standards set forth in section 7 of the IBA and Regulation K (*see* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). As noted above, the Treasury and the Central Bank have no objection to Bank's establishment of the proposed representative office. 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 office and has established controls and procedures for the proposed representative office to ensure compliance with U.S. law.

With respect to access to information on Bank's operations, the Board has reviewed the restrictions on disclosure

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;
(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* 58 *Federal Register* 6348, 6351 (1993). *See also Banco de la Ciudad de Buenos Aires,* 85 *Federal Reserve Bulletin* 647 (1999); *Agricultural Bank of China,* 83 *Federal Reserve Bulletin* 617 (1997); *Citizens National Bank,* 79 *Federal Reserve Bulletin* 805 (1993).

4. *See Turkiye Vakiflar Bankasi, T.A.O.,* 81 *Federal Reserve Bulletin* 313 (1995).

5. In brief, Bank currently is required to submit periodic reports and financial statements to the Treasury or the Central Bank providing information on, among other things, capital adequacy, credit exposures, and affiliate transactions. Bank is also subject to examination of head office and branches by the Treasury, through Sworn Auditors. The Sworn Auditors review Bank's capital adequacy, asset quality, managerial resources, and compliance with applicable banking regulations. The Treasury and the Central Bank each have enforcement powers over Bank. In addition, Bank's annual internal audit reports are forwarded to Turkish authorities, and external audits are conducted of its financial reports.

in Turkey and has communicated with relevant government authorities about access to information. Bank and its parents have committed to make available to the Board such information on Bank and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act, and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited by law or otherwise, Bank and its parents have committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure of such information. In addition, subject to certain conditions, Bank's home country supervisors 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 conditions described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information that the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank and its parents and 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. If 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 obtain information 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. Approval of this application is also specifically conditioned on compliance by Bank and its parents 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 against Bank and its affiliates.

By order of the Board of Governors, effective September 18, 2000.

Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley and Gramlich. Absent and not voting: Governor Meyer.

ROBERT DEV. FRIERSON
Associate Secretary of the Board

6. The Board's authority to approve the establishment of the proposed representative office parallels the continuing authority of the State of New York to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of New York and its agent, the New York State Banking Department ("Department"), to license the proposed representative office of Bank in accordance with any terms or conditions that the Department 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 4

Applicant(s)	Bank(s)	Effective Date
Bank One Corporation, Chicago, Illinois	BondNexus, Corp., Seattle, Washington	September 1, 2000

Sections 3 and 4

Applicant(s)	Bank(s)	Effective Date
Niagara Bancorp, MHC, Lockport, New York First Niagara Financial Group, Inc., Lockport, New York	Iroquois Bancorp, Inc., Auburn, New York Cayuga Bank, Auburn, New York Homestead Savings, FA, Utica, New York	September 29, 2000

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT
By Federal Reserve Banks

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

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Advantage Bancorp, Inc., Woodbury, Minnesota	Advantage Bank, Loveland, Colorado	Kansas City	August 24, 2000
Anita Bancorporation, Atlantic, Iowa	EWN Investments, Inc., Ute, Iowa Ute State Bank, Ute, Iowa	Chicago	August 22, 2000
Ardmore Merger Corporation, Ardmore, Oklahoma	First National Corporation of Ardmore, Inc., Ardmore, Oklahoma	Kansas City	August 24, 2000
Caixa Geral de Depósitos, S.A., Lisbon, Portugal	Banco Comercial Português, Oporto, Portugal BPABank, National Association, Newark, New Jersey	New York	August 30, 2000
Central Texas Bankshare Holdings, Inc., Columbus, Texas Colorado County Investment Holdings, Inc., Wilmington, Delaware	Hill Bancshares Holdings, Inc., Weimar, Texas Hill Bank & Trust Company, Weimar, Texas	Dallas	August 18, 2000
Central Valley Community Bancorp, Clovis, California	Clovis Community Bank, Clovis, California	San Francisco	September 11, 2000
Community Bancshares Spring Green and Plain, Inc., Spring Green, Wisconsin	Community Bank Spring Green and Plain, Spring Green, Wisconsin	Chicago	August 25, 2000
Cornerstone Bancorp, Inc., Palatine, Illinois	Cornerstone National Bank and Trust Company, Palatine, Illinois	Chicago	September 14, 2000
The Dai-Ichi Kangyo Bank, Ltd., Tokyo, Japan The Dai-Ichi Kangyo Fuji Trust and Banking Company, Ltd., Tokyo, Japan	DKF Trust Company (USA), New York, New York	New York	September 6, 2000
The Exchange Bankshares, Inc., Estill, South Carolina	The Exchange Bank, Estill, South Carolina	Richmond	August 25, 2000
Farmers and Merchants Bancshares, Inc., Nashville, Illinois	Farmers and Merchants National Bank, Nashville, Illinois	St. Louis	August 30, 2000
Farmers & Merchants Financial Services, Inc., St. Paul, Minnesota	Minnesota Valley Financial Services, Inc., St. Paul, Minnesota Courtland State Bank, Courtland, Minnesota	Minneapolis	September 13, 2000
Farmers National Banc Corp., Canfield, Ohio	Security Financial Corporation, Niles, Ohio	Cleveland	September 7, 2000

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Flathead Holding Company of Bigfork, Bigfork, Montana	Mountain Bank System, Bigfork, Montana Vallley Bank of Belgrade, Belgrade, Montana	Minneapolis	September 20, 2000
FNB Bancorp, Layton, Utah	The First National Bank of Layton, Layton, Utah	San Francisco	August 21, 2000
Frankston Bancorp, Inc., Frankston, Texas	First State Bank, Frankston, Texas	Dallas	September 19, 2000
GrandSouth Bancorporation, Simpsonville, South Carolina	GrandSouth Bank, Fountain Inn, South Carolina	Richmond	August 21, 2000
Greater Bay Bancorp, Palo Alto, California	Bank of Petaluma, Petaluma, California	San Francisco	September 7, 2000
Heartland Bancshares, Inc., Lenox, Iowa	Union Bank of Arizona, Gilbert, Arizona	Chicago	August 17, 2000
The Industrial Bank of Japan, Ltd., Tokyo, Japan	The Dai-Ichi Kangyo Fuji Trust and Banking Company, Ltd., Tokyo, Japan DKF Trust Company (USA), New York, New York	New York	September 6, 2000
The Industrial Bank of Japan, Ltd., Tokyo, Japan	Nomura Securities Co., Ltd., Tokyo, Japan Nomura IBJ Global Investment Advisors, Inc., New York, New York	New York	September 6, 2000
Inter-Mountain Bancorp., Inc., Bozeman, Montana	Westbanco, West Yellowstone, Montana First Security Bank of West Yellowstone, West Yellowstone, Montana	Minneapolis	September 14, 2000
Lafayette Community Bancorp, Lafayette, Indiana	Lafayette Community Bank, Lafayette, Indiana	Chicago	September 1, 2000
M&T Bank Corporation, Buffalo, New York Olympia Financial Corporation, Buffalo, New York	Premier National Bancorp, Inc., Lagrangeville, New York Premier National Bank, N.A., Lagrangeville, New York	New York	September 8, 2000
Shorebank Corporation, Chicago, Illinois Shorebank Advisory Services, Inc., Chicago, Illinois	Shorebank Advisory Services Mexico, Leon, Mexico	Chicago	September 14, 2000
Southern Michigan Bancorp, Inc., Coldwater, Michigan	Sturgis Bank & Trust Company, Sturgis, Michigan	Chicago	September 1, 2000
Tradition Bancshares, Inc., Houston, Texas Tradition Bancshares of Delaware, Inc., Wilmington, Delaware	First National Bank of Bellaire, Houston, Texas	Dallas	September 20, 2000
Wells Fargo & Company, San Francisco, California	Buffalo National Bancshares, Inc., Buffalo, Minnesota The Buffalo National Bank, Buffalo, Minnesota	San Francisco	August 23, 2000

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Banco Bilbao Vizcaya Argentaria, S.A., Bilbao, Spain BBV Securities Inc., New York, New York	Argentaria International Securities Inc., New York, New York	New York	September 7, 2000
Bank of America Corporation, Charlotte, North Carolina First Union Corporation, Charlotte, North Carolina BB&T Corporation, Winston-Salem, North Carolina Wachovia Corporation, Winston-Salem, North Carolina SunTrust Banks, Inc., Atlanta, Georgia BancWest Corporation, Honolulu, Hawaii Star Systems, Inc., Maitland, Florida	SafeCheck Company, L.L.C., New York, New York	Richmond	August 21, 2000
Boston Private Financial Holdings, Inc., Boston, Massachusetts	Sand Hill Advisors, Inc., Menlo Park, California	Boston	August 18, 2000
Citizens Community Bancorp, Inc., Marco Island, Florida	To engage *de novo* in brokering of loans	Atlanta	August 30, 2000
The Dai-Ichi Kangyo Bank, Limited, Tokyo, Japan	CIT Group,Inc., New York, New York	San Francisco	September 6, 2000
First Volunteer Corporation, Chattanooga, Tennessee	Carter-Wilson-Hewgley Insurance, Inc., South Pittsburg, Tennessee	Atlanta	August 23, 2000
Franklin Bancorp, Inc. d/b/a Sunrise Community Banks, St. Paul, Minnesota	To engage *de novo* in employee benefits consulting and data processing services	Minneapolis	August 21, 2000
Southern Michigan Bancorp, Inc., Coldwater, Michigan	H.O.M.E. Limited Dividend Housing Association Limited Partnership, Sturgis, Michigan Sturgis Bank & Trust Company, Sturgis, Michigan First Michiana Development Corporation, Sturgis, Michigan	Chicago	September 13, 2000
Union Bankshares Company, Ellsworth, Maine	Mid-Coast Bancorp, Inc., Waldoboro, Maine The Waldoboro Bank, F.S.B., Waldoboro, Maine	Boston	August 18, 2000
Westdeutsche Landesbank Girozentrale, Dusseldolf, Germany	Phillips Capital Management LLC, Chicago, Illinois	New York	September 11, 2000
Patapsco Bancorp, Inc., Dundalk, Maryland	Northfield Bancorp, Inc., Baltimore, Maryland	Richmond	August 28, 2000

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Commerce Financial Corporation Employee Stock Ownership Plan, Topeka, Kansas	Commerce Financial Corporation, Topeka, Kansas Financial Institution Technologies, Topeka, Kansas	Kansas City	August 23, 2000

APPLICATIONS APPROVED UNDER BANK MERGER ACT
By Federal Reserve Banks

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

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Investors Fiduciary Trust Company, Kansas City, Missouri	State Street Bank and Trust Company, Boston, Massachusetts State Street Corporation, Boston, Massachusetts	Boston	September 12, 2000
Manufacturers and Traders Trust Company, Buffalo, New York	Premier National Bank, N.A., Lagrangeville, New York	New York	September 8, 2000
M&I Marshall & Ilsley Bank, Milwaukee, Wisconsin	M&I Lakeview Bank, Sheboygan, Wisconsin	Chicago	September 8, 2000
The Patapsco Bank, Dundalk, Maryland	Northfield Federal Savings Bank, Baltimore, Maryland	Richmond	August 28, 2000
Pinnacle Bank, Papillion, Nebraska Pinnacle Bank, Aurora, Nebraska Pinnacle Bank, Lexington, Nebraska	Pinnacle Bank, Schuyler, Nebraska	Kansas City	August 30, 2000
Union Trust Company, Ellsworth, Maine	The Waldoboro Bank, F.S.B., Waldoboro, Maine	Boston	August 24, 2000
The State Bank, Ute, Iowa	Commercial Federal Bank, Omaha, Nebraska	Chicago	August 23, 2000

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.

Trans Union LLC v. Board of Governors, et al., No. 00-CV-2087(ESH) (D.D.C., filed August 30, 2000). Action under Administrative Procedure Act challenging a portion of interagency rule regarding Privacy of Consumer Financial Information.

Sedgwick v. Board of Governors, No. 00–16525 (9th Cir., filed August 7, 2000). Appeal of district court dismissal of action under Federal Tort Claims Act alleging violation of bank supervision requirements.

Individual Reference Services Group, Inc., v. Board of Governors, et al., No. 00-CV-1828 (ESH) (D.D.C., filed July 28, 2000). Action under Administrative Procedure Act challenging a portion of interagency rule regarding Privacy of Consumer Finance Information.

Reed Elsevier Inc. v. Board of Governors, No. 00–1289 (D.C. Cir., filed June 30, 2000). Petition for review of interagency rule regarding Privacy of Consumer Financial Information.

Board of Governors v. Interfinancial Services, Ltd., No. 00–5233 (D.C. Cir., filed June 27, 2000). Appeal of district court order enforcing administrative subpoena issued by the Board. On June 30, 2000, the court of appeals denied the appellant's motion for a stay of the district court order.

Bettersworth v. Board of Governors, No. 00–50262 (5th Cir., filed April 14, 2000). Appeal of district court's dismissal of Privacy Act claims.

Hunter v. Board of Governors, No. 00-CV-735 (ESH) (D.D.C., filed April 5, 2000). Action claiming retaliation for whistleblowing activity.

Bennett v. Federal Bureau of Investigation, et al., No. H-00-0707 (S.D. Texas, filed March 1, 2000). Action alleging Board interference with a private investment. On August 23, 2000, the government filed a motion to dismiss the action.

Albrecht v. Board of Governors, No. 00-CV-317 (CKK) (D.D.C., filed February 18, 2000). Action challenging the funding of the retirement plan for certain Board employees.

Folstad v. Board of Governors, No. 00-1056 (6th Cir., filed January 14, 2000). Appeal of district court order granting summary judgment to the Board in a Freedom of Information Act case.

Toland v. Internal Revenue Service, Federal Reserve System, et al., No. CV-S-99-1769-JBR-RJJ (D. Nevada, filed December 29, 1999). Challenge to income taxation and Federal Reserve notes. On February 16, 2000, the government filed a motion to dismiss the action.

Artis v. Greenspan, No. 1:99CV02073 (EGS) (D.D.C., filed August 3, 1999). Employment discrimination action.

Sheriff Gerry Ali v. U.S. State Department, No. 99-7438 (C.D. Cal., filed July 21, 1999). Action relating to impounded bank drafts.

Kerr v. Department of the Treasury, No. 99-16263 (9th Cir., filed April 28, 1999). Appeal of dismissal of action challenging income taxation and Federal Reserve notes.

Fraternal Order of Police v. Board of Governors, No. 1:98CV03116 (WBB)(D.D.C., filed December 22, 1998). Declaratory judgment action challenging Board labor practices. On February 26, 1999, the Board filed a motion to dismiss the action.

Hunter v. Board of Governors, No. 1:98CV02994 (ESH) (D.D.C., filed December 9, 1998). Action under the Freedom of Information Act, the Privacy Act, and the first amendment. On April 26, 2000, the court granted the Board's motion to dismiss or for summary judgment. On August 25, 2000, the court denied plaintiff's request for attorney's fees and costs.

Board of Governors v. Carrasco, No. 98 Civ. 3474 (LAK) (S.D.N.Y., filed May 15, 1998). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On May 26, 1998, the court issued a preliminary injunction restraining the transfer or disposition of the individual's assets and appointing the Federal Reserve Bank of New York as receiver for those assets. Following entry of the Board's order requiring restitution, 85 *Federal Reserve Bulletin* 142 (1998), the court granted the Board's motion for judgment in the asset freeze action and authorized a judicial sale of the seized property.

Board of Governors v. Pharaon, No. 98-6101 (2d Cir., filed May 4, 1998). Appeal and cross-appeal of district court order granting in part and denying in part the Board's motion for summary judgment seeking prejudgment interest and a statutory surcharge in connection with a civil money penalty assessed by the Board. On February 24, 1999, the court granted the Board's appeal and denied the cross-appeal, and remanded the matter to the district court for determination of prejudgment interest due to the Board.

FINAL ENFORCEMENT DECISION ISSUED BY THE BOARD OF GOVERNORS

In the Matter of

Carolyn D. Nelson
Former Assistant Vice President of
Lone Star National Bank
Pharr, Texas

Docket No. OCC-AA-99-23

Final Decision

This is an administrative proceeding pursuant to the Federal Deposit Insurance Act ("FDI Act") in which the Office of the Comptroller of the Currency of the United States of America ("OCC") seeks to prohibit the Respondent, Carolyn D. Nelson ("Respondent"), from further participation in the affairs of any financial institution because of her conduct as a vice president of Lone Star National Bank, Pharr, Texas (the "Bank"). Under the FDI Act, the OCC may initiate a prohibition proceeding against a former employee of a national bank, but the Board must make the final determination whether to issue an order of prohibition.

Upon review of the administrative record, the Board issues this Final Decision adopting the Recommended Decision ("RD") of Administrative Law Judge Arthur L. Shipe (the "ALJ"), and orders the issuance of the attached Order of Prohibition.

I. Statement of the Case

A. Statutory and Regulatory Framework

Under the FDI Act and the Board's regulations, the ALJ is responsible for conducting proceedings on a notice of charges. 12 U.S.C. § 1818(e)(4). The ALJ issues a recommended decision that is referred to the deciding agency together with any exceptions to those recommendations filed by the parties. The Board makes the final findings of fact, conclusions of law, and determination whether to issue an order of prohibition in the case of prohibition orders sought by the OCC. *Id.*; 12 C.F.R. § 263.40.

The FDI Act sets forth the substantive basis upon which a federal banking agency may issue against a bank official or employee an order of prohibition from further participation in banking. In order to issue such an order, the Board must make each of three findings:

(1) That the respondent engaged in identified *misconduct,* including a violation of law or regulation, an unsafe or unsound practice or a breach of fiduciary duty;

(2) That the conduct had a specified *effect,* including financial loss to the institution or gain to the respondent; and
(3) That the respondent's conduct involved either personal dishonesty or a willful or continuing disregard for the safety or soundness of the institution. 12 U.S.C. § 1818(e)(1)(A)-(C).

An enforcement proceeding is initiated by the filing of a notice of charges which is served on the respondent. Under the OCC's and the Board's regulations, the respondent must file an answer within 20 days of service of the notice. 12 C.F.R. §§ 19.19(a) and 263.19(a). Failure to file an answer constitutes a waiver of the respondent's right to contest the allegations in the notice, and a final order may be entered unless good cause is shown for failure to file a timely answer. 12 C.F.R. §§ 19.19(c)(1) and 263.19(c)(1).

B. Procedural History

On November 19, 1999, the OCC issued a Notice initiating an enforcement action that sought, among other things, an order of prohibition due to Respondent's unauthorized withdrawal of customers' funds for her own use. The Notice alleged that over a two-year period, Respondent had withdrawn over $40,000 in funds from the accounts of three customers, all without the knowledge or approval of the customers, and used the funds for her own benefit.[1]

The record shows that Respondent was served with the Notice by certified mail on November 27, 1999; the Notice was also served on her counsel. Under the OCC's regulations, Respondent was required to file her answer to the Notice by December 14, 1999. When no answer was received, Enforcement Counsel filed and served on Respondent and her counsel a Motion for Entry of an Order of Default on December 21, 1999. The ALJ issued an Order requiring Respondent to show cause why he should not grant the default. This Order was served by certified mail; the record reflects that it was delivered to Respondent's counsel on January 18, 2000, but that the copy sent to Respondent herself was returned to the ALJ marked "unclaimed". Accordingly, the ALJ ordered Enforcement Counsel to serve the show cause order on Respondent personally. Personal service of the Order was made on February 24, 2000, and Respondent had until March 15, 2000, to respond and show good cause for her failure to file an answer in a timely fashion.

When Respondent failed to respond to the Order to show cause, the ALJ issued his Recommended Decision ("RD"). The RD found that Respondent had waived her rights to appear and contest the allegations in the Notice, and recommended that the relief requested in the Notice be imposed.

Following the issuance of the RD, counsel for Respondent contacted the Board by letter,[2] requesting that the default be reconsidered. In his unsworn letter, counsel stated that "[a] proper request for hearing was sent; however, the hearing did not take place." Counsel also stated that he personally appeared at the courthouse identified in the Notice of Charges, apparently on the day of the hearing as set forth in the Notice, and "was instructed that no such hearing existed." Finally, counsel's letter informed the Board that Respondent intended to plead guilty to criminal charges stemming from the allegations set forth in the Notice, and had made substantial restitution to the Bank.

II. Discussion

The OCC's Rules of Practice and Procedure set forth the consequences of a failure to file an answer to a Notice. Under the Rules, failure to file a timely answer "constitutes a waiver of [a respondent's] right to appear and contest the allegations in the Notice." 12 C.F.R. § 19.19(c). If the ALJ finds that no good cause has been shown for the failure to file, the judge "shall file . . . a recommended decision containing the findings and the relief sought in the notice." *Id.* An order based on a failure to file a timely answer is deemed to be issued by consent. *Id.*

In this case, Respondent repeatedly failed to respond to this administrative proceeding. Despite service of the Notice on both her and her counsel, she failed to file an answer within the 20 days provided in the OCC's Rules. Both Respondent and her counsel were served with Enforcement Counsel's Motion for entry of a default but filed no opposition to it. The record reflects that each was served with the ALJ's Order to show cause, giving Respondent another opportunity to explain her failure to answer the Notice, but no such explanation was provided prior to the entry of the RD.

Even after the issuance of the RD, Respondent failed to explain adequately why she did not file a timely answer. Respondent's counsel asserted that "a request for a hearing was sent," but did not enclose a copy of such a request, and no such request was made part of the record. Counsel also stated in his unsworn letter that he had appeared at the time and place identified in the Notice for the hearing to occur, in January 2000. But by that time Respondent had been in default for over a month and had not filed the required request for a hearing. Moreover, if counsel had been aware of the time and place for the hearing in January 2000, his and his client's failure to file an answer to the Notice if difficult to excuse, and indeed neither Respondent nor her counsel has ever explained it.

In short, Respondent's default permits the Board to consider the allegations in the Notice as uncontested. Those

1. The Notice also sought civil money penalties and an order of restitution. On August 8, 2000, on the basis of the ALJ's recommended decision, the OCC issued a decision finding Respondent in default and imposing the requested relief.

2. Counsel initially wrote to the administrative law judge immediately after the issuance of the Recommended Decision. The administrative law judge correctly informed counsel that he no longer had jurisdiction over the matter and that any requests with regard to the recommended decision must be directed to the decisional agencies.

allegations meet all the criteria for entry of an order of prohibition under 12 U.S.C. § 1818(e). Respondent's conduct in withdrawing funds from customers' accounts without authorization and converting those funds to her own use meets the "misconduct" prong of the prohibition statute, 12 U.S.C. § 1818(e)(1)(A), being both a violation of law, an unsafe or unsound practice, and a breach of Respondent's fiduciary duty to her customers. The action had the necessary "effect" of gain to the Respondent under 12 U.S.C. § 1818(e)(1)(B). Finally, the conduct involved the requisite culpability under 12 U.S.C. § 1818(e)(1)(C) in that it involved personal dishonesty. The requirements for an order of prohibition having been met, the Board has determined that such an order will issue.

Conclusion

For these reasons, the Board orders the issuance of the attached Order of Prohibition.

By Order of the Board of Governors, this 29th day of September, 2000.

Board of Governors of the
Federal Reserve System

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Order of Prohibition

WHEREAS, pursuant to section 8(e) of the Federal Deposit Insurance Act, as amended, (the "Act") (12 U.S.C. § 1818(e)), the Board of Governors of the Federal Reserve System ("the Board") is of the opinion, for the reasons set forth in the accompanying Final Decision, that a final Order of Prohibition should issue against CAROLYN D. NELSON ("NELSON");

NOW, THEREFORE, IT IS HEREBY ORDERED, pursuant to section 8(e) of the Federal Deposit Insurance Act, as amended, (12 U.S.C. § 1818(e)), that:

1. In the absence of prior written approval by the Board, and by any other Federal financial institution regulatory agency where necessary pursuant to section 8(e)(7)(B) of the Act (12 U.S.C. § 1818(e)(7)(B)), Nelson is hereby prohibited:
   (a) from participating in the conduct of the affairs of any bank holding company, any insured depository institution or any other institution specified in subsection 8(e)(7)(A) of the Act (12 U.S.C. § 1818(e)(7)(A));
   (b) From soliciting, procuring, transferring, attempting to transfer, voting or attempting to vote any proxy, consent, or authorization with respect to any voting rights in any institution described in subsection 8(e)(7)(A) of the Act (12 U.S.C. § 1818(e)(7)(A));
   (c) From violating any voting agreement previously approved by the appropriate Federal banking agency; or
   (d) From voting for a director, or from serving or acting as an institution-affiliated § party as defined in section 3(u) of the Act, (12 U.S.C. § 1813(u)), such as an officer, director, or employee.

2. This Order, and each provision hereof, is and shall remain fully effective and enforceable until expressly stayed, modified, terminated or suspended in writing by the Board.

This Order shall become effective at the expiration of thirty days after service is made.

By Order of the Board of Governors, this 29th day of September, 2000.

Board of Governors of the
Federal Reserve System

ROBERT DEV. FRIERSON
Associate Secretary of the Board

WRITTEN AGREEMENTS APPROVED BY FEDERAL RESERVE BANKS

Consolidated Bank and Trust Company Richmond, Virginia

The Federal Reserve Board announced on September 22, 2000, the execution of a Written Agreement by and among the Consolidated Bank and Trust Company, Richmond, Virginia; the Federal Reserve Bank of Richmond; and the Bureau of Financial Institutions of the Commonwealth of Virginia.

Olathe Bancorporation, Inc. Olathe, Colorado

The Federal Reserve Board announced on September 27, 2000, the execution of a Written Agreement by and among Olathe Bancorporation, Inc., Olathe, Colorado; the Olathe State Bank, Olathe, Colorado; the Federal Reserve Bank of Kansas City; and the Colorado Division of Banking.

Financial and Business Statistics

Guide to Tabular Presentation

SYMBOLS AND ABBREVIATIONS

c	Corrected
e	Estimated
n.a.	Not available
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
CRA	Community Reinvestment Act of 1977
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
FSA	Farm Service Agency
FSLIC	Federal Savings and Loan Insurance Corporation
G-7	Group of Seven
G-10	Group of Ten
GDP	Gross domestic product
GNMA	Government National Mortgage Association
HUD	Department of Housing and Urban Development
IMF	International Monetary Fund
IOs	Interest only, stripped, mortgage-back securities
IPCs	Individuals, partnerships, and corporations
IRA	Individual retirement account
MMDA	Money market deposit account
MSA	Metropolitan statistical area
NOW	Negotiable order of withdrawal
OCDs	Other checkable deposits
OPEC	Organization of Petroleum Exporting Countries
OTS	Office of Thrift Supervision
PMI	Private mortgage insurance
POs	Principal only, stripped, mortgage-back securities
REIT	Real estate investment trust
REMICs	Real estate mortgage investment conduits
RHS	Rural Housing Service
RP	Repurchase agreement
RTC	Resolution Trust Corporation
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, AND DEBT MEASURES

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1999		2000[r]		2000				
	Q3	Q4[r]	Q1	Q2	Apr.[r]	May[r]	June[r]	July[r]	Aug.
Reserves of depository institutions[2]									
1 Total	−16.1	−3.4	1.8	−9.5	13.8	12.5	−40.6	9.0	−8.3
2 Required	−16.0	−4.5	.1	−5.9	16.1	19.0	−45.1	9.1	−8.0
3 Nonborrowed	−17.9	−3.0	2.4	−11.1	10.2	10.9	−44.4	6.4	−8.7
4 Monetary base[3]	9.0	20.4	4.3	−3.2	3.4	2.5	2.8	3.7	.4
Concepts of money and debt[4]									
5 M1	−1.8	4.8	.0	−1.2	5.1	−10.9	−1.7	1.3	−2.8
6 M2	5.4[r]	5.2	6.1	6.3	10.6	−.5	3.8	3.6	7.5
7 M3	5.1[r]	10.5	10.8	8.0	8.8	3.6	7.4	9.4	10.4
8 Debt	6.1[r]	6.3	5.6	6.3	6.8	5.3	5.8	4.7	n.a.
Nontransaction components									
9 In M2[5]	7.7[r]	5.3	8.0	8.6	12.2	2.7	5.4	4.3	10.6
10 In M3 only[6]	4.3[r]	25.2	23.2	12.2	4.4	14.1	16.5	23.5	17.5
Time and savings deposits									
Commercial banks									
11 Savings, including MMDAs	10.6	4.2	3.6	8.1	14.8	−2.4	7.3	10.0	14.5
12 Small time[7]	2.1	7.0	9.3	13.7	16.8	10.9	17.5	8.2	9.2
13 Large time[8,9]	.2[r]	38.5	22.2	17.7	35.2	1.7	19.1	17.0	22.4
Thrift institutions									
14 Savings, including MMDAs	13.3	−3.3	−1.7	1.9	−7.7	11.5	−1.9	−.5	7.4
15 Small time[7]	−3.2	5.1	7.2	3.7	−1.5	7.0	9.2	12.4	16.2
16 Large time[8]	1.6	6.0	17.9	−.7	−5.1	−12.7	24.4	26.4	28.3
Money market mutual funds									
17 Retail	8.9[r]	10.8	19.3	10.9	20.3	−1.9	−3.9	−7.9	5.4
18 Institution-only	9.1[r]	22.0	23.8	13.7	−1.5	17.0	15.5	51.8	28.2
Repurchase agreements and eurodollars									
19 Repurchase agreements[10]	10.9	19.5	22.4	10.8	−8.9	33.1	28.8	5.9	−16.9
20 Eurodollars[10]	−9.7	13.3	29.2	−3.3	−51.1	24.9	−17.6	−22.7	22.5
Debt components[4]									
21 Federal	.1[r]	−4.4	−4.8	−7.5	−5.4	−18.1	−8.4	−3.9	n.a.
22 Nonfederal	7.8[r]	9.3	8.4	9.9	10.0	11.3	9.3	6.8	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. 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, (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.

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						
	2000			2000						
	June	July	Aug.	July 19	July 26	Aug. 2	Aug. 9	Aug. 16	Aug. 23	Aug. 30
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	558,662	559,982	557,962	558,305	558,298	558,844	557,918	558,150	557,929	556,799
U.S. government securities[2]										
2 Bought outright—System account[3]	507,018	506,116	509,923	507,047	506,293	506,448	508,712	510,753	509,767	511,147
3 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
Federal agency obligations										
4 Bought outright	140	140	140	140	140	140	140	140	140	140
5 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
6 Repurchase agreements—triparty[4]	16,905	17,642	12,059	14,873	15,237	14,755	12,039	10,822	13,281	10,761
7 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
8 Adjustment credit	87	64	24	31	12	38	16	9	14	54
9 Seasonal credit	389	513	559	505	549	569	540	539	565	586
10 Special Liquidity Facility credit	0	0	0	0	0	0	0	0	0	0
11 Extended credit	0	0	0	0	0	0	0	0	0	0
12 Float	788	469	896	589	482	1,330	917	899	959	492
13 Other Federal Reserve assets	33,334	35,038	34,362	35,119	35,585	35,565	35,555	34,988	33,204	33,619
14 Gold stock	11,047	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046
15 Special drawing rights certificate account	4,667	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
16 Treasury currency outstanding	29,898	30,167[r]	30,317	30,184[r]	30,234[r]	30,283	30,297	30,311	30,325	30,339
ABSORBING RESERVE FUNDS										
17 Currency in circulation	568,485	570,798[r]	569,405	570,520[r]	568,846[r]	568,896	569,646	569,951	568,921	568,619
18 Reverse repurchase agreements—triparty[4]	0	0	0	0	0	0	0	0	0	0
19 Treasury cash holdings	87	85	146	69	102	119	128	140	157	161
Deposits, other than reserve balances, with Federal Reserve Banks										
20 Treasury	6,232	5,172	5,047	5,333	4,633	5,106	4,791	5,226	4,824	5,245
21 Foreign	85	120	87	98	111	90	94	80	101	77
22 Service-related balances and adjustments	6,893	6,784	6,746	6,595	6,837	6,553	6,689	6,824	6,820	6,693
23 Other	234	233	239	249	217	235	256	255	234	205
24 Other Federal Reserve liabilities and capital	15,627	15,652	15,269	15,339	15,792	15,449	15,353	15,246	15,234	15,301
25 Reserve balances with Federal Reserve Banks[5]	6,631	6,552[r]	6,588	5,532	7,239[r]	7,924	6,504	5,984	7,208	6,083

Factor	End-of-month figures			Wednesday figures						
	June	July	Aug.	July 19	July 26	Aug. 2	Aug. 9	Aug. 16	Aug. 23	Aug. 30
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	566,538	560,828	562,883	557,890	561,822	556,896	564,423	557,033	563,303	559,930
U.S. government securities[2]										
2 Bought outright—System account[3]	504,950	506,103	510,182	507,093	507,830	507,522	510,520	513,023	510,664	513,095
3 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
Federal agency obligations										
4 Bought outright	140	140	140	140	140	140	140	140	140	140
5 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
6 Repurchase agreements—triparty[4]	26,930	17,490	18,525	14,010	16,955	11,990	16,850	10,020	18,330	11,935
7 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
8 Adjustment credit	54	45	30	101	12	34	15	12	7	20
9 Seasonal credit	458	584	567	536	556	572	543	545	580	586
10 Special Liquidity Facility credit	0	0	0	0	0	0	0	0	0	0
11 Extended credit	0	0	0	0	0	0	0	0	0	0
12 Float	−12	1,348	198	719	533	1,393	582	280	143	319
13 Other Federal Reserve assets	34,019	35,119	33,240	35,292	35,796	35,246	35,773	33,012	33,440	33,835
14 Gold stock	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046
15 Special drawing rights certificate account	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
16 Treasury currency outstanding	29,979	30,283[r]	30,353	30,184[r]	30,234[r]	30,283	30,297	30,311	30,325	30,339
ABSORBING RESERVE FUNDS										
17 Currency in circulation	571,115	568,806[r]	571,234	570,425[r]	569,588[r]	570,320	570,855	570,668	569,442	570,777
18 Reverse repurchase agreements—triparty[4]	0	0	0	0	0	0	0	0	0	0
19 Treasury cash holdings	76	118	166	99	118	127	137	156	161	161
Deposits, other than reserve balances, with Federal Reserve Banks										
20 Treasury	6,208	5,392	5,961	5,922	5,134	4,714	4,907	3,943	5,150	5,948
21 Foreign	105	76	79	148	94	74	101	83	71	99
22 Service-related balances and adjustments	7,064	6,553	6,788	6,595	6,837	6,553	6,689	6,824	6,820	6,693
23 Other	203	228	214	225	221	263	254	259	203	202
24 Other Federal Reserve liabilities and capital	15,719	15,331	15,180	14,966	15,436	14,853	15,379	14,908	14,947	14,915
25 Reserve balances with Federal Reserve Banks[5]	11,274	9,852[r]	8,859	4,941	9,873	5,521	11,644	5,748	12,079	6,720

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. Includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities.
4. Cash value of agreements arranged through third-party custodial banks. These agreements are collateralized by U.S. government and federal agency securities.
5. 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									
	1997	1998	1999	2000						
	Dec.	Dec.	Dec.	Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June[r]	July[r]	Aug.
1 Reserve balances with Reserve Banks[2]	10,664	9,026	5,263	5,074	6,515	7,081	7,661	6,460	6,582	6,909
2 Total vault cash[3]	44,742	44,294	60,630	63,770	48,952	46,456	44,643	44,560	45,475	45,322
3 Applied vault cash[4]	37,255	36,183	36,392	37,023	33,237	33,512	33,898	32,757	33,086	32,610
4 Surplus vault cash[5]	7,486	8,111	24,238	26,747	15,715	12,944	10,745	11,802	12,389	12,712
5 Total reserves[6]	47,919	45,209	41,655	42,097	39,752	40,593	41,558	39,217	39,668	39,519
6 Required reserves	46,235	43,695	40,348[r]	40,985	38,547	39,448	40,616	38,153	38,600	38,471
7 Excess reserve balances at Reserve Banks[7]	1,685	1,514	1,307[r]	1,112	1,205	1,145	943	1,064	1,068	1,048
8 Total borrowing at Reserve Banks	324	117	320	108	179	304	362	479	570	579
9 Adjustment	245	101	179	45	101	184	86	90	60	25
10 Seasonal	79	15	67	44	71	120	276	389	510	554
11 Special Liquidity Facility[8]	0	0	74	19	7	0	0	0	0	0
12 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									
	2000									
	May 3[r]	May 17[r]	May 31[r]	June 14[r]	June 28[r]	July 12[r]	July 26[r]	Aug. 9[r]	Aug. 23	Sept. 6
1 Reserve balances with Reserve Banks[2]	7,484	7,619	7,741	6,498	6,413	6,524	6,388	7,267	6,603	7,043
2 Total vault cash[3]	44,599	44,131	45,164	43,847	45,098	45,783	44,921	46,291	45,398	44,099
3 Applied vault cash[4]	34,383	33,233	34,458	32,184	33,333	32,742	33,184	33,638	32,195	32,182
4 Surplus vault cash[5]	10,216	10,898	10,706	11,663	11,765	13,041	11,737	12,654	13,204	11,917
5 Total reserves[6]	41,867	40,852	42,199	38,682	39,746	39,266	39,572	40,904	38,797	39,225
6 Required reserves	40,867	39,955	41,223	37,769	38,545	38,103	38,596	39,802	37,818	38,117
7 Excess reserve balances at Reserve Banks[7]	999	897	976	913	1,200	1,162	975	1,102	979	1,108
8 Total borrowing at Reserve Banks	276	303	440	472	471	589	549	581	564	604
9 Adjustment	120	65	100	134	43	117	22	27	12	45
10 Seasonal	156	238	340	339	428	472	527	555	552	559
11 Special Liquidity Facility[8]	...	...	...	...	...	...	...	...	...	...
12 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. Vault cash eligible to satisfy reserve requirements. It includes only vault cash held by those banks and thrift institutions that are not exempt from reserve requirements. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements.
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. Borrowing at the discount window under the terms and conditions established for the Century Date Change Special Liquidity Facility in effect from October 1, 1999 through April 7, 2000.
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.

1.14 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 10/6/00	Effective date	Previous rate	On 10/6/00	Effective date	Previous rate	On 10/6/00	Effective date	Previous rate
Boston	6.00 ↑	5/16/00	5.50 ↑	6.60 ↑	10/5/00 ↑	6.55 ↑	7.10 ↑	10/5/00 ↑	7.05 ↑
New York		5/19/00							
Philadelphia		5/18/00							
Cleveland		5/16/00							
Richmond		5/16/00							
Atlanta		5/17/00							
Chicago		5/17/00							
St. Louis		5/18/00							
Minneapolis		5/18/00							
Kansas City		5/17/00							
Dallas	↓	5/17/00	↓	↓	↓	↓	↓	↓	↓
San Francisco	6.00	5/16/00	5.50	6.60	10/5/00	6.55	7.10	10/5/00	7.05

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
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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1982—Oct. 12	9.5–10	9.5
13	9.5	9.5
Nov. 22	9–9.5	9
26	9	9
Dec. 14	8.5–9	9
15	8.5–9	8.5
17	8.5	8.5
1984—Apr. 9	8.5–9	9
13	9	9
Nov. 21	8.5–9	8.5
26	8.5	8.5
Dec. 24	8	8
1985—May 20	7.5–8	7.5
24	7.5	7.5
1986—Mar. 7	7–7.5	7
10	7	7
Apr. 21	6.5–7	6.5
23	6.5	6.5
July 11	6	6
Aug. 21	5.5–6	5.5
22	5.5	5.5
1987—Sept. 4	5.5–6	6
11	6	6
1988—Aug. 9	6–6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5–7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb. 1	6–6.5	6
4	6	6
Apr. 30	5.5–6	5.5
May 2	5.5	5.5
Sept. 13	5–5.5	5
17	5	5
Nov. 6	4.5–5	4.5
7	4.5	4.5
Dec. 20	3.5–4.5	3.5
24	3.5	3.5
1992—July 2	3–3.5	3
7	3	3

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
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
1998—Oct. 15	4.75–5.00	4.75
16	4.75	4.75
Nov. 17	4.50–4.75	4.50
19	4.50	4.50
1999—Aug. 24	4.50–4.75	4.75
26	4.75	4.75
Nov. 16	4.75–5.00	4.75
18	5.00	5.00
2000—Feb. 2	5.00–5.25	5.25
4	5.25	5.25
Mar. 21	5.25–5.50	5.50
23	5.50	5.50
May 16	5.50–6.00	5.50
19	6.00	6.00
In effect Oct. 6, 2000	6.00	6.00

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–$44.3 million[3]	3	12/30/99
2 More than $44.3 million[4]	10	12/30/99
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, 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 with the reserve maintenance period beginning December 30, 1999, for depository institutions that report weekly, and with the period beginning January 20, 2000, for institutions that report quarterly, the amount was decreased from $46.5 million to $44.3 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 with the reserve maintenance period beginning December 30, 1999, for depository institutions that report weekly, and with the period beginning January 20, 2000, for institutions that report quarterly, the exemption was raised from $4.9 million to $5.0 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	1997	1998	1999	2000						
				Jan.	Feb.	Mar.	Apr.	May	June	July
U.S. TREASURY SECURITIES[2]										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	9,147	3,550	0	0	0	0	2,294	0	0	1,825
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	435,907	450,835	464,218	37,029	38,607	48,459	37,141	36,386	44,008	33,718
4 For new bills	435,907	450,835	464,218	37,029	38,607	48,459	37,141	36,386	44,008	33,718
5 Redemptions	0	2,000	0	0	0	198	779	2,297	4,188	4,902
Others within one year										
6 Gross purchases	5,549	6,297	11,895	0	0	0	0	164	1,875	1,284
7 Gross sales	0	0	0	0	0	0	0	0	0	0
8 Maturity shifts	41,716	46,062	50,590	3,566	6,877	5,034	0	13,063	4,672	5,152
9 Exchanges	−27,499	−49,434	−53,315	−4,360	−6,688	−3,515	0	−12,633	−3,109	−3,333
10 Redemptions	1,996	2,676	1,429	390	0	0	568	0	0	367
One to five years										
11 Gross purchases	20,080	12,901	19,731	160	0	740	1,723	890	706	2,259
12 Gross sales	0	0	0	0	0	0	0	0	0	0
13 Maturity shifts	−37,987	−37,777	−44,032	−3,566	−5,210	−5,034	0	−10,334	−4,672	−5,152
14 Exchanges	20,274	37,154	42,604	4,045	4,348	3,515	0	10,063	3,109	3,333
Five to ten years										
15 Gross purchases	3,449	2,294	4,303	809	0	489	930	0	0	0
16 Gross sales	0	0	0	0	0	0	0	0	0	0
17 Maturity shifts	−1,954	−5,908	−5,841	0	−949	0	0	−1,552	0	0
18 Exchanges	5,215	7,439	7,583	316	1,170	0	0	2,570	0	0
More than ten years										
19 Gross purchases	5,897	4,884	9,428	1,069	0	330	0	528	1,151	500
20 Gross sales	0	0	0	0	0	0	0	0	0	0
21 Maturity shifts	−1,775	−2,377	−717	0	−717	0	0	−1,177	0	0
22 Exchanges	2,360	4,842	3,139	0	1,170	0	0	0	0	0
All maturities										
23 Gross purchases	44,122	29,926	45,357	2,038	0	1,559	4,947	1,582	3,732	5,868
24 Gross sales	0	0	0	0	0	0	0	0	0	0
25 Redemptions	1,996	4,676	1,429	390	0	198	1,347	2,297	4,188	5,269
Matched transactions										
26 Gross purchases	3,591,210r	4,430,457r	4,413,430r	492,277	340,127	401,404	352,751r	357,355	368,396	344,935
27 Gross sales	3,593,530r	4,434,358r	4,431,685r	471,663	339,585	401,841	351,399r	356,640	369,739	344,384
Repurchase agreements										
28 Gross purchases	810,485	512,671	281,599	0	0	0	0	0	0	0
29 Gross sales	809,268	514,186	301,273	0	0	0	0	0	0	0
30 Net change in U.S. Treasury securities	41,022	19,835	5,999	22,262	542	923	4,952	−1	−1,800	1,150
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
31 Gross purchases	0	0	0	0	0	0	0	0	0	0
32 Gross sales	0	25	0	0	0	0	0	0	0	0
33 Redemptions	1,540	322	157	6	25	0	10	0	0	0
Repurchase agreements										
34 Gross purchases	160,409	284,316	360,069	0	0	0	0	0	0	0
35 Gross sales	159,369	276,266	370,772	0	0	0	0	0	0	0
36 Net change in federal agency obligations	−500	7,703	−10,859	−6	−25	0	−10	0	0	0
Reverse repurchase agreements										
37 Gross purchases	0	0	0	0	0	0	0	0	0	0
38 Gross sales	0	0	0	0	0	0	0	0	0	0
Repurchase agreements										
39 Gross purchases	0	0	304,989	61,345	82,998	61,230	79,585	107,375	70,850	66,485
40 Gross sales	0	0	164,349	178,880	81,335	62,253	78,425	105,885	70,315	75,925
41 Net change in triparty obligations	0	0	140,640	−117,535	1,663	−1,023	1,160	1,490	535	−9,440
42 Total net change in System Open Market Account	**40,522**	**27,538**	**135,780**	**−95,279**	**2,180**	**−100**	**6,102**	**1,489**	**−1,265**	**−8,290**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

2. Transactions exclude changes in compensation for the effects of inflation on the principal of inflation-indexed securities.

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements[1]

Millions of dollars

Account	Wednesday					End of month		
	2000					2000		
	Aug. 2	Aug. 9	Aug. 16	Aug. 23	Aug. 30	June 30	July 31	Aug. 31
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046
2 Special drawing rights certificate account	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
3 Coin	745	751	755	779	760	699	754	760
Loans								
4 To depository institutions	606	559	557	587	606	512	628	597
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Triparty Obligations								
7 Repurchase agreements—triparty[2]	11,990	16,850	10,020	18,330	11,935	26,930	17,490	18,525
Federal agency obligations[3]								
8 Bought outright	140	140	140	140	140	140	140	140
9 Held under repurchase agreements	0	0	0	0	0	0	0	0
10 **Total U.S. Treasury securities**[3]	**507,522**	**510,520**	**513,023**	**510,664**	**513,095**	**504,950**	**506,103**	**510,182**
11 Bought outright[4]	507,522	510,520	513,023	510,664	513,095	504,950	506,103	510,182
12 Bills	190,911	190,954	191,328	188,209	189,260	192,792	190,265	187,232
13 Notes	228,724	231,203	231,764	232,317	233,656	226,138	228,503	232,770
14 Bonds	87,887	88,363	89,931	90,137	90,179	86,020	87,335	90,180
15 Held under repurchase agreements	0	0	0	0	0	0	0	0
16 **Total loans and securities**	**520,257**	**528,068**	**523,741**	**529,720**	**525,776**	**532,532**	**524,361**	**529,444**
17 Items in process of collection	9,468	8,223	8,159	6,977	7,111	5,545	3,414	5,391
18 Bank premises	1,418	1,420	1,421	1,421	1,412	1,409	1,418	1,421
Other assets								
19 Denominated in foreign currencies[5]	15,089	15,094	15,104	15,109	15,115	15,550	15,092	15,088
20 All other[6]	18,718	19,251	16,479	16,900	17,339	17,056	18,600	16,755
21 **Total assets**	**580,942**	**588,054**	**580,904**	**586,153**	**582,759**	**588,037**	**578,886**	**584,103**
LIABILITIES								
22 Federal Reserve notes	540,909	541,446	541,267	540,058	541,360	541,912	539,396	541,806
23 Reverse repurchase agreements—triparty[2]	0	0	0	0	0	0	0	0
24 **Total deposits**	**17,132**	**23,929**	**17,524**	**24,423**	**19,761**	**25,028**	**22,006**	**21,855**
25 Depository institutions	12,081	18,668	13,238	18,999	13,511	18,513	16,309	15,601
26 U.S. Treasury—General account	4,714	4,907	3,943	5,150	5,948	6,208	5,392	5,961
27 Foreign—Official accounts	74	101	83	71	99	105	76	79
28 Other	263	254	259	203	202	203	228	214
29 Deferred credit items	8,048	7,300	7,205	6,725	6,724	5,379	2,154	5,263
30 Other liabilities and accrued dividends[7]	4,786	4,866	4,344	4,329	4,374	4,781	4,839	4,585
31 **Total liabilities**	**570,874**	**577,541**	**570,341**	**575,534**	**572,219**	**577,099**	**568,394**	**573,508**
CAPITAL ACCOUNTS								
32 Capital paid in	6,882	6,892	6,904	6,898	6,856	6,865	6,881	6,856
33 Surplus	2,615	2,654	2,679	2,679	2,679	2,679	2,615	2,679
34 Other capital accounts	570	967	981	1,041	1,005	1,395	995	1,060
35 **Total liabilities and capital accounts**	**580,942**	**588,054**	**580,904**	**586,153**	**582,759**	**588,037**	**578,886**	**584,103**
MEMO								
36 Marketable U.S Treasury securities held in custody for foreign and international accounts	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Federal Reserve note statement							
37 Federal Reserve notes outstanding (issued to Banks)	769,594	768,797	768,196	767,540	767,117	773,550	769,994	766,982
38 LESS: Held by Federal Reserve Banks	228,685	227,351	226,928	227,482	225,757	231,639	230,598	225,175
39 Federal Reserve notes, net	540,909	541,446	541,267	540,058	541,360	541,912	539,396	541,806
Collateral held against notes, net								
40 Gold certificate account	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046
41 Special drawing rights certificate account	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
42 Other eligible assets	6,011	0	2,838	0	944	0	417	0
43 U.S. Treasury and agency securities	519,652	526,200	523,183	524,812	525,170	526,665	523,733	526,560
44 **Total collateral**	**540,909**	**541,446**	**541,267**	**540,058**	**541,360**	**541,912**	**539,396**	**541,806**

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. Cash value of agreements arranged through third-party custodial banks.
3. Face value of the securities.
4. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities. Excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
5. Valued monthly at market exchange rates.
6. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.
7. 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		
	2000					2000		
	Aug. 2	Aug. 9	Aug. 16	Aug. 23	Aug. 30	June 30	July 31	Aug. 31
1 **Total loans**	**606**	**559**	**557**	**587**	**606**	**512**	**577**	**597**
2 Within fifteen days[1]	143	150	244	525	538	307	371	398
3. Sixteen days to ninety days	463	409	313	62	68	206	206	200
4. 91 days to 1 year	0	0	0	0	0	0	0	0
5 **Total U.S. Treasury securities**[2]	**507,522**	**510,520**	**513,023**	**510,664**	**513,095**	**504,949**	**506,103**	**510,182**
6 Within fifteen days[1]	17,865	18,809	21,150	17,924	17,840	1,038	13,568	4,891
7 Sixteen days to ninety days	108,957	108,204	107,210	110,223	111,192	118,287	108,730	111,192
8 Ninety-one days to one year	132,226	133,476	130,458	127,552	129,090	138,867	136,104	140,813
9 One year to five years	125,108	126,191	131,290	131,289	131,290	124,668	125,108	129,601
10 Five years to ten years	54,042	54,047	52,397	53,065	53,071	53,438	53,440	53,072
11 More than ten years	69,323	69,794	70,519	70,611	70,613	68,652	69,153	70,613
12 **Total federal agency obligations**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**
13 Within fifteen days[1]	0	0	0	0	0	0	0	0
14 Sixteen days to ninety days	10	10	10	10	10	10	10	10
15 Ninety-one days to one year	0	0	0	0	0	0	0	0
16 One year to five years	10	10	10	10	10	10	10	10
17 Five years to ten years	120	120	120	120	120	120	120	120
18 More than ten years	0	0	0	0	0	0	0	0

1. Holdings under repurchase agreements are classified as maturing within fifteen days in accordance with maximum maturity of the agreements.

2. Includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1996 Dec.	1997 Dec.	1998 Dec.	1999 Dec.	2000 Jan.	2000 Feb	2000 Mar.[r]	2000 Apr.[r]	2000 May[r]	2000 June[r]	2000 July	2000 Aug.
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]	Seasonally adjusted											
1 Total reserves[3]	50.17	46.87	45.19	41.74	43.12[r]	41.64	40.46	40.93	41.36	39.96	40.26	39.98
2 Nonborrowed reserves[4]	50.02	46.54	45.07	41.42	42.74	41.53	40.28	40.63	41.00	39.48	39.69	39.40
3 Nonborrowed reserves plus extended credit[5]	50.02	46.54	45.07	41.42	42.74	41.53	40.28	40.63	41.00	39.48	39.69	39.40
4 Required reserves	48.76	45.18	43.68	40.44[r]	41.10[r]	40.53[r]	39.26	39.78	40.41	38.89	39.19[r]	38.93
5 Monetary base[6]	451.62	479.17	512.75	591.18[r]	592.00[r]	573.59[r]	571.44	573.08	574.29	575.63	577.41[r]	577.62
	Not seasonally adjusted											
6 Total reserves[7]	51.45	48.01	45.31	41.89	44.23	42.10	39.76	40.61	41.58	39.24	39.70	39.55
7 Nonborrowed reserves	51.30	47.69	45.19	41.57	43.86	42.00[r]	39.59	40.31	41.22	38.76	39.13	38.97
8 Nonborrowed reserves plus extended credit[5]	51.30	47.69	45.19	41.57	43.86	42.00[r]	39.59	40.31	41.22	38.76	39.13	38.97
9 Required reserves[8]	50.04	46.33	43.80	40.58	42.21[r]	40.99	38.56	39.47	40.64	38.18	38.63[r]	38.50
10 Monetary base[9]	456.63	484.98	518.27	600.63	596.90	571.86[r]	570.24	571.51	573.26	574.55	577.18[r]	576.52
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	51.17	47.92	45.21	41.66	44.24[r]	42.10	39.75	40.59	41.56	39.22	39.67	39.52
12 Nonborrowed reserves	51.02	47.60	45.09	41.33	43.86	41.99	39.57	40.29	41.20	38.74	39.10	38.94
13 Nonborrowed reserves plus extended credit[5]	51.02	47.60	45.09	41.33	43.86	41.99	39.57	40.29	41.20	38.74	39.10	38.94
14 Required reserves	49.76	46.24	43.70	40.35	42.22[r]	40.99[r]	38.55	39.45	40.62	38.15	38.60[r]	38.47
15 Monetary base[12]	463.40	491.79	525.06	607.94[r]	604.63	579.21[r]	577.13	578.33	580.09	581.44	583.98[r]	583.26
16 Excess reserves[13]	1.42	1.69	1.51	1.31	2.02[r]	1.11	1.21	1.15	.94	1.06	1.07[r]	1.05
17 Borrowings from the Federal Reserve	.16	.32	.12	.32	.37	.11	.18	.30	.36	.48	.57	.58

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 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 AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item	1996 Dec.	1997 Dec.	1998 Dec.	1999[r] Dec.	2000 May[r]	2000 June[r]	2000 July[r]	2000 Aug.
	Seasonally adjusted							
Measures[2]								
1 M1	1,081.1	1,073.9	1,097.4	1,122.9	1,105.0	1,103.4	1,104.6	1,102.0
2 M2	3,821.6[r]	4,040.2[r]	4,395.0[r]	4,656.2	4,768.8	4,783.8	4,798.2	4,828.1
3 M3	4,952.4	5,403.2	5,996.7	6,489.6	6,694.9	6,736.4	6,789.1	6,848.0
4 Debt	14,430.8[r]	15,223.1[r]	16,276.4[r]	17,377.2	17,799.8	17,885.4	17,955.0	n.a.
M1 components								
5 Currency[3]	394.3	424.8	459.5	515.5	518.5	520.8	522.3	523.1
6 Travelers checks[4]	8.3	8.1	8.2	8.3	8.3	8.8	9.3	9.2
7 Demand deposits[5]	402.3	395.3	379.3	355.2	335.3	331.9	332.8	328.5
8 Other checkable deposits[6]	276.1	245.8	250.3	244.0	242.9	241.9	240.2	241.2
Nontransaction components								
9 In M2[7]	2,740.5[r]	2,966.3[r]	3,297.6[r]	3,533.3	3,663.9	3,680.4	3,693.5	3,726.1
10 In M3 only[8]	1,130.8[r]	1,363.0[r]	1,601.7[r]	1,833.4	1,926.1	1,952.6	1,990.9	2,019.9
Commercial banks								
11 Savings deposits, including MMDAs	904.0	1,020.5	1,184.8	1,285.7	1,322.7	1,330.7	1,341.8	1,358.0
12 Small time deposits[9]	593.3	625.4	626.1	634.7	665.6	675.3	679.9	685.1
13 Large time deposits[10, 11]	413.9	488.3	539.3	614.1	645.7	656.0	665.3	677.7
Thrift institutions								
14 Savings deposits, including MMDAs	366.6	376.6	413.8	448.7	453.2	452.5	452.3	455.1
15 Small time deposits[9]	353.6	342.8	325.6	320.6	327.3	329.8	333.2	337.7
16 Large time deposits[10]	78.3	85.6	88.9	91.5	93.6	95.5	97.6	99.9
Money market mutual funds								
17 Retail	523.0[r]	601.1[r]	747.4[r]	843.7	895.1	892.2	886.3	890.3
18 Institution-only	313.3[r]	382.4[r]	520.1[r]	610.1	651.8	660.2	688.7	704.9
Repurchase agreements and eurodollars								
19 Repurchase agreements[12]	210.7	256.0	300.8	344.2	358.1	366.7	368.5	363.3
20 Eurodollars[12]	114.6	150.7	152.6	173.5	176.8	174.2	170.9	174.1
Debt components								
21 Federal debt	3,781.3	3,800.6[r]	3,751.2[r]	3,660.2	3,546.0	3,521.2	3,509.7	n.a.
22 Nonfederal debt	10,649.5[r]	11,422.5[r]	12,525.2[r]	13,717.1	14,253.7	14,364.2	14,445.3	n.a.
	Not seasonally adjusted							
Measures[2]								
23 M1	1,105.1	1,097.7	1,121.3	1,147.4	1,098.8	1,101.0	1,103.4	1,095.7
24 M2	3,843.8[r]	4,063.4[r]	4,420.2[r]	4,684.5	4,740.7	4,764.4	4,782.4	4,814.8
25 M3	4,973.4	5,427.2	6,026.3	6,524.6	6,673.1	6,712.9	6,749.1	6,820.0
26 Debt	14,428.4[r]	15,218.5[r]	16,271.2[r]	17,372.6	17,733.8	17,815.9	17,885.2	n.a.
M1 components								
27 Currency[3]	397.9	428.9	464.1	521.2	518.1	520.3	522.4	521.7
28 Travelers checks[4]	8.6	8.3	8.4	8.4	8.4	8.7	8.9	8.9
29 Demand deposits[5]	419.9	412.4	395.9	371.2	330.1	330.0	333.6	326.5
30 Other checkable deposits[6]	278.8	248.2	252.8	246.7	242.2	242.1	238.5	238.5
Nontransaction components								
31 In M2[7]	2,738.7[r]	2,965.7[r]	3,298.9[r]	3,537.0	3,641.8	3,663.3	3,679.0	3,719.1
32 In M3 only[8]	1,129.6[r]	1,363.8[r]	1,606.1[r]	1,840.1	1,932.4	1,948.5	1,966.7	2,005.2
Commercial banks								
33 Savings deposits, including MMDAs	903.3	1,020.4	1,186.0	1,288.5	1,317.9	1,331.6	1,343.7	1,355.6
34 Small time deposits[9]	592.7	625.3	626.5	635.5	663.3	671.1	677.6	683.1
35 Large time deposits[10, 11]	413.2	487.2	537.8	612.2	650.3	657.6	666.0	675.9
Thrift institutions								
36 Savings deposits, including MMDAs	366.3	376.5	414.2	449.7	451.5	452.8	452.9	454.3
37 Small time deposits[9]	353.2	342.8	325.8	321.0	326.2	327.7	332.0	336.8
38 Large time deposits[10]	78.1	85.4	88.6	91.2	94.3	95.7	97.7	99.6
Money market mutual funds								
39 Retail	523.0[r]	600.7[r]	746.3[r]	842.4	883.0	880.1	872.6	889.3
40 Institution-only	316.9[r]	388.4[r]	529.7[r]	621.7	647.1	652.9	668.5	693.6
Repurchase agreements and eurodollars								
41 Repurchase agreements[12]	205.7	250.5	295.4	339.4	362.4	367.9	365.7	363.0
42 Eurodollars[12]	115.7	152.3	154.5	175.6	178.3	174.5	168.9	173.1
Debt components								
43 Federal debt	3,787.9	3,805.8	3,754.9	3,663.1	3,514.0	3,475.5	3,448.3	n.a.
44 Nonfederal debt	10,640.4[r]	11,412.7[r]	12,516.3[r]	13,709.5	14,219.8	14,340.4	14,436.9	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. 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, (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.

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.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]

A. All commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1999	2000							2000			
	Aug	Feb.	Mar.r	Apr.r	Mayr	Juner	Julyr	Aug.	Aug. 9	Aug. 16	Aug 23	Aug. 30
	Seasonally adjusted											
Assets												
1 Bank credit	4,593.3r	4,838.8r	4,889.4	4,934.9	5,000.5	5,031.7	5,067.6	5,108.1	5,101.1	5,098.1	5,109.5	5,121.0
2 Securities in bank credit	1,244.3	1,269.6	1,280.7	1,291.6	1,309.4	1,307.1	1,311.3	1,315.0	1,315.0	1,308.0	1,312.2	1,319.0
3 U.S. government securities	818.7	815.2	815.7	814.4	815.6	817.3	819.4	812.7	812.6	811.2	811.0	813.6
4 Other securities	425.6	454.4	465.0	477.2	493.8	489.8	492.0	502.3	502.4	496.8	501.2	505.4
5 Loans and leases in bank credit[2]	3,349.0	3,569.2r	3,608.8	3,643.3	3,691.1	3,724.7	3,756.2	3,793.1	3,786.0	3,790.1	3,797.3	3,802.0
6 Commercial and industrial	971.0r	1,019.7r	1,028.2	1,037.9	1,057.9	1,066.5	1,072.8	1,081.8	1,080.7	1,080.9	1,084.2	1,082.2
7 Real estate	1,386.0r	1,516.4r	1,538.7	1,555.6	1,578.6	1,593.7	1,608.3	1,617.2	1,614.8	1,614.6	1,616.9	1,621.8
8 Revolving home equity	100.2	106.6r	109.1	112.6	115.1	115.6	117.0	118.3	117.9	118.4	118.7	118.3
9 Other	1,285.9r	1,409.8r	1,429.6	1,443.0	1,463.5	1,478.0	1,491.3	1,498.9	1,497.0	1,496.1	1,498.2	1,503.6
10 Consumer	481.6	500.5r	503.3	507.3	510.4	517.1	520.7	529.9	525.5	530.2	533.3	532.2
11 Security[3]	123.4	143.0	143.3	144.0	145.0	149.7	151.5	156.3	156.5	153.2	154.3	162.4
12 Other loans and leases	386.9	389.7r	395.3	398.5	399.3	397.8	402.9	407.9	408.5	411.3	408.7	403.3
13 Interbank loans	218.1	228.1r	223.6	221.8	227.0	227.7	241.0	246.4	240.3	245.7	254.9	249.7
14 Cash assets[4]	254.2	279.9	272.1	281.3	274.3	269.1	269.6	273.6	281.3	267.7	281.7	263.3
15 Other assets[5]	348.7	366.3	366.0	368.2	377.5	379.9	399.1	400.9	400.7	396.0	408.6	400.3
16 **Total assets[6]**	**5,355.5**	**5,654.1r**	**5,691.8**	**5,746.3**	**5,819.1**	**5,847.9**	**5,915.5**	**5,966.2**	**5,960.8**	**5,944.8**	**5,991.9**	**5,971.6**
Liabilities												
17 Deposits	3,403.9	3,558.6	3,575.7	3,626.1	3,631.7	3,660.0	3,717.2	3,744.5	3,744.9	3,750.7	3,751.7	3,727.0
18 Transaction	636.1	625.4	626.3	626.1	629.7	617.3	612.7	618.7	605.8	611.1	638.0	627.5
19 Nontransaction	2,767.8	2,933.3	2,949.4	3,000.0	3,002.0	3,042.8	3,104.5	3,125.9	3,139.1	3,139.6	3,113.7	3,099.5
20 Large time	729.3	844.8	851.3	872.1	877.9	894.7	915.4	925.0	929.0	930.8	920.7	920.1
21 Other	2,038.5	2,088.5	2,098.1	2,127.9	2,124.1	2,148.1	2,189.0	2,200.9	2,210.1	2,208.7	2,193.0	2,179.4
22 Borrowings	1,028.6	1,136.0	1,157.7	1,186.8	1,200.8	1,201.0	1,218.7	1,225.1	1,232.7	1,220.2	1,226.2	1,226.5
23 From banks in the U.S.	333.2	368.7	377.5	377.4	383.8	375.1	385.8	385.4	391.3	383.5	387.7	379.6
24 From others	695.4	767.3	780.2	809.4	816.9	825.9	833.0	839.8	841.4	836.7	838.5	846.9
25 Net due to related foreign offices	220.7	234.1	233.5	223.9	249.8	259.5	261.1	269.8	274.5	263.6	268.1	269.2
26 Other liabilities	280.2	298.4	294.0	296.4	320.0	311.7	301.9	318.2	310.5	314.1	320.3	328.6
27 **Total liabilities**	**4,933.4**	**5,227.1**	**5,260.8**	**5,333.2**	**5,402.3**	**5,432.3**	**5,499.0**	**5,557.6**	**5,562.7**	**5,548.6**	**5,566.3**	**5,551.3**
28 Residual (assets less liabilities)[7]	422.1	427.0r	431.0	413.1	416.8	415.6	416.5	408.6	398.1	396.2	425.6	420.4
	Not seasonally adjusted											
Assets												
29 Bank credit	4,566.3	4,841.6r	4,883.3	4,935.2	4,992.3	5,014.8	5,036.2	5,079.2	5,069.6	5,073.2	5,072.6	5,097.5
30 Securities in bank credit	1,232.3	1,273.7	1,282.1	1,293.4	1,306.9	1,296.6	1,294.1	1,302.5	1,299.7	1,295.0	1,298.9	1,310.3
31 U.S. government securities	809.5	819.2	822.7	823.0	820.9	816.6	810.9	803.8	803.5	802.4	801.5	805.1
32 Other securities	422.8	454.5	459.4	470.4	485.9	480.1	483.2	498.7	496.2	492.6	497.4	505.2
33 Loans and leases in bank credit[2]	3,334.0	3,567.9r	3,601.2	3,641.8	3,685.4	3,718.1	3,742.1	3,776.8	3,769.9	3,778.2	3,773.7	3,787.2
34 Commercial and industrial	961.4r	1,020.3r	1,032.1	1,045.0	1,060.8	1,065.9	1,068.0	1,071.4	1,070.8	1,071.5	1,071.6	1,071.3
35 Real estate	1,386.3r	1,513.2r	1,533.9	1,551.1	1,576.0	1,590.3	1,604.6	1,617.3	1,616.4	1,616.0	1,615.3	1,621.5
36 Revolving home equity	100.4	106.3r	108.0	111.8	114.7	115.7	117.1	118.4	117.9	118.6	118.8	118.7
37 Other	1,286.0r	1,407.0r	1,425.8	1,439.4	1,461.3	1,474.6	1,487.5	1,498.8	1,498.5	1,497.4	1,496.5	1,502.8
38 Consumer	480.1	502.5r	501.7	506.2	510.0	515.2	517.1	528.8	522.4	528.6	533.1	533.0
39 Credit cards and related plans	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	195.8	203.8	199.6	203.9	206.8	206.6
40 Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	321.4	325.0	322.8	324.8	326.3	326.4
41 Security[3]	118.8	144.5	142.3	144.5	143.4	149.5	148.6	151.1	153.0	149.7	146.5	155.7
42 Other loans and leases	387.3	387.2r	391.1	395.0	395.1	397.3	403.8	408.3	407.3	412.5	407.2	405.6
43 Interbank loans	209.0	229.6	229.0	228.0	226.9	227.3	237.1	236.4	231.2	238.5	238.5	239.1
44 Cash assets[4]	242.8	280.5	263.7	278.5	272.1	265.2	260.4	261.2	260.3	258.8	258.0	261.5
45 Other assets[5]	347.7	368.5	369.4	371.6	380.6	381.4	398.4	399.1	399.6	394.9	400.4	401.2
46 **Total assets[6]**	**5,306.9r**	**5,661.2r**	**5,686.0**	**5,753.9**	**5,811.6**	**5,828.1**	**5,870.4**	**5,913.2**	**5,898.1**	**5,902.6**	**5,906.5**	**5,936.5**
Liabilities												
47 Deposits	3,373.9	3,557.5	3,579.5	3,644.1	3,617.0	3,648.1	3,692.7	3,712.4	3,712.5	3,724.4	3,693.2	3,704.1
48 Transaction	619.6	618.4	619.2	634.7	620.4	616.2	606.3	603.0	584.6	602.7	601.7	621.8
49 Nontransaction	2,754.3	2,939.1	2,960.3	3,009.4	2,996.7	3,031.9	3,086.4	3,109.4	3,128.0	3,121.8	3,091.5	3,082.3
50 Large time	716.5	857.4	859.7	871.6	874.1	883.9	898.8	908.1	910.5	911.5	905.2	905.3
51 Other	2,037.9	2,081.7	2,100.6	2,137.8	2,122.6	2,148.1	2,187.6	2,201.2	2,217.4	2,210.3	2,186.3	2,177.0
52 Borrowings	1,002.7	1,140.2	1,153.3	1,185.9	1,210.2	1,203.9	1,205.6	1,197.6	1,196.5	1,197.0	1,196.5	1,203.2
53 From banks in the U.S.	327.4	370.3	377.4	378.9	384.4	375.9	382.7	380.9	383.5	380.8	383.4	376.3
54 From others	675.3	769.9	775.9	806.9	825.7	828.0	822.9	816.7	813.0	816.1	813.1	826.9
55 Net due to related foreign offices	218.3	248.5	237.0	213.3	250.2	250.1	252.7	267.0	264.4	249.9	276.2	279.5
56 Other liabilities	279.9	300.8	294.7	295.1	318.5	309.9	299.5	317.8	309.7	313.8	319.9	328.7
57 **Total liabilities**	**4,874.9**	**5,246.9**	**5,264.5**	**5,338.4**	**5,395.9**	**5,412.0**	**5,450.4**	**5,494.7**	**5,483.1**	**5,485.1**	**5,485.7**	**5,515.5**
58 Residual (assets less liabilities)[7]	432.0	414.3r	421.5	415.5	415.7	416.1	419.9	418.5	415.0	417.5	420.8	421.0

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

B. Domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1999	2000							2000			
	Aug.	Feb.	Mar.	Apr.	May[r]	June[r]	July[r]	Aug	Aug. 9	Aug. 16	Aug. 23	Aug. 30
	Seasonally adjusted											
Assets												
1 Bank credit	4,064.7	4,298.5[r]	4,346.0[r]	4,365.3	4,417.4	4,455.9	4,491.6	4,529.9	4,515.9	4,524.7	4,536.5	4,542.2
2 Securities in bank credit	1,050.4	1,077.4	1,085.1	1,087.2[r]	1,098.9	1,101.7	1,106.2	1,109.1	1,109.7	1,106.0	1,107.8	1,110.0
3 U.S. government securities	734.2	739.3	737.6	734.7	735.9	738.4	739.7	732.8	733.6	733.0	732.6	730.9
4 Other securities	316.2	338.2	347.4	352.4	362.9	363.3	366.5	376.2	376.1	373.0	375.2	379.1
5 Loans and leases in bank credit[2]	3,014.3	3,221.0[r]	3,260.9[r]	3,278.1	3,318.5	3,354.3	3,385.4	3,420.8	3,406.2	3,418.7	3,428.7	3,432.2
6 Commercial and industrial	775.2[r]	824.0[r]	831.9[r]	838.7[r]	853.0	861.4	869.3	876.1	874.1	874.8	879.0	877.4
7 Real estate	1,368.5[r]	1,498.7[r]	1,520.7[r]	1,537.2[r]	1,559.9	1,574.6	1,589.5	1,598.4	1,596.2	1,595.9	1,598.2	1,602.9
8 Revolving home equity	100.2	106.6[r]	109.1[r]	112.6	115.1	115.6	117.0	118.3	117.9	118.4	118.7	118.3
9 Other	1,268.3[r]	1,392.1[r]	1,411.6[r]	1,424.6[r]	1,444.8	1,459.0	1,472.5	1,480.2	1,478.3	1,477.4	1,479.5	1,484.7
10 Consumer	481.6	500.5[r]	503.3[r]	507.3[r]	510.4	517.1	520.7	529.9	525.5	530.2	533.3	532.2
11 Security[3]	68.4	76.2	76.8	66.0[r]	64.0	68.6	70.0	77.4	72.4	76.4	78.2	83.3
12 Other loans and leases	320.5	321.7[r]	328.2[r]	328.9[r]	331.2	332.6	336.0	338.9	338.0	341.4	340.0	336.3
13 Interbank loans	191.6	195.4[r]	195.0[r]	192.4[r]	195.2	199.0	214.8	222.2	219.0	224.0	228.7	221.0
14 Cash assets[4]	214.4	229.2	224.4	233.9	230.3	224.5	224.4	225.1	233.0	220.4	232.2	214.9
15 Other assets[5]	318.7	328.0	326.8	328.1	336.4	336.4	356.1	358.9	358.9	354.1	366.8	357.9
16 Total assets[6]	**4,730.8**	**4,992.3[r]**	**5,033.2[r]**	**5,060.2[r]**	**5,119.5**	**5,155.7**	**5,225.5**	**5,273.7**	**5,264.5**	**5,260.8**	**5,301.7**	**5,273.7**
Liabilities												
17 Deposits	3,089.1	3,181.5	3,197.7	3,238.6	3,249.6	3,277.5	3,330.4	3,353.0	3,350.7	3,355.2	3,362.3	3,338.9
18 Transaction	625.4	614.4	615.2	615.2	618.5	605.8	601.4	607.8	594.5	599.8	627.4	616.9
19 Nontransaction	2,463.7	2,567.1	2,582.5	2,623.4	2,631.1	2,671.7	2,729.1	2,745.2	2,756.1	2,755.3	2,734.8	2,722.0
20 Large time	427.8	480.2	487.3	498.5	509.6	524.6	542.5	547.1	548.7	549.3	544.3	545.4
21 Other	2,035.9	2,086.9	2,095.2	2,124.9	2,121.5	2,147.1	2,186.5	2,198.2	2,207.4	2,206.1	2,190.5	2,176.6
22 Borrowings	853.8	960.6	980.5	987.2[r]	996.3	995.8	1,013.2	1,023.3	1,028.7	1,024.0	1,024.5	1,021.4
23 From banks in the U.S.	310.1	350.3	357.7	356.5	365.9	356.1	364.9	368.5	372.6	367.4	368.6	366.3
24 From others	543.7	610.3	622.8	630.6	630.4	639.7	648.3	654.9	656.1	656.6	656.0	655.1
25 Net due to related foreign offices	149.6	207.1	213.2	208.6	228.7	240.1	243.4	246.2	252.7	242.4	244.6	243.6
26 Other liabilities	218.7	225.7	222.6	220.8	237.9	236.6	229.5	246.3	239.1	243.7	250.0	254.2
27 Total liabilities	**4,311.1**	**4,574.9**	**4,614.0**	**4,655.1**	**4,712.5**	**4,749.9**	**4,816.6**	**4,868.8**	**4,871.1**	**4,865.2**	**4,881.4**	**4,858.1**
28 Residual (assets less liabilities)[7]	419.7	417.4[r]	419.1[r]	405.1[r]	407.0	405.7	409.0	404.9	393.4	395.6	420.3	415.6
	Not seasonally adjusted											
Assets												
29 Bank credit	4,046.0	4,297.0[r]	4,341.2[r]	4,371.9[r]	4,417.6	4,448.6	4,470.8	4,510.7	4,496.9	4,508.5	4,510.0	4,526.0
30 Securities in bank credit	1,042.9	1,080.2	1,089.5[r]	1,092.6	1,099.5	1,097.3	1,095.7	1,102.1	1,101.6	1,098.5	1,100.4	1,105.0
31 U.S. government securities	726.5	743.1	744.8	742.7	740.3	737.6	732.2	725.6	725.9	725.1	724.7	724.6
32 Other securities	316.5	337.2	344.7[r]	350.0	359.2	359.6	363.5	376.6	375.7	373.4	375.7	380.4
33 Loans and leases in bank credit[2]	3,003.0	3,216.8[r]	3,251.7[r]	3,279.3	3,318.1	3,351.4	3,375.1	3,408.6	3,395.3	3,410.0	3,409.6	3,421.0
34 Commercial and industrial	768.1[r]	822.2[r]	834.2[r]	847.5[r]	860.1	864.0	867.0	868.4	867.4	867.6	869.2	869.2
35 Real estate	1,368.9[r]	1,495.3[r]	1,515.7[r]	1,532.8[r]	1,557.3	1,571.4	1,585.9	1,598.7	1,597.9	1,597.4	1,596.7	1,602.9
36 Revolving home equity	100.4	106.3[r]	108.0[r]	111.8	114.7	115.7	117.1	118.4	117.9	118.6	118.8	118.7
37 Other	1,268.5[r]	1,389.0[r]	1,407.7[r]	1,421.1[r]	1,442.7	1,455.7	1,468.8	1,480.2	1,480.0	1,478.8	1,477.9	1,484.2
38 Consumer	480.1	502.5[r]	501.7[r]	506.2[r]	510.0	515.2	517.1	528.8	522.4	528.6	533.1	533.0
39 Credit cards and related plans	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	195.8	203.8	199.6	203.9	206.8	206.6
40 Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	321.4	325.0	322.8	324.8	326.3	326.4
41 Security[3]	63.7	77.9	75.5	66.6	62.6	68.2	67.4	72.0	69.1	72.3	70.4	76.4
42 Other loans and leases	322.2	318.8[r]	324.6[r]	326.1[r]	328.0	332.6	337.7	340.7	338.6	344.1	340.2	339.5
43 Interbank loans	182.4	196.8[r]	200.5	198.7[r]	195.1	198.7	210.9	212.3	209.9	216.8	212.3	210.4
44 Cash assets[4]	204.2	230.4	217.1	233.2	229.3	221.4	216.8	214.4	214.0	212.9	210.2	214.6
45 Other assets[5]	318.1	328.3	328.9	332.3	340.0	340.1	357.4	357.8	358.7	353.9	359.2	359.1
46 Total assets[6]	**4,692.0**	**4,993.9[r]**	**5,028.5[r]**	**5,076.9[r]**	**5,122.2**	**5,148.5**	**5,194.6**	**5,232.8**	**5,217.3**	**5,229.6**	**5,229.2**	**5,247.6**
Liabilities												
47 Deposits	3,068.1	3,173.3	3,195.4	3,255.6[r]	3,234.1	3,270.0	3,314.6	3,332.7	3,331.0	3,342.9	3,315.0	3,326.2
48 Transaction	609.0	607.5	608.3	624.3[r]	609.6	605.1	595.0	592.2	573.6	591.3	591.3	611.0
49 Nontransaction	2,459.1	2,565.8	2,587.0	2,631.3	2,624.5	2,664.8	2,719.6	2,740.5	2,757.4	2,751.6	2,723.7	2,715.2
50 Large time	423.5	486.8	488.9	496.0	504.3	519.2	534.4	541.7	542.4	543.7	539.8	540.6
51 Other	2,035.5	2,079.0	2,098.1	2,135.3	2,120.1	2,145.6	2,185.2	2,198.8	2,215.0	2,207.8	2,183.8	2,174.6
52 Borrowings	827.8	964.9	976.2	986.2	1,005.8	998.7	1,000.1	995.8	992.5	1,000.7	994.8	998.1
53 From banks in the U.S.	304.3	351.9	357.7	358.0	366.5	357.0	361.9	364.0	364.8	364.7	364.3	363.0
54 From others	523.5	613.0	618.5	628.2	639.2	641.7	638.2	631.8	627.7	636.0	630.5	635.1
55 Net due to related foreign offices	147.5	219.1	216.2	202.5	233.3	232.0	235.9	243.6	244.0	228.5	252.7	251.8
56 Other liabilities	218.7	226.1	223.0	221.4	237.9	236.3	228.7	246.3	239.2	243.7	249.9	254.4
57 Total liabilities	**4,262.1**	**4,583.4**	**4,610.8**	**4,665.7**	**4,711.0**	**4,737.0**	**4,779.2**	**4,818.3**	**4,806.6**	**4,815.9**	**4,812.4**	**4,830.5**
58 Residual (assets less liabilities)[7]	429.9	410.5[r]	417.8[r]	411.2[r]	411.2	411.5	415.3	414.5	410.7	413.7	416.8	417.1

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

C. Large domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1999	2000							2000			
	Aug.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June[r]	July[r]	Aug.	Aug. 9	Aug. 16	Aug. 23	Aug. 30
	Seasonally adjusted											
Assets												
1 Bank credit	2,277.6	2,394.5	2,421.0	2,435.4	2,472.1	2,488.8	2,498.9	2,517.2	2,509.7	2,514.9	2,519.5	2,522.8
2 Securities in bank credit	541.1	556.2	564.0	566.9	577.3	579.0	576.2	574.3	577.3	571.7	571.8	573.2
3 U.S. government securities	361.3	357.2	356.8	355.4	357.2	360.1	360.8	356.6	358.8	357.2	356.3	353.1
4 Trading account	22.3	21.5	20.5	21.3	23.5	22.7	24.3	23.7	25.4	23.9	22.4	22.0
5 Investment account	339.0	335.7	336.4	334.1	333.7	337.4	336.5	332.9	333.4	333.3	333.9	331.1
6 Other securities	179.8	199.0	207.2	211.5	220.1	219.0	215.4	217.6	218.5	214.4	215.5	220.1
7 Trading account	77.1	85.9	91.1	92.9	101.2	100.4	97.2	102.5	101.3	99.4	101.0	107.1
8 Investment account	102.6	113.1	116.1	118.6	118.9	118.5	118.1	115.1	117.2	115.0	114.5	113.1
9 State and local government	23.5	24.5	24.7	25.1	25.4	25.6	26.1	25.9	26.0	25.9	25.9	25.7
10 Other	79.1	88.6	91.4	93.5	93.5	92.9	92.0	89.2	91.3	89.1	88.6	87.3
11 Loans and leases in bank credit[2]	1,736.5	1,838.3	1,857.0	1,868.5	1,894.8	1,909.7	1,922.7	1,942.9	1,932.4	1,943.3	1,947.7	1,949.6
12 Commercial and industrial	533.5	559.9	562.8	567.2	578.5	582.7	583.9	587.7	586.6	587.1	589.8	588.1
13 Bankers acceptances	1.0	1.0	1.0	1.1	1.1	1.0	.9	.9	.9	.9	.9	1.0
14 Other	532.5	558.9	561.8	566.2	577.5	581.7	582.9	586.8	585.7	586.2	588.9	587.1
15 Real estate	685.6	752.7	760.8	775.4	788.5	793.9	801.8	806.7	805.4	805.4	805.9	809.5
16 Revolving home equity	64.6	67.8	69.4	72.2	74.0	74.3	75.2	76.1	75.7	76.3	76.5	76.0
17 Other	620.9	684.8	691.4	703.1	714.5	719.6	726.6	730.5	729.6	729.1	729.4	733.4
18 Consumer	218.6	221.7	223.4	226.3	227.0	228.2	229.6	232.2	230.0	233.3	233.9	232.2
19 Security[3]	62.4	69.6	70.2	59.3	57.8	62.1	63.2	70.2	65.2	69.0	71.0	76.1
20 Federal funds sold to and repurchase agreements with broker–dealers	45.9	47.0	48.9	38.2	38.9	43.9	44.6	51.5	45.2	49.5	53.6	58.3
21 Other	16.6	22.6	21.4	21.1	18.9	18.2	18.6	18.7	20.0	19.5	17.4	17.8
22 State and local government	11.4	12.1	12.2	12.3	12.3	12.2	12.2	12.3	12.1	12.5	12.3	12.5
23 Agricultural	8.2	9.4	9.4	9.5	9.6	9.6	9.5	9.6	9.5	9.6	9.6	9.6
24 Federal funds sold to and repurchase agreements with others	7.8	13.3	14.5	13.5	13.2	13.5	12.8	13.2	12.4	13.7	13.4	13.5
25 All other loans	96.4	81.7	85.6	85.7	87.6	84.7	84.3	84.2	84.3	86.1	84.9	81.3
26 Lease-financing receivables	112.5	118.0	117.9	119.1	120.4	122.8	125.5	126.9	127.0	126.7	126.9	126.8
27 Interbank loans	126.8	131.6	132.4	124.3	129.6	132.1	139.4	137.5	140.4	137.9	139.8	133.1
28 Federal funds sold to and repurchase agreements with commercial banks	74.9	60.6	63.7	61.5	66.4	67.5	73.2	65.7	68.9	66.6	67.8	60.1
29 Other	51.9	71.0	68.7	62.8	63.2	64.6	66.2	71.8	71.5	71.4	72.0	73.1
30 Cash assets[4]	134.9	148.9	145.8	154.5	149.0	145.2	143.3	143.8	151.9	140.0	148.4	135.9
31 Other assets[5]	223.9	222.3	219.9	219.0	223.0	224.2	245.0	248.5	246.6	245.4	254.8	249.0
32 **Total assets**[6]	**2,728.0**	**2,862.9**	**2,884.7**	**2,898.6**	**2,939.0**	**2,955.9**	**2,991.7**	**3,011.7**	**3,013.3**	**3,003.0**	**3,027.3**	**3,005.8**
Liabilities												
33 Deposits	1,580.7	1,600.0	1,605.0	1,627.7	1,633.5	1,627.0	1,627.5	1,623.0	1,628.0	1,626.4	1,625.1	1,607.2
34 Transaction	324.6	312.4	311.9	310.5	314.3	307.0	300.6	303.0	297.8	298.2	313.9	305.9
35 Nontransaction	1,256.1	1,287.7	1,293.1	1,317.2	1,319.2	1,320.0	1,326.8	1,319.9	1,330.3	1,328.2	1,311.2	1,301.2
36 Large time	205.0	231.9	235.2	243.7	251.3	258.0	265.9	264.7	267.6	267.5	260.7	261.9
37 Other	1,051.1	1,055.8	1,057.9	1,073.5	1,067.9	1,061.9	1,061.0	1,055.3	1,062.7	1,060.6	1,050.5	1,039.3
38 Borrowings	572.1	629.2	638.9	648.0	649.4	654.2	676.7	686.9	692.9	688.4	687.5	684.2
39 From banks in the U.S.	167.6	191.9	193.5	197.2	202.4	196.3	204.4	206.7	209.8	207.6	206.5	204.4
40 From others	404.5	437.4	445.4	450.8	447.0	458.0	472.2	480.1	483.0	480.8	481.0	479.8
41 Net due to related foreign offices	146.1	201.9	207.8	203.2	222.7	230.9	221.0	222.5	226.0	222.0	219.4	220.0
42 Other liabilities	163.0	165.7	164.5	163.4	177.2	178.6	180.1	196.2	190.7	193.8	198.9	202.9
43 **Total liabilities**	**2,461.9**	**2,596.9**	**2,616.2**	**2,642.4**	**2,682.8**	**2,690.8**	**2,705.3**	**2,728.5**	**2,737.6**	**2,730.6**	**2,730.9**	**2,714.2**
44 Residual (assets less liabilities)[7]	266.1	266.0	268.5	256.2	256.2	265.1	286.4	283.2	275.6	272.3	296.3	291.5

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

C. Large domestically chartered commercial banks—Continued

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1999	2000							2000			
	Aug.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June[r]	July[r]	Aug.	Aug. 9	Aug. 16	Aug. 23	Aug. 30
	Not seasonally adjusted											
Assets												
45 Bank credit	2,256.0	2,405.8	2,422.4	2,438.7	2,465.5	2,476.1	2,477.4	2,494.6	2,488.1	2,495.3	2,489.3	2,502.0
46 Securities in bank credit	534.0	562.3	567.4	568.0	574.1	572.7	566.6	567.8	569.1	565.1	564.7	568.6
47 U.S. government securities	354.2	363.5	362.7	360.1	358.2	357.0	353.6	350.0	351.1	350.5	348.9	347.5
48 Trading account	21.6	22.5	21.4	21.5	22.0	22.5	22.6	23.0	24.1	24.1	21.7	20.8
49 Investment account	332.6	341.0	341.3	338.5	336.2	334.5	331.0	327.0	327.0	326.4	327.2	326.7
50 Mortgage-backed securities	216.3	221.5	222.4	220.9	218.2	216.8	211.3	206.8	206.2	207.1	207.1	206.7
51 Other	116.3	119.5	118.9	117.7	118.0	117.7	119.7	120.2	120.8	119.3	120.1	119.9
52 One year or less	22.6	27.2	29.0	28.8	30.5	30.4	30.3	31.3	30.5	30.9	31.7	32.1
53 One to five years	56.0	54.5	52.6	51.5	51.6	52.4	53.2	52.3	52.1	52.3	52.3	52.1
54 More than five years	37.7	37.8	37.4	37.4	35.8	35.0	36.1	36.6	38.1	36.1	36.2	35.7
55 Other securities	179.8	198.8	204.6	207.9	215.9	215.7	213.1	217.8	217.9	214.6	215.8	221.1
56 Trading account	77.1	85.9	91.1	92.9	101.2	100.4	97.2	102.5	101.3	99.4	101.0	107.1
57 Investment account	102.7	112.9	113.6	115.0	114.7	115.2	115.8	115.2	116.7	115.1	114.8	114.0
58 State and local government	23.2	24.7	24.8	25.1	25.3	25.5	25.6	25.6	25.6	25.5	25.6	25.6
59 Other	79.4	88.2	88.8	89.8	89.3	89.7	90.3	89.7	91.1	89.6	89.2	88.4
60 Loans and leases in bank credit[2]	1,722.0	1,843.5	1,855.1	1,870.8	1,891.4	1,903.4	1,910.7	1,926.9	1,919.0	1,930.2	1,924.6	1,933.4
61 Commercial and industrial	527.9	559.2	565.1	573.9	583.0	583.3	581.5	582.0	581.4	581.6	582.3	582.3
62 Bankers acceptances	1.0	1.0	1.0	1.1	1.1	1.0	.9	9	.9	.9	.9	1.0
63 Other	526.9	558.2	564.1	572.8	582.0	582.3	580.5	581.1	580.5	580.7	581.4	581.4
64 Real estate	683.6	754.0	759.1	772.5	785.6	789.7	797.2	804.2	804.8	803.9	801.6	806.3
65 Revolving home equity	64.9	67.7	68.6	71.5	73.6	74.4	75.5	76.4	76.0	76.6	76.7	76.4
66 Other	375.7	417.1	419.0	425.3	433.7	436.4	443.2	446.9	448.8	445.6	443.4	449.3
67 Commercial	243.1	269.2	271.4	275.6	278.3	278.8	278.6	280.8	280.0	281.7	281.4	280.5
68 Consumer	216.7	224.7	223.6	226.2	226.5	226.7	227.1	230.3	227.1	231.2	232.4	231.3
69 Credit cards and related plans	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	72.2	73.4	71.5	74.0	74.6	73.7
70 Other	n.a.	n.a.	n.a.	n.a	n.a.	n.a.	154.9	157.0	155.6	157.2	157.7	157.7
71 Security[3]	57.7	71.4	69.0	59.8	56.4	61.7	60.5	64.8	61.9	64.9	63.3	69.2
72 Federal funds sold to and repurchase agreements with broker–dealers	41.5	49.6	47.3	38.2	36.8	42.5	41.8	46.4	42.9	45.8	46.2	51.1
73 Other	16.2	21.8	21.7	21.6	19.6	19.1	18.7	18.3	19.0	19.1	17.1	18.0
74 State and local government	11.6	12.0	12.1	12.2	12.2	12.1	12.2	12.5	12.2	12.6	12.5	12.7
75 Agricultural	8.3	9.2	9.2	9.3	9.4	9.6	9.6	9.7	9.7	9.7	9.7	9.7
76 Federal funds sold to and repurchase agreements with others	7.8	13.3	14.5	13.5	13.2	13.5	12.8	13.2	12.4	13.7	13.4	13.5
77 All other loans	96.7	79.9	83.1	83.6	84.5	84.3	85.0	84.4	83.6	86.9	83.6	82.6
78 Lease-financing receivables	111.6	119.9	119.4	119.8	120.5	122.7	124.8	125.9	126.1	125.8	125.8	125.7
79 Interbank loans	120.6	131.9	135.0	129.1	133.1	135.0	139.5	131.6	132.2	134.3	131.3	128.3
80 Federal funds sold to and repurchase agreements with commercial banks	70.2	60.3	65.6	64.0	67.0	68.0	72.5	61.9	63.1	65.3	61.4	57.3
81 Other	50.5	71.7	69.4	65.0	66.1	67.0	67.0	69.7	69.2	69.0	69.9	71.0
82 Cash assets[4]	127.2	150.5	140.5	154.4	148.2	142.7	137.0	135.8	137.6	134.7	132.9	134.9
83 Other assets[5]	221.9	223.5	222.0	222.4	227.5	228.1	244.4	245.7	243.4	243.2	248.8	248.0
84 **Total assets**[6]	**2,690.3**	**2,877.5**	**2,885.5**	**2,910.2**	**2,939.5**	**2,947.4**	**2,963.5**	**2,972.4**	**2,965.9**	**2,972.2**	**2,966.9**	**2,978.0**
Liabilities												
85 Deposits	1,564.3	1,600.4	1,604.7	1,637.5	1,618.7	1,622.1	1,616.9	1,607.3	1,610.1	1,617.1	1,592.2	1,598.1
86 Transaction	312.4	308.9	307.3	317.7	307.9	305.8	296.8	291.9	281.6	292.9	289.5	301.7
87 Nontransaction	1,251.9	1,291.5	1,297.4	1,319.8	1,310.8	1,316.2	1,320.1	1,315.4	1,328.5	1,324.2	1,302.7	1,296.4
88 Large time	200.8	238.5	236.9	241.3	246.0	252.6	257.8	259.3	261.2	262.0	256.2	257.2
89 Other	1,051.1	1,053.0	1,060.5	1,078.5	1,064.8	1,063.7	1,062.3	1,056.1	1,067.2	1,062.2	1,046.5	1,039.2
90 Borrowings	544.2	637.8	640.9	650.7	657.5	655.3	661.1	656.2	655.8	660.6	654.4	656.2
91 From banks in the U.S.	160.2	196.1	197.1	201.1	203.6	195.4	199.0	199.4	200.2	201.1	199.0	197.7
92 From nonbanks in the U.S.	384.1	441.7	443.7	449.6	453.9	459.8	462.1	456.8	455.5	459.5	455.3	458.5
93 Net due to related foreign offices	144.0	213.9	210.8	197.2	227.3	222.9	213.5	219.9	217.4	208.2	227.4	228.2
94 Other liabilities	163.0	165.7	164.5	163.4	177.2	178.6	180.1	196.2	190.7	193.8	198.9	202.9
95 **Total liabilities**	**2,415.6**	**2,617.8**	**2,620.9**	**2,648.9**	**2,680.7**	**2,678.9**	**2,671.7**	**2,679.5**	**2,673.9**	**2,679.7**	**2,672.9**	**2,685.5**
96 Residual (assets less liabilities)[7]	274.8	259.6	264.6	261.3	258.8	268.5	291.8	292.8	292.0	292.5	294.0	292.6

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

D. Small domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1999	2000							2000			
	Aug.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June[r]	July[r]	Aug.	Aug. 9	Aug. 16	Aug. 23	Aug. 30
	Seasonally adjusted											
Assets												
1 Bank credit	1,787.1	1,904.0	1,924.9	1,929.9	1,945.3	1,967.2	1,992.7	2,012.7	2,006.2	2,009.7	2,017.0	2,019.4
2 Securities in bank credit	509.3	521.2	521.0	520.2	521.6	522.7	530.0	534.8	532.4	534.3	536.0	536.8
3 U.S. government securities	372.9	382.0	380.8	379.3	378.8	378.3	378.9	376.2	374.8	375.7	376.3	377.8
4 Other securities	136.4	139.2	140.3	140.9	142.8	144.3	151.2	158.6	157.6	158.6	159.7	159.0
5 Loans and leases in bank credit[2]	1,277.8	1,382.8	1,403.9	1,409.6	1,423.7	1,444.5	1,462.7	1,477.9	1,473.8	1,475.4	1,481.0	1,482.6
6 Commercial and industrial	241.7	264.1	269.1	271.5	274.5	278.7	285.4	288.4	287.5	287.7	289.2	289.2
7 Real estate	682.9	746.0	759.9	761.8	771.4	780.7	787.6	791.8	790.8	790.5	792.3	793.5
8 Revolving home equity	35.5	38.8	39.7	40.4	41.1	41.3	41.8	42.1	42.1	42.1	42.2	42.2
9 Other	647.4	707.3	720.2	721.4	730.3	739.4	745.8	749.6	748.7	748.3	750.1	751.3
10 Consumer	263.0	278.8	279.9	281.0	283.4	288.8	291.1	297.7	295.6	296.9	299.5	300.0
11 Security[3]	6.0	6.5	6.5	6.8	6.2	6.5	6.9	7.3	7.2	7.4	7.2	7.2
12 Other loans and leases	84.1	87.3	88.5	88.6	88.2	89.7	91.7	92.8	92.7	92.9	92.9	92.6
13 Interbank loans	64.8	63.8	62.6	68.1	65.6	67.0	75.4	84.7	78.6	86.1	88.9	87.8
14 Cash assets[4]	79.5	80.3	78.6	79.4	81.3	79.2	81.2	81.3	81.1	80.4	83.8	79.1
15 Other assets[5]	94.8	105.7	106.9	109.1	113.4	112.1	111.1	110.4	112.2	108.7	112.0	108.9
16 **Total assets**[6]	**2,002.8**	**2,129.4**	**2,148.5**	**2,161.6**	**2,180.5**	**2,199.7**	**2,233.8**	**2,262.1**	**2,251.2**	**2,257.8**	**2,274.4**	**2,267.9**
Liabilities												
17 Deposits	1,508.4	1,581.5	1,592.7	1,610.9	1,616.1	1,650.5	1,702.9	1,730.0	1,722.6	1,728.8	1,737.2	1,731.7
18 Transaction	300.8	302.1	303.3	304.7	304.2	298.8	300.7	304.7	296.8	301.6	313.5	311.0
19 Nontransaction	1,207.6	1,279.4	1,289.4	1,306.2	1,311.9	1,351.8	1,402.2	1,425.3	1,425.8	1,427.2	1,423.6	1,420.7
20 Large time	222.8	248.3	252.0	254.8	258.3	266.6	276.7	282.4	281.2	281.7	283.6	283.4
21 Other	984.8	1,031.1	1,037.3	1,051.5	1,053.5	1,085.1	1,125.6	1,142.9	1,144.7	1,145.4	1,140.0	1,137.3
22 Borrowings	281.7	331.4	341.6	339.2	347.0	341.5	336.6	336.5	335.8	335.6	337.0	337.2
23 From banks in the U.S.	142.5	158.4	164.3	159.3	163.5	159.8	160.5	161.7	162.7	159.8	162.1	161.9
24 From others	139.2	173.0	177.4	179.8	183.4	181.7	176.1	174.8	173.0	175.8	174.9	175.3
25 Net due to related foreign offices	3.5	5.3	5.4	5.3	6.0	9.1	22.4	23.7	26.7	20.4	25.3	23.6
26 Other liabilities	55.7	60.0	58.2	57.3	60.7	57.9	49.4	50.1	48.4	49.9	51.0	51.3
27 **Total liabilities**	**1,849.2**	**1,978.1**	**1,997.8**	**2,012.7**	**2,029.7**	**2,059.2**	**2,111.3**	**2,140.3**	**2,133.5**	**2,134.6**	**2,150.5**	**2,143.9**
28 Residual (assets less liabilities)[7]	153.5	151.4	150.7	148.9	150.8	140.6	122.6	121.8	117.8	123.2	124.0	124.0
	Not seasonally adjusted											
Assets												
29 Bank credit	1,790.0	1,891.2	1,918.7	1,933.2	1,952.1	1,972.6	1,993.5	2,016.1	2,008.8	2,013.2	2,020.7	2,024.0
30 Securities in bank credit	509.0	517.9	522.1	524.7	525.4	524.6	529.1	534.4	532.5	533.5	535.7	536.5
31 U.S. government securities	372.3	379.5	382.1	382.6	382.1	380.6	378.7	375.6	374.8	374.6	375.8	377.2
32 Other securities	136.7	138.4	140.0	142.1	143.3	144.0	150.4	158.8	157.8	158.8	159.9	159.3
33 Loans and leases in bank credit[2]	1,281.0	1,373.3	1,396.6	1,408.5	1,426.8	1,448.0	1,464.4	1,481.7	1,476.3	1,479.7	1,485.0	1,487.5
34 Commercial and industrial	240.2	263.0	269.1	273.7	277.1	280.7	285.5	286.5	286.0	286.0	286.9	286.9
35 Real estate	685.3	741.3	756.6	760.4	771.7	781.8	788.7	794.5	793.1	793.5	795.2	796.6
36 Revolving home equity	35.5	38.6	39.4	40.2	41.1	41.3	41.6	42.1	41.9	42.0	42.1	42.2
37 Other	649.8	702.7	717.2	720.2	730.7	740.5	747.1	752.5	751.2	751.5	753.1	754.4
38 Consumer	263.4	277.8	278.1	280.0	283.5	288.5	290.1	298.4	295.2	297.5	300.7	301.7
39 Credit cards and related plans	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	123.6	130.4	128.1	129.9	132.1	132.9
40 Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	166.5	168.0	167.2	167.6	168.6	168.7
41 Security[3]	6.0	6.5	6.5	6.8	6.2	6.5	6.9	7.3	7.2	7.4	7.2	7.2
42 Other loans and leases	86.2	84.6	86.3	87.7	88.2	90.5	93.3	95.1	94.7	95.3	95.1	95.1
43 Interbank loans	61.8	64.9	65.5	69.6	62.1	63.7	71.4	80.7	77.7	82.5	81.1	82.1
44 Cash assets[4]	77.0	79.8	76.6	78.8	81.1	78.6	79.8	78.6	76.4	78.2	77.3	79.6
45 Other assets[5]	96.2	104.8	106.8	110.0	112.6	112.0	113.0	112.1	115.3	110.6	110.5	111.1
46 **Total assets**[6]	**2,001.7**	**2,116.4**	**2,143.0**	**2,166.8**	**2,182.7**	**2,201.1**	**2,231.1**	**2,260.4**	**2,251.4**	**2,257.4**	**2,262.3**	**2,269.6**
Liabilities												
47 Deposits	1,503.8	1,572.9	1,590.7	1,618.1	1,615.4	1,647.9	1,697.7	1,725.4	1,720.9	1,725.8	1,722.8	1,728.0
48 Transaction	296.6	298.6	301.1	306.5	301.7	299.3	298.1	300.3	292.0	298.5	301.8	309.3
49 Nontransaction	1,207.2	1,274.3	1,289.6	1,311.5	1,313.6	1,348.6	1,399.5	1,425.1	1,428.9	1,427.4	1,421.0	1,418.7
50 Large time	222.8	248.3	252.0	254.8	258.3	266.6	276.7	282.4	281.2	281.7	283.6	283.4
51 Other	984.4	1,026.0	1,037.6	1,056.8	1,055.3	1,082.0	1,122.9	1,142.7	1,147.7	1,145.6	1,137.3	1,135.3
52 Borrowings	283.6	327.1	335.3	335.5	348.3	343.4	339.0	339.6	336.7	340.1	340.5	341.9
53 From banks in the U.S.	144.1	155.7	160.6	156.9	163.0	161.5	162.9	164.6	164.6	163.6	165.3	165.3
54 From others	139.5	171.3	174.7	178.6	185.4	181.9	176.1	175.0	172.1	176.6	175.2	176.6
55 Net due to related foreign offices	3.5	5.3	5.4	5.3	6.0	9.1	22.4	23.7	26.7	20.4	25.3	23.6
56 Other liabilities	55.7	60.3	58.5	58.0	60.7	57.7	48.6	50.1	48.4	49.9	51.0	51.4
57 **Total liabilities**	**1,846.5**	**1,965.6**	**1,989.9**	**2,016.9**	**2,030.3**	**2,058.1**	**2,107.6**	**2,138.8**	**2,132.7**	**2,136.3**	**2,139.5**	**2,145.0**
58 Residual (assets less liabilities)[7]	155.2	150.8	153.2	149.9	152.4	143.0	123.5	121.6	118.7	121.2	122.8	124.6

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

E. Foreign-related institutions

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1999	2000							2000			
	Aug.[r]	Feb.	Mar.	Apr.	May	June	July	Aug.	Aug. 9	Aug. 16	Aug. 23	Aug. 30
	Seasonally adjusted											
Assets												
1 Bank credit	528.6	540.3	543.5[r]	569.6[r]	583.1[r]	575.8[r]	575.9[r]	578.2	585.2	573.4	573.0	578.8
2 Securities in bank credit	193.9	192.2	195.6[r]	204.4[r]	210.5[r]	205.4[r]	205.1[r]	205.9	205.3	202.0	204.4	209.0
3 U.S. government securities	84.5	76.0	78.1	79.6	79.7	78.9	79.7	79.8	79.1	78.2	78.4	82.7
4 Other securities	109.4	116.2	117.5[r]	124.8[r]	130.8[r]	126.5[r]	125.4[r]	126.1	126.3	123.8	126.0	126.3
5 Loans and leases in bank credit[2]	334.7	348.2	347.9	365.2	372.6	370.4	370.8	372.2	379.8	371.4	368.6	369.8
6 Commercial and industrial	195.8	195.7	196.3	199.2	204.9[r]	205.1[r]	203.5[r]	205.6	206.6	206.1	205.2	204.8
7 Real estate	17.6	17.7	18.0	18.4[r]	18.7[r]	19.0[r]	18.9[r]	18.8	18.7	18.7	18.7	18.9
8 Security[3]	55.0	66.8	66.5	77.9[r]	80.9[r]	81.0	81.5	78.9	84.1	76.8	76.0	79.1
9 Other loans and leases	66.3	68.0	67.1	69.7	68.0	65.2[r]	66.9	68.9	70.5	69.9	68.6	67.0
10 Interbank loans	26.5	32.7	28.6	29.4	31.8	28.6	26.2	24.1	21.3	21.8	26.1	28.7
11 Cash assets[4]	39.9	50.7	47.6	47.4	43.9	44.6	45.2	48.4	48.3	47.3	49.5	48.4
12 Other assets[5]	30.0	38.4	39.2	40.0	41.1	43.5	43.0	42.0	41.9	41.9	41.8	42.4
13 Total assets[6]	**624.7**	**661.8**	**658.6[r]**	**686.1[r]**	**699.6[r]**	**692.2[r]**	**690.0[r]**	**692.5**	**696.3**	**684.0**	**690.1**	**698.0**
Liabilities												
14 Deposits	314.7	377.2	378.0	387.5	382.1	382.5	386.8	391.5	394.3	395.6	389.4	388.1
15 Transaction	10.7	11.0	11.1	10.9	11.2	11.4	11.4	10.9	11.3	11.3	10.5	10.6
16 Nontransaction	304.1	366.2	366.9	376.6	370.9	371.1	375.4	380.6	383.0	384.2	378.9	377.6
17 Borrowings	174.9	175.4	177.1	199.6	204.4	205.2	205.5	201.8	204.0	196.2	201.6	205.1
18 From banks in the U.S.	23.1	18.4	19.7	20.9	17.9	18.9	20.8	16.9	18.7	16.1	19.1	13.3
19 From others	151.8	156.9	157.4	178.7	186.5	186.3	184.7	184.9	185.3	180.1	182.5	191.8
20 Net due to related foreign offices	71.2	27.0	20.3	15.4	21.1	19.5	17.7	23.6	21.8	21.2	23.4	25.6
21 Other liabilities	61.5	72.7	71.3[r]	75.6[r]	82.2[r]	75.1[r]	72.4[r]	71.9	71.4	70.4	70.3	74.3
22 Total liabilities	**622.3**	**652.2**	**646.8[r]**	**678.1[r]**	**689.8[r]**	**682.3[r]**	**682.5[r]**	**688.8**	**691.6**	**683.4**	**684.8**	**693.2**
23 Residual (assets less liabilities)[7]	2.4	9.6	11.8	8.0[r]	9.8[r]	9.9[r]	7.6[r]	3.6	4.7	7	5.3	4.8
	Not seasonally adjusted											
Assets												
24 Bank credit	520.3	544.6	542.1[r]	563.3[r]	574.7[r]	566.1[r]	565.3[r]	568.5	572.7	564.7	562.6	571.5
25 Securities in bank credit	189.4	193.4	192.7[r]	200.7[r]	207.4[r]	199.4[r]	198.3[r]	200.3	198.1	196.5	198.5	205.3
26 U.S. government securities	83.0	76.1	77.9	80.3	80.7	78.9	78.7	78.2	77.6	77.3	76.8	80.5
27 Trading account	16.6	7.3	9.3	11.8	12.3	11.8	11.8	13.7	12.3	12.0	13.1	17.0
28 Investment account	66.5	68.8	68.6	68.6	68.4	67.1	66.8	64.6	65.3	65.3	63.7	63.4
29 Other securities	106.3	117.3	114.7[r]	120.4[r]	126.7[r]	120.5[r]	119.7[r]	122.1	120.5	119.2	121.7	124.8
30 Trading account	64.9	74.0	71.5[r]	76.5[r]	83.0[r]	77.5[r]	76.8[r]	78.6	76.8	75.4	78.5	81.3
31 Investment account	41.5	43.4	43.2	43.9	43.7	42.9	42.8[r]	43.5	43.8	43.8	43.2	43.5
32 Loans and leases in bank credit[2]	331.0	351.1	349.4	362.5	367.2	366.8[r]	367.0	368.2	374.6	368.3	364.1	366.2
33 Commercial and industrial	193.3	198.2	198.0	197.5	200.7[r]	201.8[r]	201.0[r]	203.0	203.4	203.9	202.4	202.1
34 Real estate	17.4	18.0	18.1	18.3[r]	18.7[r]	18.9[r]	18.7[r]	18.6	18.5	18.5	18.6	18.7
35 Security[3]	55.1	66.6	66.8	78.0	80.8	81.3	81.3	79.1	84.0	77.4	76.1	79.3
36 Other loans and leases	65.1	68.4	66.6	68.8[r]	67.1	64.7	66.1	67.6	68.7	68.4	67.1	66.2
37 Interbank loans	26.5	32.7	28.6	29.4	31.8	28.6	26.2	24.1	21.3	21.8	26.1	28.7
38 Cash assets[4]	38.7	50.1	46.6	45.3	42.8	43.9	43.5[r]	46.8	46.3	45.8	47.8	46.9
39 Other assets[5]	29.6	40.2	40.5	39.3	40.5	41.3	41.0	41.3	40.9	41.0	41.1	42.1
40 Total assets[6]	**614.8**	**667.3**	**657.5[r]**	**676.9[r]**	**689.4[r]**	**679.6[r]**	**675.8[r]**	**680.4**	**680.8**	**673.0**	**677.3**	**688.9**
Liabilities												
41 Deposits	305.9	384.1	384.1	388.6	382.9	378.2	378.1	379.7	381.5	381.5	378.2	377.9
42 Transaction	10.6	10.9	10.9	10.5	10.7	11.1	11.3	10.8	11.0	11.3	10.4	10.8
43 Nontransaction	295.2	373.3	373.2	378.1	372.2	367.1	366.8	368.9	370.6	370.2	367.8	367.2
44 Borrowings	174.9	175.4	177.1	199.6	204.4	205.2	205.5	201.8	204.0	196.2	201.6	205.1
45 From banks in the U.S.	23.1	18.4	19.7	20.9	17.9	18.9	20.8	16.9	18.7	16.1	19.1	13.3
46 From others	151.8	156.9	157.4	178.7	186.5	186.3	184.7	184.9	135.3	180.1	182.5	191.8
47 Net due to related foreign offices	70.8	29.3	20.8	10.7	17.0	18.1	16.8	23.4	20.4	21.4	23.5	27.7
48 Other liabilities	61.3	74.7	71.7[r]	73.7[r]	80.6[r]	73.6[r]	70.8[r]	71.5	70.6	70.1	70.0	74.3
49 Total liabilities	**612.8**	**663.5**	**653.7[r]**	**672.6[r]**	**684.9[r]**	**675.1[r]**	**671.2[r]**	**676.4**	**676.5**	**669.1**	**673.4**	**685.0**
50 Residual (assets less liabilities)[7]	2.0	3.8	3.8	4.3[r]	4.5[r]	4.5[r]	4.6[r]	4.0	4.3	3.8	4.0	3.8

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

E. Foreign-related institutions—Continued

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1999	2000							2000			
	Aug.	Feb.	Mar.	Apr.	May	June	July	Aug.	Aug. 9	Aug. 16	Aug. 23	Aug. 30
	Not seasonally adjusted											
MEMO												
Large domestically chartered banks, adjusted for mergers												
51 Revaluation gains on off-balance-sheet items[8]	58.1	64.5	65.7	65.1	72.4	68.6[r]	63.1[r]	66.5	65.5	64.8	65.4	69.1
52 Revaluation losses on off-balance-sheet items[8]	62.3	64.3[r]	64.0	65.0	72.9	68.8[r]	62.9[r]	67.3	66.3	66.0	66.4	69.7
53 Mortage-backed securities[9]	246.7[r]	251.6[r]	252.9[r]	254.6[r]	251.8[r]	249.2[r]	241.4	237.0	237.0	237.3	236.8	236.5
54 Pass-through	171.0[r]	174.6[r]	176.1[r]	179.0[r]	177.4[r]	177.2[r]	172.5[r]	169.2	169.0	169.2	169.1	169.3
55 CMO, REMIC, and other	75.7	77.0[r]	76.7	75.6	74.4	72.0	69.0[r]	67.8	68.1	68.1	67.7	67.2
56 Net unrealized gains (losses) on *available-for-sale securities*[10]	−8.2	−10.8	−9.6	−16.3	−16.5	−15.0	−10.8	−11.2	−11.4	−11.3	−11.1	−11.1
57 Off-shore credit to U.S. residents[11]	32.2	23.6	24.1	24.4	23.5	22.4	22.2	22.1	22.1	22.0	22.2	22.1
58 Securitized consumers loans[12]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	87.3	86.5	87.9	85.9	85.1	86.7
59 Credit cards and related plans	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	72.4	72.0	73.0	71.1	71.1	72.4
60 Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	15.0	14.6	14.9	14.8	14.0	14.4
61 Securitized business loans[12]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Small domestically chartered commercial banks, adjusted for mergers												
62 Mortage-backed securities[9]	199.1[r]	204.3[r]	206.1[r]	206.8[r]	206.3[r]	205.1[r]	204.5[r]	207.3	205.5	206.2	208.2	209.5
63 Securitized consumer loans[12]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	220.9	221.4	220.2	220.7	221.4	222.9
64 Credit cards and related plans	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	211.2	211.9	211.5	211.0	211.6	213.2
65 Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	9.7	9.5	8.7	9.8	9.8	9.7
Foreign-related institutions												
66 Revaluation gains on off-balance-sheet items[8]	37.9	40.1	39.3[r]	41.7[r]	47.1[r]	41.1[r]	38.1[r]	39.8	39.6	38.1	39.8	41.0
67 Revaluation losses on off-balance-sheet items[8]	36.1	40.1	38.3	38.6	44.5	38.0	35.7	37.7	36.1	36.5	37.9	39.5
68 Securitized business loans[12]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

NOTE. Tables 1.26, 1.27, and 1.28 have been revised to reflect changes in the Board's H.8 statistical release, "Assets and Liabilities of Commercial Banks in the United States." Table 1.27, "Assets and Liabilities of Large Weekly Reporting Commercial Banks," and table 1.28, "Large Weekly Reporting U.S. Branches and Agencies of Foreign Banks," are no longer being published in the *Bulletin*. Instead, abbreviated balance sheets for both large and small domestically chartered banks have been included in table 1.26, parts C and D. Data are both merger-adjusted and break-adjusted. In addition, data from large weekly reporting U.S. branches and agencies of foreign banks have been replaced by balance sheet estimates of all foreign-related institutions and are included in table 1.26, part E. These data are break-adjusted.

The not-seasonally-adjusted data for all tables now contain additional balance sheet items, which were available as of October 2, 1996.

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, 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.

The data for large and small domestic banks presented on pp. A17–19 are adjusted to remove the estimated effects of mergers between these two groups. The adjustment for mergers changes past levels to make them comparable with current levels. Estimated quantities of balance sheet items acquired in mergers are removed from past data for the bank group that contained the acquired bank and put into past data for the group containing the acquiring bank. Balance sheet data for acquired banks are obtained from Call Reports, and a ratio procedure is used to adjust past levels.

2. Excludes federal funds sold to, reverse RPs with, and loans made to commercial banks in the United States, all of which are included in "Interbank loans."

3. Consists of reverse RPs with brokers and dealers and loans to purchase and carry securities.

4. Includes vault cash, cash items in process of collection, balances due from depository institutions, and balances due from Federal Reserve Banks.

5. Excludes the due-from position with related foreign offices, which is included in "Net due to related foreign offices."

6. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.

7. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis. On a seasonally adjusted basis this item reflects any differences in the seasonal patterns estimated for total assets and total liabilities.

8. Fair value of derivative contracts (interest rate, foreign exchange rate, other commodity and equity contracts) in a gain/loss position, as determined under FASB Interpretation No. 39.

9. Includes mortgage-backed securities issued by U.S. government agencies, U.S. government-sponsored enterprises, and private entities.

10. Difference between fair value and historical cost for securities classified as available-for-sale under FASB Statement No. 115. Data are reported net of tax effects. Data shown are restated to include an estimate of these tax effects.

11. Mainly commercial and industrial loans but also includes an unknown amount of credit extended to other than nonfinancial businesses.

12. Total amount outstanding.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

A. Commercial Paper

Millions of dollars, seasonally adjusted, end of period

Item	Year ending December					2000					
	1995	1996	1997	1998	1999	Feb.	Mar.	Apr.	May	June	July
1 **All issuers**	**674,904**	**775,371**	**966,699**	**1,163,303**	**1,403,023**	**1,428,605**	**1,449,143**	**1,465,697**	**1,497,712**	**1,516,205**	**1,551,668**
Financial companies[1]											
2 Dealer-placed paper, total[2]	275,815	361,147	513,307	614,142	786,643	835,140	849,198	860,843	884,299	884,578	900,651
3 Directly placed paper, total[3]	210,829	229,662	252,536	322,030	337,240	298,603	302,885	294,328	302,305	300,718	309,076
4 Nonfinancial companies[4]	188,260	184,563	200,857	227,132	279,140	294,863	297,060	310,526	311,109	330,909	341,941

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.

B. Bankers Dollar Acceptances[1]

Millions of dollars, not seasonally adjusted, year ending September[2]

Item	1996	1997	1998	1999
1 **Total amount of reporting banks' acceptances in existence**	**25,832**	**25,774**	**14,363**	**10,094**
2 Amount of other banks' eligible acceptances held by reporting banks	709	736	523	461
3 Amount of own eligible acceptances held by reporting banks (included in item 1)	7,770	6,862	4,884	4,261
4 Amount of eligible acceptances representing goods stored in, or shipped between, foreign countries (included in item 1)	9,361	10,467	5,413	3,498

1. Includes eligible, dollar-denominated bankers acceptances legally payable in the United States. Eligible acceptances are those that are eligible for discount by Federal Reserve Banks; that is, those acceptances that meet the criteria of Paragraph 7 of Section 13 of the Federal Reserve Act (12 U.S.C. §372).
2. Data on bankers dollar acceptances are gathered from approximately 55 institutions; includes U.S. chartered commerical banks (domestic and foreign offices), U.S. branches and agencies of foreign banks, and Edge and agreement corporations. The reporting group is revised every year.

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
1997—Jan. 1	8.25	1997	8.44	1998—Jan.	8.50	1999—Jan.	7.75
Mar. 26	8.50	1998	8.35	Feb.	8.50	Feb.	7.75
		1999	8.00	Mar.	8.50	Mar	7.75
1998—Sept. 30	8.25			Apr.	8.50	Apr	7.75
Oct. 16	8.00	1997—Jan.	8.25	May	8.50	May	7.75
Nov 18	7.75	Feb.	8.25	June	8.50	June	7.75
		Mar.	8.30	July	8.50	July	8.00
1999—July 1	8.00	Apr.	8.50	Aug.	8.50	Aug	8.06
Aug. 25	8.25	May	8.50	Sept.	8.49	Sept.	8.25
Nov. 17	8.50	June	8.50	Oct.	8.12	Oct.	8.25
		July	8.50	Nov.	7.89	Nov.	8.37
2000—Feb. 3	8.75	Aug	8.50	Dec.	7.75	Dec.	8.50
Mar. 22	9.00	Sept.	8.50				
May 17	9.50	Oct.	8.50			2000—Jan.	8.50
		Nov.	8.50			Feb.	8.73
		Dec.	8.50			Mar.	8.83
						Apr.	9.00
						May	9.24
						June	9.50
						July	9.50
						Aug.	9.50
						Sept	9.50

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	1997	1998	1999	2000				2000, week ending				
				May	June	July	Aug.	July 28	Aug. 4	Aug. 11	Aug. 18	Aug. 25
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	5.46	5.35	4.97	6.27	6.53	6.54	6.50	6.50	6.49	6.45	6.53	6.46
2 Discount window borrowing[2,4]	5.00	4.92	4.62	5.71	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Commercial paper[3,5,6]												
Nonfinancial												
3 1-month	5.57	5.40	5.09	6.40	6.53	6.49	6.47	6.47	6.49	6.47	6.47	6.47
4 2-month	5.57	5.38	5.14	6.47	6.55	6.50	6.48	6.48	6.50	6.48	6.47	6.47
5 3-month	5.56	5.34	5.18	6.54	6.57	6.52	6.49	6.51	6.51	6.49	6.48	6.48
Financial												
6 1-month	5.59	5.42	5.11	6.41	6.53	6.50	6.49	6.49	6.50	6.48	6.49	6.48
7 2-month	5.59	5.40	5.16	6.50	6.56	6.51	6.49	6.50	6.50	6.48	6.49	6.48
8 3-month	5.60	5.37	5.22	6.57	6.59	6.54	6.49	6.53	6.52	6.48	6.49	6.49
Commercial paper (historical)[3,5,7]												
9 1-month	5.54	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a.
10 3-month	5.58	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
11 6-month	5.62	n.a.	n.a.	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Finance paper, directly placed (historical)[3,5,8]												
12 1-month	5.44	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 3-month	5.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 6-month	5.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a	n.a.	n.a.	n.a
Bankers acceptances[3,5,9]												
15 3-month	5.54	5.39	5.24	6.60	6.63	n.a.	n.a.	n.a	n.a.	n.a.	n.a.	n.a.
16 6-month	5.57	5.30	5.30	6.76	6.74	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Certificates of deposit, secondary market[3,10]												
17 1-month	5.54	5.49	5.19	6.49	6.60	6.57	6.55	6.57	6.57	6.55	6.55	6.55
18 3-month	5.62	5.47	5.33	6.71	6.73	6.67	6.61	6.66	6.66	6.61	6.61	6.60
19 6-month	5.73	5.44	5.46	6.94	6.91	6.86	6.76	6.83	6.83	6.75	6.75	6.74
20 Eurodollar deposits, 3-month[3,11]	5.61	5.45	5.31	6.70	6.73	6.67	6.61	6.66	6.65	6.60	6.60	6.60
U.S. Treasury bills												
Secondary market[3,5]												
21 3-month	5.06	4.78	4.64	5.79	5.69	5.96	6.09	6.01	6.05	6.08	6.09	6.11
22 6-month	5.18	4.83	4.75	6.10	5.97	6.00	6.07	6.02	6.07	6.05	6.07	6.08
23 1-year	5.32	4.80	4.81	5.94	5.83	5.75	5.87	5.73	5.78	5.85	5.89	5.89
Auction high[3,5,12]												
24 3-month	5.07	4.81	4.66	5.92	5.74	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
25 6-month	5.18	4.85	4.76	6.12	6.02	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
26 1-year	5.36	4.85	4.78	n.a	6.00	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[13]												
27 1-year	5.63	5.05	5.08	6.33	6.17	6.08	6.18	6.06	6.09	6.17	6.21	6.20
28 2-year	5.99	5.13	5.43	6.81	6.48	6.34	6.23	6.31	6.23	6.19	6.28	6.23
29 3-year	6.10	5.14	5.49	6.77	6.43	6.28	6.17	6.25	6.18	6.15	6.24	6.17
30 5-year	6.22	5.15	5.55	6.69	6.30	6.18	6.06	6.16	6.09	6.04	6.11	6.04
31 7-year	6.33	5.28	5.79	6.69	6.33	6.22	6.05	6.19	6.11	6.04	6.07	6.01
32 10-year	6.35	5.26	5.65	6.44	6.10	6.05	5.83	6.04	5.98	5.85	5.80	5.75
33 20-year	6.69	5.72	6.20	6.55	6.28	6.20	6.02	6.13	6.08	6.03	6.02	5.98
34 30-year	6.61	5.58	5.87	6.15	5.93	5.85	5.72	5.80	5.75	5.72	5.71	5.69
Composite												
35 More than 10 years (long-term)	6.67	5.69	6.14	6.49	6.23	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
STATE AND LOCAL NOTES AND BONDS												
Moody's series[14]												
36 Aaa	5.32	4.93	5.28	5.87	5.69	5.53	5.43	5.50	5.47	5.45	5.44	5.39
37 Baa	5.50	5.14	5.70	6.53	6.24	6.09	6.01	6.03	6.01	6.01	6.02	6.00
38 *Bond Buyer* series[15]	5.52	5.09	5.43	6.00	5.80	5.63	5.51	5.58	5.55	5.51	5.51	5.49
CORPORATE BONDS												
39 Seasoned issues, all industries[16]	7.54	6.87	7.45	8.41	8.05	7.98	7.88	7.93	7.89	7.87	7.88	7.88
Rating group												
40 Aaa	7.27	6.53	7.05	7.99	7.67	7.65	7.55	7.60	7.57	7.54	7.54	7.54
41 Aa	7.48	6.80	7.36	8.24	7.87	7.81	7.70	7.75	7.72	7.69	7.70	7.69
42 A	7.54	6.93	7.53	8.49	8.18	8.11	8.02	8.05	8.01	8.00	8.02	8.02
43 Baa	7.87	7.22	7.88	8.90	8.48	8.35	8.26	8.29	8.27	8.24	8.25	8.25
MEMO												
Dividend–price ratio[17]												
44 Common stocks	1.77	1.49	1.25	1.17	1.12	1.10	1.09	1.11	1.11	1.10	1.09	1.07

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. 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 or bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. Interest rates interpolated from data on certain commercial paper trades settled by the Depository Trust Company. The trades represent sales of commercial paper by dealers or direct issuers to investors (that is, the offer side). See Board's Commercial Paper Web pages (http://www.federalreserve.gov/releases/cp) for more information.
7. An average of offering rates on commercial paper for firms whose bond rating is AA or the equivalent. Series ended August 29, 1997.
8. An average of offering rates on paper directly placed by finance companies. Series ended August 29, 1997.
9. Representative closing yields for acceptances of the highest-rated money center banks.
10. An average of dealer offering rates on nationally traded certificates of deposit.
11. Bid rates for eurodollar deposits collected around 9:30 a.m. Eastern time. Data are for indication purposes only.
12. Auction date for daily data; weekly and monthly averages computed on an issue-date basis. On or after October 28, 1998, data are stop yields from uniform-price auctions. Before that, they are weighted average yields from multiple-price auctions.
13. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
14. General obligation bonds based on Thursday figures; Moody's Investors Service.
15. 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.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

1.36 STOCK MARKET Selected Statistics

Indicator	1997	1998	1999	1999	2000							
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	456.99	550.65	619.52	638.17	634.07	606.03	622.28	646.82	640.07	649.61	653.27	666.14
2 Industrial	574.97	684.35	775.29	808.28	814.73	767.08	790.35	822.76	814.75	819.54	825.28	837.23
3 Transportation	415.08	468.61	491.62	461.04	456.35	398.69	384.39	406.14	411.50	395.09	410.67	419.84
4 Utility	143.87	190.52	284.82	511.78	485.82	482.30	509.59	502.78	487.17	501.93	484.19	459.91
5 Finance	424.84	516.65	530.97	510.99	495.23	471.65	491.29	524.05	523.22	544.51	556.32	597.17
6 Standard & Poor's Corporation (1941–43 = 10)[1]	873.43	1,085.50	1,327.33	1,428.68	1,425.59	1,388.88	1,442.21	1,461.36	1,418.48	1,461.96	1,473.00	1,485.46
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	628.34	682.69	770.90	838.24	878.73	910.00	1,014.03	918.77	917.76	934.90	930.66	920.54
Volume of trading (thousands of shares)												
8 New York Stock Exchange	523,254	666,534	799,554	884,141	1,058,021	1,032,791	1,124,097	1,047,960	893,896	971,137	941,694	875,087
9 American Stock Exchange	24,390	28,870	32,629	41,076	47,530	51,134	59,449	63,054	44,146	42,490	36,486	35,695
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[3]	**1,361,600**	**1,685,820**	**2,130,152**	**228,530**	**243,490**	**265,210**	**278,530**	**251,700**	**240,660**	**247,200**	**244,970**	**247,560**
Free credit balances at brokers[4]												
11 Margin accounts[5]	293,000	405,180	532,500	55,130	57,800	56,470	65,020	65,930	66,170	64,970	71,730	68,020
12 Cash accounts	517,030	633,725	757,345	79,070	75,760	79,700	85,530	76,190	73,500	74,140	74,970	72,640

	Margin requirements (percent of market value and effective date)[6]					
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.
3. Since July 1983, under the revised Regulation T, margin credit at broker–dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
4. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.
5. Series initiated in June 1984.
6. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities 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.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1997	Fiscal year 1998	Fiscal year 1999	Calendar year 2000 Mar.	Apr.	May	June	July	Aug.
U.S. budget[1]									
1 Receipts, total	1,579,292	1,721,798	1,827,454	135,582	295,148	146,002	214,875	134,074	138,128
2 On-budget	1,187,302	1,305,999	1,382,986	94,586	244,662	107,469	168,319	97,681	101,429
3 Off-budget	391,990	415,799	444,468	40,996	50,486	38,533	46,556	36,393	36,699
4 Outlays, total	1,601,235	1,652,552	1,702,940	170,962	135,651	149,612	158,987	129,013	148,555
5 On-budget	1,290,609	1,335,948	1,382,262	137,864	105,742	114,829	152,308	99,404	115,539
6 Off-budget	310,626	316,604	320,778	33,099	29,909	34,783	6,679	29,609	33,016
7 Surplus or deficit (−), total	−21,943	69,246	124,414	−35,380	159,497	−3,611	55,888	5,061	−10,427
8 On-budget	−103,307	−29,949	724	−43,278	138,920	−7,360	16,011	−1,723	−14,110
9 Off-budget	81,364	99,195	123,690	7,897	20,577	3,750	39,877	6,784	3,683
Source of financing (total)									
10 Borrowing from the public	38,171	−51,211	−88,674	39,746	−112,667	−53,755	−23,131	−31,307	9,995
11 Operating cash (decrease, or increase (−))	604	4,743	−17,580	−22,808	−47,787	69,470	−34,350	23,384	20,873
12 Other[2]	−16,832	−22,778	−18,160	18,442	957	−12,104	1,593	2,862	−20,441
MEMO									
13 Treasury operating balance (level, end of period)	43,621	38,878	56,458	44,770	92,557	23,087	57,437	34,053	13,180
14 Federal Reserve Banks	7,692	4,952	6,641	4,357	15,868	5,445	6,208	5,392	5,961
15 Tax and loan accounts	35,930	33,926	49,817	40,413	76,689	17,642	51,229	28,661	7,218

1. Since 1990, off-budget items have been the social security trust funds (Federal Old-Age, Survivors, and 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 1998	Fiscal year 1999	Calendar year 1998 H2	Calendar year 1999 H1	Calendar year 1999 H2	Calendar year 2000 H1	Calendar year 2000 June	Calendar year 2000 July	Calendar year 2000 Aug.
RECEIPTS									
1 **All sources**	**1,721,798**	**1,827,454**	**825,057**	**966,045**	**892,266**	**1,089,760**	**214,875**	**134,074**	**138,128**
2 Individual income taxes, net	828,586	879,480	392,332	481,907	425,451	550,208	100,458	66,301	68,033
3 Withheld	646,483	693,940	339,144	351,068	372,012	388,526	59,516	64,474	62,057
4 Nonwithheld	281,527	308,185	65,204	240,278	68,302	281,103	44,161	4,066	7,850
5 Refunds	99,476	122,706	12,032	109,467	14,841	119,477	3,228	2,241	1,874
Corporation income taxes									
6 Gross receipts	213,008	216,324	104,163	106,861	110,111	119,166	41,899	6,605	6,577
7 Refunds	24,593	31,645	14,250	17,092	13,996	13,781	1,366	1,592	1,903
8 Social insurance taxes and contributions, net	571,831	611,833	268,466	324,831	292,551	353,514	60,771	49,650	52,082
9 Employment taxes and contributions[2]	540,014	580,880	256,142	306,235	280,059	333,584	60,034	47,136	48,132
10 Unemployment insurance	27,484	26,480	10,121	16,378	10,173	17,562	311	2,145	3,584
11 Other net receipts[3]	4,333	4,473	2,202	2,216	2,319	2,368	426	369	366
12 Excise taxes	57,673	70,414	33,366	31,015	34,262	33,532	6,093	6,022	5,580
13 Customs deposits	18,297	18,336	9,838	8,440	10,287	9,218	1,767	1,781	2,071
14 Estate and gift taxes	24,076	27,782	12,359	14,915	14,001	15,073	2,087	1,872	2,304
15 Miscellaneous receipts[4]	32,658	34,929	18,735	15,140	19,569	22,831	3,165	3,435	3,383
OUTLAYS									
16 **All types**	**1,652,552**	**1,702,940**	**877,414**	**817,227**	**882,795**	**892,947**	**158,987**	**129,013[r]**	**148,555**
17 National defense	268,456	274,873	140,196	134,414	149,820	143,476	29,637	19,542	24,767
18 International affairs	13,109	15,243	8,297	6,879	8,530	7,250	667	3,067	−667
19 General science, space, and technology	18,219	18,125	10,142	9,319	10,089	9,601	1,862	1,524	1,829
20 Energy	1,270	912	699	797	−90	−893	20	42	−223
21 Natural resources and environment	22,396	23,970	12,671	10,351	12,100	10,814	2,123	1,783	2,267
22 Agriculture	12,206	23,011	16,757	9,803	20,887	11,164	1,656	496	1,449
23 Commerce and housing credit	1,014	2,649	4,046	−1,629	7,353	−2,497	−1,237	423	−1,295
24 Transportation	40,332	42,531	20,836	17,082	22,972	21,054	4,224	3,781	4,866
25 Community and regional development	9,720	11,870	6,972	5,368	7,135	5,050	974	814	1,007
26 Education, training, employment, and social services	54,919	56,402	27,762	29,003	27,532	31,234	4,766	3,874	5,576
27 Health	131,440	141,079	67,838	69,320	74,490	75,871	13,443	12,450	14,512
28 Social security and Medicare	572,047	580,488	316,809	261,146	295,030	306,966	58,378	47,415	52,206
29 Income security	233,202	237,707	109,481	126,552	113,504	133,915	18,886	15,343	18,521
30 Veterans benefits and services	41,781	43,212	22,750	20,105	23,412	23,174	5,268	1,910	3,700
31 Administration of justice	22,832	25,924	12,041	13,149	13,459	13,981	2,281	2,051	2,405
32 General government	13,444	15,771	9,136	6,641	7,006	6,198	1,517	960	906
33 Net interest[5]	243,359	229,735	116,954	116,655	112,420	115,545	17,503	17,660	20,004
34 Undistributed offsetting receipts[6]	−47,194	−40,445	−25,793	−17,724	−22,850	−19,346	−3,371	−3,818	−3,275

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 2001*; 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	1998			1999				2000	
	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30
1 **Federal debt outstanding**	**5,578**	**5,556**	**5,643**	**5,681**	**5,668**	**5,685**	**5,805**	**5,802**	**5,714**
2 Public debt securities	5,548	5,526	5,614	5,652	5,639	5,656	5,776	5,773	5,686
3 Held by public	3,790	3,761	3,787	3,795	3,685	3,667	3,716	3,688	n.a.
4 Held by agencies	1,758	1,766	1,827	1,857	1,954	1,989	2,061	2,085	n.a.
5 Agency securities	30	29	29	29	29	29	29	28	28
6 Held by public	26	26	29	28	28	28	28	28	n.a.
7 Held by agencies	4	4	1	1	1	1	1	0	n.a.
8 **Debt subject to statutory limit**	**5,460**	**5,440**	**5,530**	**5,566**	**5,552**	**5,568**	**5,687**	**5,687**	**5,601**
9 Public debt securities	5,460	5,439	5,530	5,566	5,552	5,568	5,687	5,686	5,601
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	5,950	5,950	5,950	5,950	5,950	5,950	5,950	5,950	5,950

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	1996	1997	1998	1999	1999		2000	
					Q3	Q4	Q1	Q2
1 **Total gross public debt**	**5,323.2**	**5,502.4**	**5,614.2**	**5,776.1**	**5,656.3**	**5,776.1**	**5,773.4**	**5,685.9**
By type								
2 Interest-bearing	5,317.2	5,494.9	5,605.4	5,766.1	5,647.2	5,766.1	5,763.8	5,675.9
3 Marketable	3,459.7	3,456.8	3,355.5	3,281.0	3,233.0	3,281.0	3,261.2	3,070.7
4 Bills	777.4	715.4	691.0	737.1	653.2	737.1	753.3	629.9
5 Notes	2,112.3	2,106.1	1,960.7	1,784.5	1,828.8	1,784.5	1,732.6	1,679.1
6 Bonds	555.0	587.3	621.2	643.7	643.7	643.7	653.0	637.7
7 Inflation-indexed notes and bonds[1]	n.a.	33.0	67.6	100.7	92.4	100.7	107.4	109.0
8 Nonmarketable[2]	1,857.5	2,038.1	2,249.9	2,485.1	2,414.2	2,485.1	2,502.6	2,605.2
9 State and local government series	101.3	124.1	165.3	165.7	168.1	165.7	161.9	160.4
10 Foreign issues[3]	37.4	36.2	34.3	31.3	31.0	31.3	28.8	27.7
11 Government	47.4	36.2	34.3	31.3	31.0	31.3	28.8	27.7
12 Public	.0	.0	.0	.0	.0	.0	.0	.0
13 Savings bonds and notes	182.4	181.2	180.3	179.4	180.0	179.4	178.6	177.7
14 Government account series[4]	1,505.9	1,666.7	1,840.0	2,078.7	2,005.2	2,078.7	2,103.3	2,209.4
15 Non-interest-bearing	6.0	7.5	8.8	10.0	9.0	10.0	9.6	10.1
By holder[5]								
16 U.S. Treasury and other federal agencies and trust funds	1,497.2	1,655.7	1,826.8	2,060.6	1,989.1	2,060.6	2,085.4	2,190.2
17 Federal Reserve Banks	410.9	451.9	471.7	477.7	496.5	477.7	501.7	505.0
18 Private investors	3,431.2	3,414.6	3,334.0	3,233.9	3,175.4	3,233.9	3,182.8	2,987.4
19 Depository institutions	296.6	300.3	237.3	246.3	239.9	246.3	234.9	n.a.
20 Mutual funds	315.8	321.5	343.2	349.5	338.1	349.5	343.7	n.a.
21 Insurance companies	214.1	176.6	144.5	140.0	141.6	140.0	138.7	n.a.
22 State and local treasuries[6]	257.0	239.3	269.3	266.8	271.6	266.8	257.2	n.a.
Individuals								
23 Savings bonds	187.0	186.5	186.7	186.5	186.3	186.5	185.3	184.7
24 Pension funds	392.7	421.0	434.7	445.5	444.8	445.5	432.3	n.a.
25 Private	189.2	204.1	218.1	234.5	228.3	234.5	230.8	n.a.
26 State and Local	203.5	216.9	216.6	211.0	216.5	211.0	201.5	n.a.
27 Foreign and international[7]	1,102.1	1,241.6	1,278.7	1,268.8	1,281.3	1,268.8	1,274.0	1,248.9
28 Other miscellaneous investors[6,8]	665.9	527.9	438.5	330.5	271.7	330.5	316.7	n.a.

1. The U.S. Treasury first issued inflation-indexed securities during the first quarter of 1997.
2. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
3. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
4. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
5. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings, data for other groups are Treasury estimates.
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. Includes nonmarketable foreign series treasury securities and treasury deposit funds. Excludes treasury securities held under repurchase agreements in custody accounts at the Federal Reserve Bank of New York.
8. Includes individuals, government-sponsored enterprises, brokers and dealers, bank personal trusts and estates, corporate and noncorporate businesses, and other investors.

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	2000			2000, week ending								
	May	June	July	July 5	July 12	July 19	July 26	Aug. 2	Aug. 9	Aug. 16	Aug. 23	Aug. 30
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	23,171	20,474	16,467	19,729	15,829	15,986	14,835	18,878	14,037	26,057	17,685	27,255
Coupon securities, by maturity												
2 Five years or less	116,145	102,265	96,709	95,280	104,977	95,874	92,287	92,640	94,852	85,623	78,770	75,257
3 More than five years	58,444	64,492	57,055	53,472	55,910	56,204	57,284	62,388	76,071	72,768	49,068	53,359
4 Inflation-indexed	837	955	1,261	851	2,586	743	790	974	1,553	730	1,144	1,219
Federal agency												
5 Discount notes	66,305	49,638	53,649	59,195	55,141	58,519	47,330	49,882	48,162	52,526	56,654	58,435
Coupon securities, by maturity												
6 One year or less	1,046	864	1,299	637	1,910	1,099	1,368	939	1,086	1,290	1,397	1,710
7 More than one year, but less than or equal to five years	8,626	7,304	7,939	7,381	9,802	7,806	5,838	8,927	11,721	8,571	8,420	7,163
8 More than five years	6,923	9,031	9,286	10,544	11,132	7,477	6,853	12,443	7,651	5,969	6,852	5,534
9 Mortgage-backed	61,536	64,884	68,080	30,534	114,891	78,571	37,100	49,239	73,965	114,415	47,010	37,770
By type of counterparty												
With interdealer broker												
10 U.S. Treasury	98,961	92,504	81,757	76,860	86,657	85,622	76,595	79,015	92,325	88,900	70,397	74,830
11 Federal agency	8,007	8,398	7,497	7,720	8,267	7,515	6,730	7,312	9,255	7,947	9,018	6,690
12 Mortgage-backed	24,010	24,768	22,785	14,738	32,479	23,708	17,862	18,662	28,771	39,793	20,486	16,444
With other												
13 U.S. Treasury	99,635	95,682	89,735	92,472	92,646	83,186	88,601	95,865	94,187	96,279	76,270	82,260
14 Federal agency	74,892	58,438	64,677	70,037	69,718	67,387	54,661	64,879	59,364	60,409	64,305	66,152
15 Mortgage-backed	37,525	40,116	45,294	15,796	82,412	54,863	19,237	30,577	50,194	74,622	26,524	21,327
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
16 U.S. Treasury bills	0	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Coupon securities, by maturity												
17 Five years or less	4,870	3,549	2,571	2,939	2,695	2,818	2,268	2,212	2,387	2,930	3,715	5,025
18 More than five years	14,727	13,282	8,991	9,685	7,963	8,976	8,978	10,291	10,456	11,118	10,149	12,228
19 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0	0
Federal agency												
20 Discount notes	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
21 One year or less	0	0	0	0	0	0	0	0	0	0	0	0
22 More than one year, but less than or equal to five years	0	0	0	0	0	0	0	0	0	0	0	0
23 More than five years	98	245	51	161	53	43	27	29	130	83	118	150
24 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
25 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
26 Five years or less	1,967	1,398	1,214	1,012	1,478	1,308	1,032	1,057	991	1,000	1,505	1,201
27 More than five years	4,460	3,185	2,634	2,077	2,606	3,068	2,455	2,627	3,389	2,656	2,981	2,313
28 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0	0
Federal agency												
29 Discount notes	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
30 One year or less	0	0	0	0	0	0	0	0	0	0	0	0
31 More than one year, but less than or equal to five years	0	0	12	0	0	0	0	52	0	0	0	61
32 More than five years	0	20	3	14	n.a.	n.a.	0	0	n.a.	n.a.	0	n.a.
33 Mortgage-backed	1,078	1,306	898	889	942	494	1,078	1,206	2,527	817	650	581

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 to be 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.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Millions of dollars

Item	2000			2000, week ending							
	May	June	July	July 5	July 12	July 19	July 26	Aug. 2	Aug. 9	Aug. 16	Aug. 23
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	−5,764	3,514	3,951	3,215	6,900	5,288	3,304	−409	1,064	2,938	3,184
Coupon securities, by maturity											
2 Five years or less	−42,941	−38,615	−31,279	−31,591	−30,281	−33,718	−28,330	−33,081	−26,247	−33,122	−29,917
3 More than five years	−23,820	−21,306	−21,335	−22,278	−19,462	−21,825	−20,700	−23,220	−22,566	−18,402	−16,430
4 Inflation-indexed	1,849	1,668	2,564	1,754	2,748	2,741	2,750	2,607	2,633	2,784	2,926
Federal agency											
5 Discount notes	27,258	32,775	35,531	33,800	32,327	37,165	38,070	35,904	34,631	34,206	26,436
Coupon securities, by maturity											
6 One year or less	12,658	10,016	12,896	9,393	12,198	13,907	14,244	14,075	13,084	13,948	14,028
7 More than one year, but less than or equal to five years	2,883	1,925	3,249	1,515	3,013	4,088	3,034	4,441	3,631	5,810	4,975
8 More than five years	2,084	899	1,268	−653	976	1,618	1,790	2,378	2,693	1,113	842
9 Mortgage-backed	21,502	23,442	20,713	25,149	20,088	17,784	21,582	20,035	20,354	21,329	17,537
NET FUTURES POSITIONS[4]											
By type of deliverable security											
10 U.S. Treasury bills	0	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Coupon securities, by maturity											
11 Five years or less	17,318	12,969	14,350	12,321	14,231	15,443	15,096	13,974	12,400	13,275	10,909
12 More than five years	1,770	−165	71	−277	−1,619	1,569	−411	1,362	54	538	−1,969
13 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0
Federal agency											
14 Discount notes	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
15 One year or less	0	0	0	0	0	0	0	0	0	0	0
16 More than one year, but less than or equal to five years	0	0	0	0	0	0	0	0	0	0	0
17 More than five years	−105	−740	−261	−244	−205	−303	−255	−309	−713	−709	−523
18 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
By type of deliverable security											
19 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
20 Five years or less	180	376	1,143	1,247	1,896	697	775	1,127	1,688	1,484	1,868
21 More than five years	2,496	400	1,699	2,081	1,128	1,186	1,940	2,498	1,218	908	2,041
22 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0
Federal agency											
23 Discount notes	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
24 One year or less	0	0	0	0	0	0	0	0	0	0	0
25 More than one year, but less than or equal to five years	309	194	233	n.a.	n.a.	n.a.	n.a.	233	237	223	273
26 More than five years	477	522	309	129	422	144	419	409	336	327	0
27 Mortgage-backed	769	929	2,236	670	1,403	2,410	2,833	3,886	4,008	4,634	5,429
	Financing[5]										
Reverse repurchase agreements											
28 Overnight and continuing	308,541	294,802	282,999	294,428	281,044	271,301	283,640	289,789	282,395	303,063	278,813
29 Term	791,514	850,521	828,512	745,067	791,805	838,997	874,146	884,781	926,331	692,080	732,843
Securities borrowed											
30 Overnight and continuing	304,544	292,038	299,289	301,201	303,871	301,536	294,787	294,119	289,814	285,773	287,751
31 Term	108,141	112,854	113,572	107,146	110,267	116,920	115,873	116,718	118,211	112,955	110,811
Securities received as pledge											
32 Overnight and continuing	1,748	n.a.	2,454	n.a.	2,468	2,376	2,460	2,535	n.a.	2,374	2,561
33 Term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Repurchase agreements											
34 Overnight and continuing	731,269	744,475	750,138	739,951	748,300	750,714	759,375	749,157	751,407	786,525	735,461
35 Term	671,847	746,986	736,488	660,759	701,653	754,442	775,958	780,594	834,622	594,522	636,948
Securities loaned											
36 Overnight and continuing	8,409	7,698	7,433	7,068	6,638	7,372	7,994	8,214	8,153	8,060	7,237
37 Term	9,076	6,567	5,295	6,712	6,563	6,269	3,396	3,400	3,415	3,734	3,725
Securities pledged											
38 Overnight and continuing	61,585	61,667	63,077	65,123	62,578	63,841	62,936	60,855	59,469	60,006	61,715
39 Term	5,403	4,249	4,358	3,791	4,312	4,533	4,537	4,493	4,576	4,086	4,031
Collateralized loans											
40 Total	15,835	16,826	20,706	13,702	19,192	21,991	20,802	27,895	25,145	20,826	26,452

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.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1996	1997	1998	1999	2000				
					Feb.	Mar.	Apr.	May	June
1 **Federal and federally sponsored agencies**	**925,823**	**1,022,609**	**1,296,477**	**1,616,492**	**1,635,828**	**1,644.276**	n.a.	**193,776**	**194,673**
2 Federal agencies	29,380	27,792	26,502	26,376	26,168	26.231	26.011	26,052	26.669
3 Defense Department[1]	6	6	6	6	6	6	6	6	6
4 Export-Import Bank[2,3]	1,447	552	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Federal Housing Administration[4]	84	102	205	126	155	168	173	184	185
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]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Tennessee Valley Authority	27,853	27,786	26,496	26,370	26,162	26.225	26,005	26,046	26,663
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]	896,443	994,817	1,269,975	1,590,116	1,609,660	1,618.045	164,298	167,726	168,004
11 Federal Home Loan Banks	263,404	313,919	382,131	529,005	527,835	535.284	541,673	557,506	568,438
12 Federal Home Loan Mortgage Corporation	156,980	169,200	287,396	360,711	380,660	378.006	388,261	392,555	384,286
13 Federal National Mortgage Association	331,270	369,774	460,291	547,619	547,100	557.543	561,700	571,800	578,500
14 Farm Credit Banks[8]	60,053	63,517	63,488	68,883	69,147	67.154	69,036	70,036	69,541
15 Student Loan Marketing Association[9]	44,763	37,717	35,399	41,988	42,723	38.089	40,119	43,144	37,263
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]	**58,172**	**49,090**	**44,129**	**42,152**	**40,182**	**39.306**	**38,700**	**39,102**	**38,513**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	1,431	552							
21 Postal Service[6]	n.a.	n.a.							
22 Student Loan Marketing Association	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23 Tennessee Valley Authority	n.a.	n.a.							
24 United States Railway Association[6]	n.a.	n.a.							
Other lending[14]									
25 Farmers Home Administration	18,325	13,530	9,500	6,665	6,515	6.350	6,240	6,140	6,040
26 Rural Electrification Administration	16,702	14,898	14,091	14,085	14,016	13.152	13,167	13,221	13,121
27 Other	21,714	20,110	20,538	21,402	19,651	19.804	19,293	19,741	19,352

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	1997	1998	1999	2000							
				Jan.	Feb.	Mar.	Apr.	May	June	July	Aug
1 **All issues, new and refunding**[1]	**214,694**	**262,342**	**215,427**	**8,969**	**10,905**	**16,780**	**14,233**	**14,136**	**20,208**	**12,827**	**15,284**
By type of issue											
2 General obligation	69,934	87,015	73,308	3,454	4,473	5,008	4,598	6,051	8,581	4,256	5,194
3 Revenue	134,989	175,327	142,120	5,516	6,433	11,773	9,635	8,086	11,628	8,572	10,090
By type of issuer											
4 State	18,237	23,506	16,376	863	1,730	1,570	1,371	1,102	2,907	783	1,011
5 Special district or statutory authority[2]	134,919	178,421	152,418	5,784	7,414	11,098	10,229	9,639	13,520	8,545	10,728
6 Municipality, county, or township	70,558	60,173	46,634	2,322	1,761	4,112	2,633	3,396	3,782	3,500	3,545
7 **Issues for new capital**	**135,519**	**160,568**	**161,065**	**8,009**	**9,382**	**13,508**	**12,029**	**12,481**	**16,987**	**11,297**	**12,402**
By use of proceeds											
8 Education	31,860	36,904	36,563	2,189	2,548	3,436	2,484	3,662	4,465	3,185	3,630
9 Transportation	13,951	19,926	17,394	1,064	723	2,723	768	1,778	1,093	1,947	1,979
10 Utilities and conservation	12,219	21,037	15,098	588	115	1,086	729	537	1,141	353	1,409
11 Social welfare	27,794	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Industrial aid	6,667	8,594	9,099	89	647	747	762	585	1,150	632	281
13 Other purposes	35,095	42,450	47,896	2,885	2,804	2,426	3,903	3,557	5,776	2,543	3,564

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	1997	1998	1999	1999	2000						
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
1 **All issues**[1]	**929,256**	**1,128,491**	**1,072,866**	**50,805**	**55,714**	**85,679**	**113,093**	**61,963**	**62,939**	**100,615**[r]	**63,260**
2 **Bonds**[2]	**811,376**	**1,001,736**	**941,298**	**42,477**	**44,220**	**63,391**	**96,148**	**40,941**	**58,233**	**92,742**	**55,639**
By type of offering											
3 Sold in the United States	708,188	923,771	818,683	36,488	30,784	56,727	87,603	36,724	45,986	75,271	39,215
4 Sold abroad	103,188	77,965	122,615	5,989	13,436	6,664	8,545	4,217	12,247	17,471	16,424
MEMO											
5 Private placements, domestic	n.a.	n.a	n.a.	3,241	967	65	0	228	2,694[r]	3,391	730
By industry group											
6 Nonfinancial	222,603	307,935	293,963	14,614	14,599	26,598	28,086	8,060	20,832	29,412	15,915
7 Financial	588,773	693,801	647,335	27,863	29,620	36,792	68,062	32,881	37,401	63,331	39,724
8 **Stocks**[3]	**173,330**	**205,605**	**217,868**	**15,520**	**11,494**	**22,288**	**16,945**	**21,022**	**4,706**	**7,873**[r]	**7,621**
By type of offering											
9 Public	117,880	126,755	131,568	8,328	11,494	22,288	16,945	21,022	4,706	7,873[r]	7,621
10 Private placement[4]	55,450	78,850	86,300	7,192	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
11 Nonfinancial	60,386	74,113	110,284	7,450	9,247	21,796	15,679	16,763	4,522	6,521[r]	7,371
12 Financial	57,494	52,642	21,284	878	2,247	492	1,266	4,259	184	1,352	250

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, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data include 144(a) offerings.
3. Monthly data cover only public offerings.
4. Data are not available.

SOURCE. 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	1998	1999	2000 Jan.	Feb.	Mar.	Apr.	May	June	July[r]	Aug.
1 **Sales of own shares**[2]	**1,461,430**	**1,791,894**	**226,251**	**237,861**	**269,118**	**202,248**	**172,718**	**181,866**	**166,815**	**181,027**
2 Redemptions of own shares	1,217,022	1,621,987	204,380	197,423	243,194	176,671	162,984	161,462	151,717	160,876
3 Net sales[3]	244,408	169.906	21,871	40,438	25,924	25,577	9,735	20.404	15,098	20,152
4 **Assets**[4]	**4,173,531**	**5,233,191**	**5,114,482**	**5,375,874**	**5,606,254**	**5,391,187**	**5,232,319**	**5,458,914**	**5,392,308**	**5,760,329**
5 Cash[5]	191,393	219,189	222,729	231,480	221,623	254,819	260,426	259,241	258,472	262,781
6 Other	3,982,138	5,014,002	4,891,753	5,144,394	5,384,630	5,136,368	4,971,892	5,199,673	5,133.836	5,497.547

1. Data include stock, hybrid, and bond mutual funds and exclude money market mutual funds.
2. Excludes reinvestment of net income dividends and 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	1997	1998	1999	1998 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Q3	1999 Q4	2000 Q1	2000 Q2
1 Profits with inventory valuation and capital consumption adjustment	833.8	815.0	856.0	818.0	803.4	852.0	836.8	842.0	893.2	936.3	964.0
2 Profits before taxes	792.4	758.2	823.0	760.1	742.3	797.6	804.5	819.0	870.7	920.7	942.2
3 Profits-tax liability	237.2	244.6	255.9	249.0	239.4	247.8	250.8	254.2	270.8	286.3	292.9
4 Profits after taxes	555.2	513.6	567.1	511.1	502.9	549.9	553.7	564.8	599.9	634.4	649.3
5 Dividends	335.2	351.5	370.7	351.4	356.1	361.1	367.2	373.9	380.6	387.3	393.0
6 Undistributed profits	220.0	162.1	196.4	159.7	146.9	188.7	186.5	190.9	219.3	247.1	256.3
7 Inventory valuation	8.4	17.0	−9.1	17.7	19.9	11.4	−8.9	−19.7	−19.2	−25.0	−13.4
8 Capital consumption adjustment	32.9	39.9	42.1	40.2	41.2	42.9	41.2	42.7	41.6	40.6	35.2

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	1997	1998	1999	1998 Q4	1999 Q1	1999 Q2	1999 Q3	1999 Q4	2000 Q1[r]	2000 Q2[r]
ASSETS										
1 Accounts receivable, gross[2]	663.3	711.7	811.5	711.7	733.8	756.5	776.3	811.5	848.7	886.1
2 Consumer	256.8	261.8	279.8[r]	261.8	261.7	269.2	271.0	279.8	285.4	294.1
3 Business	318.5	347.5	405.2	347.5	362.8	373.7[r]	383.0	405.2	434.6	455.1
4 Real estate	87.9	102.3	126.5	102.3	109.2	113.5[r]	122.3	126.5	128.8	136.9
5 LESS: Reserves for unearned income	52.7	56.3	53.5	56.3	52.9	53.4	54.0	53.5	54.0	57.0
6 Reserves for losses	13.0	13.8	13.5	13.8	13.4	13.4	3.6	13.5	14.0	14.4
7 Accounts receivable, net	597.6	641.6	744.6	641.6	667.6	689.7	708.6	744.6	780.7	814.7
8 All other	312.4	337.9	406.3	337.9	363.3	373.2	368.5	406.3	412.7	419.4
9 **Total assets**	**910.0**	**979.5**	**1,150.9**	**979.5**	**1,030.8**	**1,062.9**	**1,077.2**	**1,150.9**	**1,193.4**	**1,234.1**
LIABILITIES AND CAPITAL										
10 Bank loans	24.1	26.3	35.1	26.3	24.8	25.1	27.0	35.1	28.5	33.3
11 Commercial paper	201.5	231.5	227.9	231.5	222.9	231.0	205.3	227.9	230.2	234.2
Debt										
12 Owed to parent	64.7	61.8	123.8	61.8	64.6	65.4	84.5	123.8	145.1	136.8
13 Not elsewhere classified	328.8	339.7	397.0	339.7	366.7	383.1	396.2	397.0	412.0	445.1
14 All other liabilities	189.6	203.2	222.7	203.2	220.3	226.1	216.0	222.7	247.6	249.6
15 Capital, surplus, and undivided profits	101.3	117.0	144.5	117.0	131.5	132.2	148.2	144.5	130.1	135.3
16 **Total liabilities and capital**	**910.0**	**979.5**	**1,150.9**	**979.5**	**1,030.8**	**1,062.9**	**1,077.2**	**1,150.9**	**1,193.4**	**1,234.4**

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. Excludes pools of securitized assets.

1.52 DOMESTIC FINANCE COMPANIES Owned and Managed Receivables[1]

Billions of dollars, amounts outstanding

Type of credit	1997	1998	1999	2000					
				Feb.	Mar.	Apr.	May	June	July
	Seasonally adjusted								
1 **Total**	**810.5**	**875.8**	**993.9**	**1,032.2**	**1,054.1**	**1,073.3**	**1,088.7**	**1,108.5**	**193.2**
2 Consumer	327.9	352.8	385.3	395.5	396.7	398.0	400.7	401.4	193.2
3 Real estate	121.1	131.4	154.7	162.3	167.9	173.1	178.4	185.7	n.a.
4 Business	361.5	391.6	453.9	474.4	489.4	502.2	509.5	521.4	n.a.
	Not seasonally adjusted								
5 **Total**	**818.1**	**884.0**	**1,003.2**	**1,031.9**	**1,057.0**	**1,073.6**	**1,088.5**	**1,114.0**	**194.4**
6 Consumer	330.9	356.1	388.8	392.3	392.8	394.4	399.4	403.9	194.4
7 Motor vehicles loans	87.0	103.1	114.7	121.3	121.1	120.9	124.1	126.5	129.4
8 Motor vehicle leases	96.8	93.3	98.3	100.7	101.7	102.8	104.1	103.9	n.a.
9 Revolving[2]	38.6	32.3	33.8	32.9	31.5	31.9	31.6	33.1	33.6
10 Other[3]	34.4	33.1	33.1	32.7	31.1	31.2	31.9	30.7	31.4
Securitized assets[4]									
11 Motor vehicle loans	44.3	54.8	71.1	67.8	71.2	72.1	71.9	74.1	
12 Motor vehicle leases	10.8	12.7	9.7	9.2	8.8	8.5	8.2	7.9	
13 Revolving	.0	8.7	10.5	10.4	10.3	10.1	11.1	11.1	
14 Other	19.0	18.1	17.7	17.3	17.1	16.8	16.5	16.6	
15 Real estate	121.1	131.4	154.7	162.3	167.9	173.1	178.4	185.7	
16 One- to four-family	59.0	75.7	88.3	91.7	90.4	93.6	97.3	97.2	
17 Other	28.9	26.6	38.3	38.4	38.4	39.0	39.4	39.6	
Securitized real estate assets[4]									
18 One- to four-family	33.0	29.0	28.0	32.0	38.9	40.2	41.5	48.6	
19 Other	.2	.1	.2	.2	.2	.2	.2	.2	
20 Business	366.1	396.5	459.6	477.4	496.3	506.1	510.7	524.5	
21 Motor vehicles	63.5	79.6	87.8	89.6	90.2	93.6	94.8	94.5	
22 Retail loans	25.6	28.1	33.2	33.7	32.3	32.7	33.3	33.8	
23 Wholesale loans[5]	27.7	32.8	34.7	35.8	37.9	38.9	39.5	38.4	
24 Leases	10.2	18.7	19.9	20.1	19.9	22.0	22.0	22.3	n.a.
25 Equipment	203.9	198.0	221.9	225.1	238.0	243.1	247.3	250.9	
26 Loans	51.5	50.4	52.2	52.8	54.9	55.6	55.9	56.7	
27 Leases	152.3	147.6	169.7	172.3	183.1	187.5	191.5	194.2	
28 Other business receivables[6]	51.1	69.9	95.5	101.4	106.4	107.4	106.6	109.8	
Securitized assets[4]									
29 Motor vehicles	33.0	29.2	31.5	31.0	31.5	32.3	32.0	31.7	
30 Retail loans	2.4	2.6	2.9	2.8	3.2	3.1	3.0	2.9	
31 Wholesale loans	30.5	24.7	26.4	26.1	25.9	26.8	26.7	26.4	
32 Leases	.0	1.9	2.1	2.1	2.4	2.4	2.4	2.4	
33 Equipment	10.7	13.0	14.6	22.5	22.0	21.7	21.5	31.1	
34 Loans	4.2	6.6	7.9	15.9	15.4	15.2	15.0	15.8	
35 Leases	6.5	6.4	6.7	6.6	6.5	6.5	6.5	15.2	
36 Other business receivables[6]	4.0	6.8	8.4	7.7	8.3	8.0	8.4	6.6	

NOTE. This table has been revised to incorporate several changes resulting from the benchmarking of finance company receivables to the June 1996 Survey of Finance Companies. In that benchmark survey, and in the monthly surveys that have followed, more detailed breakdowns have been obtained for some components. In addition, previously unavailable data on securitized real estate loans are now included in this table. The new information has resulted in some reclassification of receivables among the three major categories (consumer, real estate, and business) and in discontinuities in some component series between May and June 1996.

Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

1. Owned receivables are those carried on the balance sheet of the institution. Managed receivables are outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator. Data are shown before deductions for unearned income and losses. Components may not sum to totals because of rounding.

2. Excludes revolving credit reported as held by depository institutions that are subsidiaries of finance companies.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, boats, 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. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

6. 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	1997	1998	1999	2000 Feb.	2000 Mar.	2000 Apr.	2000 May	2000 June	2000 July	2000 Aug.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	180.1	195.2	210.7	216.9	226.0	224.2	232.2	238.6	235.8	237.0
2 Amount of loan (thousands of dollars)	140.3	151.1	161.7	165.6	170.7	170.2	176.3	178.3	178.3	179.7
3 Loan-to-price ratio (percent)	80.4	80.0	78.7	78.4	77.7	77.9	78.0	76.9	77.7	77.7
4 Maturity (years)	28.2	28.4	28.8	29.1	29.0	29.1	29.2	29.2	29.3	29.3
5 Fees and charges (percent of loan amount)[2]	1.02	.89	.77	.71	.68	.68	.71	.69	.66	.68
Yield (percent per year)										
6 Contract rate[1]	7.57	6.95	6.94	7.43	7.49	7.52	7.44	7.40	7.41	7.44
7 Effective rate[1,3]	7.73	7.08	7.06	7.54	7.60	7.63	7.55	7.50	7.51	7.54
8 Contract rate (HUD series)[4]	7.76	7.00	7.45	8.20	8.19	8.29	8.26	n.a.	n.a.	n.a.
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	7.89	7.04	7.74	8.53	8.35	8.33	8.58	n.a.	n.a.	n.a.
10 GNMA securities[6]	7.26	6.43	7.03	7.96	7.79	7.64	8.06	7.69	7.59	7.44
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	316,678	414,515	523,941	535,096	538,751	539,181	545,803	552,166	561,045	568,187
12 FHA/VA insured	31,925	33,770	55,318	58,294	58,451	58,899	59,140	59,703	60,397	60,150
13 Conventional	284,753	380,745	468,623	476,802	480,300	480,282	486,663	492,463	500,648	508,037
14 Mortgage transactions purchased (during period)	70,465	188,448	195,210	11,484	8,801	6,257	12,372	12,842	15,128	13,352
Mortgage commitments (during period)										
15 Issued[7]	69,965	193,795	187,948	9,811	10,051	12,524	10,450	11,825	16,660	14,253
16 To sell[8]	1,298	1,880	5,900	612	1,954	1,340	1,594	1,254	436	236
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	164,421	255,010	324,443	328,598	336,338	339,207	347,370	350,836	354,020	357,002
18 FHA/VA insured	177	785	1,836	1,719	2,521	1,987	3,116	2,892	2,858	2,850
19 Conventional	164,244	254,225	322,607	326,879	333,817	337,220	344,254	347,944	351,162	354,152
Mortgage transactions (during period)										
20 Purchases	117,401	267,402	239,793	6,747	9,323	8,393	15,741	12,271	10,912	16,056
21 Sales	114,258	250,565	233,031	6,424	8,569	8,077	15,261	11,806	10,539	15,558
22 Mortgage commitments contracted (during period)[9]	120,089	281,899	228,432	7,156	10,122	8,750	13,807	13,596	10,803	17,468

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	1996	1997	1998	1999 Q2	1999 Q3	1999 Q4	2000 Q1	2000 Q2
1 **All holders**	**4,865,412[r]**	**5,197,838[r]**	**5,722,645[r]**	**6,015,365[r]**	**6,224,771[r]**	**6,375,447[r]**	**6,489,770[r]**	**6,659,097**
By type of property								
2 One- to four-family residences	3,716,055[r]	3,967,842[r]	4,353,048[r]	4,559,021[r]	4,690,310[r]	4,786,609[r]	4,862,747[r]	4,982,853
3 Multifamily residences	288,579[r]	301,838[r]	329,813[r]	348,658[r]	359,323[r]	373,189[r]	381,699[r]	392,919
4 Nonfarm, nonresidential	773,643[r]	837,859[r]	943,278[r]	1,008,048[r]	1,073,743[r]	1,112,686[r]	1,141,577[r]	1,175,641
5 Farm	87,134	90,299	96,506	99,638	101,395[r]	102,962[r]	103,748[r]	107,685
By type of holder								
6 Major financial institutions	1,981,886	2,083,881[r]	2,194,813	2,242,431	2,321,356	2,394,923[r]	2,456,786[r]	2,551,751
7 Commercial banks[2]	1,145,389	1,245,315	1,337,217	1,361,365	1,418,819	1,495,502[r]	1,546,816[r]	1,614,307
8 One- to four-family	677,603	745,510	797,492	790,372	827,291	879,552[r]	904,581[r]	948,496
9 Multifamily	45,451	49,670	54,116	60,529	63,964	67,591	72,431	75,713
10 Nonfarm, nonresidential	397,452	423,148	456,574	479,930[r]	496,246	516,520[r]	537,131[r]	556,382
11 Farm	24,883	26,986	29,035	30,536	31,320	31,839	32,673	33,717
12 Savings institutions[3]	628,335	631,726[r]	643,957	656,518	676,346	668,634	680,745	701,992
13 One- to four-family	513,712	520,682[r]	533,918	544,962	560,622	549,072	560,046	578,641
14 Multifamily	61,570	59,540	56,821	55,016	57,282	59,138	57,759	59,142
15 Nonfarm, nonresidential	52,723	51,150	52,801	56,096	57,983	59,948	62,447	63,691
16 Farm	331	354	417	443	459	475	493	518
17 Life insurance companies	208,162	206,840	213,640	224,548	226,190	230,787[r]	229,225[r]	235,452
18 One- to four-family	6,977	7,187	6,590	7,292	7,432	5,934[r]	5,874[r]	4,826
19 Multifamily	30,750	30,402	31,522	31,800	31,998	32,818[r]	32,602[r]	33,669
20 Nonfarm, nonresidential	160,315	158,779	164,004	173,495	174,571	179,048[r]	177,870[r]	182,514
21 Farm	10,120	10,472	11,524	11,961	12,189	12,987[r]	12,879[r]	14,444
22 Federal and related agencies	295,192	286,194[r]	293,613[r]	289,519[r]	322,572[r]	322,352[r]	323,145[r]	334,715
23 Government National Mortgage Association	2	8	7	8	8	7	7	7
24 One- to four-family	2	8	7	8	8	7	7	7
25 Multifamily	0	0	0	0	0	0	0	0
26 Farmers Home Administration[4]	41,596	41,195	40,851	40,766	73,705	73,871	72,899	72,896
27 One- to four-family	17,303	17,253	16,895	16,653	16,583	16,506	16,456	16,435
28 Multifamily	11,685	11,720	11,739	11,735	11,745	11,741	11,732	11,729
29 Nonfarm, nonresidential	6,841	7,370	7,705	7,943	41,068	41,355	40,509	40,554
30 Farm	5,768	4,852	4,513	4,435	4,308	4,268	4,202	4,179
31 Federal Housing and Veterans' Administrations	6,244	3,811[r]	3,674	3,490	3,889	3,712	3,794[r]	3,845
32 One- to four-family	3,524	1,767	1,849	1,623	2,013	1,851	1,847[r]	1,832
33 Multifamily	2,719	2,044[r]	1,825	1,867	1,876	1,861	1,947	2,013
34 Resolution Trust Corporation	0	0	0	0	0	0	0	0
35 One- to four-family	0	0	0	0	0	0	0	0
36 Multifamily	0	0	0	0	0	0	0	0
37 Nonfarm, nonresidential	0	0	0	0	0	0	0	0
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	2,431	724	361	189	163	152	98	72
40 One- to four-family	365	109	54	28	24	23	15	11
41 Multifamily	413	123	61	32	28	26	17	12
42 Nonfarm, nonresidential	1,653	492	245	129	111	103	67	49
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	168,813	161,308	157,675	155,637	153,172	151,500	150,312	155,364
45 One- to four-family	155,008	149,831	147,594	145,033	142,982	141,195	139,986	144,335
46 Multifamily	13,805	11,477	10,081	10,604	10,190	10,305	10,326	11,029
47 Federal Land Banks	29,602	30,657	32,983	33,666	34,217[r]	34,187	34,142	34,820
48 One- to four-family	1,742	1,804	1,941	1,981	2,013	2,012	2,009	2,039
49 Farm	0[r]	0[r]	0[r]	0[r]	0[r]	0[r]	0[r]	0
50 Federal Home Loan Mortgage Corporation	46,504	48,454	57,085	54,282	55,695	56,676	57,009	56,972
51 One- to four-family	41,758	42,629	49,106	43,574	44,010	44,321	43,384	42,892
52 Multifamily	4,746	5,825	7,979	10,708	11,685	12,355	13,625	14,080
53 Mortgage pools or trusts[5]	4,865,412[r]	5,197,838[r]	5,722,645[r]	6,015,365[r]	6,224,771[r]	6,375,447[r]	6,489,770[r]	6,659,097
54 Government National Mortgage Association	506,246	536,879	537,446	553,196	569,038	582,263[r]	589,203[r]	590,903
55 One- to four-family	494,064	523,225	522,498	537,287	552,670	565,189[r]	571,517[r]	572,856
56 Multifamily	12,182	13,654	14,948	15,909	16,368	17,074	17,686	18,047
57 Federal Home Loan Mortgage Corporation	554,260	579,385	646,459	718,085	738,581	749,081	757,106	768,641
58 One- to four-family	551,513	576,846	643,465	714,844	735,088	744,619	752,607	763,890
59 Multifamily	2,747	2,539	2,994	3,241	3,493	4,462	4,499	4,751
60 Federal National Mortgage Association	650,779[r]	709,582	834,517[r]	911,435	938,484	960,883	975,815	995,815
61 One- to four-family	633,209[r]	687,981	804,204[r]	877,863	903,531	924,941	938,898	957,584
62 Multifamily	17,570	21,601	30,313	33,572	34,953	35,942	36,917	38,231
63 Farmers Home Administration[4]	3	2	1	1	0	0	0	0
64 One- to four-family	0	0	0	0	0	0	0	0
65 Multifamily	0	0	0	0	0	0	0	0
66 Nonfarm, nonresidential	0	0	0	0	0	0	0	0
67 Farm	3	2	1	1	0	0	0	0
68 Private mortgage conduits	329,559	413,502	571,340	627,402	645,084	662,565	678,156	686,037
69 One- to four-family[6]	258,800	316,400	412,700	447,938	455,276	462,600	471,390	471,000
70 Multifamily	16,369	21,591	34,323	39,435	40,936	42,628	43,835	44,931
71 Nonfarm, nonresidential	54,390	75,511	124,317	140,029	148,873	157,337	162,930	170,106
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[7]	547,486[r]	588,413[r]	644,456[r]	673,297[r]	689,656[r]	703,379[r]	709,560[r]	731,235
74 One- to four-family	360,476[r]	376,574[r]	413,770[r]	428,202[r]	439,219[r]	446,771[r]	449,496[r]	467,572
75 Multifamily	68,572[r]	71,651[r]	73,081[r]	74,090[r]	74,629[r]	77,016[r]	78,074[r]	79,272
76 Nonfarm, nonresidential	100,269[r]	121,409[r]	137,632[r]	150,428[r]	154,892[r]	158,375[r]	160,622[r]	162,345
77 Farm	18,169	18,779	19,974	20,577	20,916	21,217[r]	21,368[r]	22,046

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 CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1997	1998	1999	2000 Feb.	2000 Mar.	2000 Apr.[r]	2000 May[r]	2000 June	2000 July[p]
	Seasonally adjusted								
1 **Total**	**1,234,461**	**1,301,023**	**1,393,657**	**1,418,756**	**1,429,431**	**1,435,806**	**1,447,667**	**1,462,386**	**1,471,823**
2 Revolving	531,163	560,504	595,610	608,523	615,510	622,302	628,863	634,572	638,373
3 Nonrevolving[2]	703,297	740,519	798,047	810,233	813,921	813,504	818,804	827,814	833,450
	Not seasonally adjusted								
4 **Total**	**1,264,103**	**1,331,742**	**1,426,151**	**1,413,585**	**1,416,228**	**1,423,617**	**1,434,547**	**1,453,601**	**1,464,348**
By major holder									
5 Commercial banks	512,563	508,932	499,758	499,148	497,120	499,696	502,030	506,245	506,472
6 Finance companies	160,022	168,491	181,573	186,896	183,705	184,050	187,610	190,268	194,384
7 Credit unions	152,362	155,406	167,921	168,209	169,487	171,257	173,764	176,279	178,409
8 Savings institutions	47,172	51,611	61,527	59,821	58,968	59,628	60,289	60,951	61,188
9 Nonfinancial business	78,927	74,877	80,311	73,509	72,908	72,975	73,526	72,817	71,800
10 Pools of securitized assets[3]	313,057	372,425	435,061	426,002	434,040	436,011	437,328	447,041	452,095
By major type of credit[4]									
11 Revolving	555,858	586,528	623,245	609,387	609,086	615,432	621,224	627,830	630,601
12 Commercial banks	219,826	210,346	189,352	186,379	184,901	188,691	192,352	194,793	194,819
13 Finance companies	38,608	32,309	33,814	32,885	31,456	31,928	31,628	33,063	33,565
14 Credit unions	19,552	19,930	20,641	19,941	19,764	19,929	20,027	20,289	20,597
15 Savings institutions	11,441	12,450	15,838	15,263	14,975	15,135	15,295	15,455	15,419
16 Nonfinancial business	44,966	39,166	42,783	37,918	37,430	37,418	37,766	36,902	35,951
17 Pools of securitized assets[3]	221,465	272,327	320,817	317,001	320,560	322,331	324,156	327,328	330,250
18 Nonrevolving	708,245	745,214	802,906	804,198	807,142	808,185	813,323	825,771	833,747
19 Commercial banks	292,737	298,586	310,406	312,769	312,219	311,005	309,678	311,452	311,653
20 Finance companies	121,414	136,182	147,759	154,011	152,249	152,122	155,982	157,205	160,819
21 Credit unions	132,810	135,476	147,280	148,268	149,723	151,328	153,737	155,990	157,812
22 Savings institutions	35,731	39,161	45,689	44,558	43,993	44,493	44,994	45,496	45,769
23 Nonfinancial business	33,961	35,711	37,528	35,591	35,478	35,557	35,760	35,915	35,849
24 Pools of securitized assets[3]	91,592	100,098	114,244	109,001	113,480	113,680	113,172	119,713	121,845

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals, excluding loans secured by real estate. 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 motor vehicle loans, mobile home loans, and all other loans that are not included in revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.

3. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

4. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER CREDIT[1]

Percent per year except as noted

Item	1997	1998	1999	2000 Jan.	2000 Feb.	2000 Mar.	2000 Apr.	2000 May	2000 June	2000 July
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	9.02	8.72	8.44	n.a.	8.88	n.a.	n.a.	9.21	n.a.	n.a.
2 24-month personal	13.90	13.74	13.39	n.a.	13.76	n.a.	n.a.	13.88	n.a.	n.a.
Credit card plan										
3 All accounts	15.77	15.71	15.21	n.a.	15.47	n.a.	n.a.	15.39	n.a.	n.a.
4 Accounts assessed interest	15.57	15.59	14.81	n.a.	14.32	n.a.	n.a.	14.74	n.a.	n.a.
Auto finance companies										
5 New car	7.12	6.30	6.66	7.18	7.34	6.76	6.38	6.51	6.55	6.66
6 Used car	13.27	12.64	12.60	12.95	13.27	13.45	13.52	13.47	13.58	13.64
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.1	52.1	52.7	52.9	52.7	53.1	53.8	53.5	53.4	53.5
8 Used car	51.0	53.5	55.9	57.0	57.1	57.1	57.1	57.1	57.3	57.2
Loan-to-value ratio										
9 New car	92	92	92	91	92	93	93	93	93	92
10 Used car	99	99	99	98	98	99	98	99	99	100
Amount financed (dollars)										
11 New car	18,077	19,083	19,880	20,503	20,206	20,395	20,542	20,621	20,494	20,533
12 Used car	12,281	12,691	13,642	13,809	13,697	13,666	13,871	14,132	14,244	14,268

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. 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	1994	1995	1996	1997	1998	1998	1999				2000	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**559.3**	**711.3**	**731.4**	**804.3**	**1,042.9**	**1,065.8**	**1,278.3**	**939.4**	**1,170.7**	**1,095.5**	**947.3**	**994.4**
By sector and instrument												
2 Federal government	155.9	144.4	145.0	23.1	-52.6	-65.2	-83.4	-98.5	-71.4	-31.5	-215.5	-414.0
3 Treasury securities	155.7	142.9	146.6	23.2	-54.6	-77.4	-81.9	-99.1	-71.5	-31.5	-213.5	-415.8
4 Budget agency securities and mortgages	.2	1.5	-1.6	-.1	2.0	12.2	-1.5	.6	.0	.0	-2.1	1.8
5 Nonfederal	403.4	566.9	586.3	781.2	1,095.5	1,131.0	1,361.8	1,037.9	1,242.2	1,126.9	1,162.9	1,408.4
By instrument												
6 Commercial paper	21.4	18.1	-.9	13.7	24.4	-43.0	58.3	-2.6	49.8	44.0	36.2	116.9
7 Municipal securities and loans	-35.9	-48.2	2.6	71.4	96.8	92.8	92.1	56.8	71.3	52.5	8.9	34.0
8 Corporate bonds	23.3	91.1	116.3	150.5	218.7	193.2	274.0	287.6	202.8	155.2	186.2	153.8
9 Bank loans n.e.c.	75.2	103.7	70.5	106.5	108.2	107.5	86.0	24.0	112.3	108.6	131.9	159.7
10 Other loans and advances	34.0	67.2	33.5	69.1	74.3	101.4	148.0	2.3	79.2	55.4	162.1	144.6
11 Mortgages	160.5	196.0	275.7	317.5	505.5	609.2	572.8	608.4	650.7	601.7	494.5	667.6
12 Home	183.2	180.7	242.5	252.3	386.9	444.1	411.8	440.8	480.0	398.9	346.2	500.6
13 Multifamily residential	-3.6	5.8	9.4	8.3	20.3	26.9	35.5	33.1	44.2	47.9	31.5	36.6
14 Commercial	-21.3	7.9	21.3	53.7	92.0	129.6	122.0	125.6	119.4	152.4	109.9	118.5
15 Farm	2.2	1.6	2.6	3.2	6.2	8.6	3.6	9.0	7.0	2.5	6.9	11.9
16 Consumer credit	124.9	138.9	88.8	52.5	67.6	69.9	130.5	61.4	76.2	109.5	143.1	131.8
By borrowing sector												
17 Household	313.4	348.8	347.6	333.4	480.5	526.7	554.6	520.7	588.5	509.6	531.4	635.4
18 Nonfinancial business	136.3	269.5	245.5	391.8	534.7	527.4	727.4	473.5	601.3	583.7	627.7	747.9
19 Corporate	128.7	236.1	157.0	270.6	417.2	404.9	626.3	372.0	467.2	455.4	503.4	615.5
20 Nonfarm noncorporate	3.3	30.6	83.8	115.0	109.8	115.3	96.2	99.8	125.5	122.7	109.5	120.8
21 Farm	4.4	2.9	4.8	6.2	7.7	7.2	4.9	1.7	8.5	5.6	14.7	11.6
22 State and local government	-46.2	-51.5	-6.8	56.1	80.3	76.9	79.8	43.6	52.5	33.6	3.8	25.0
23 Foreign net borrowing in United States	-13.9	78.5	88.4	71.8	43.3	-25.6	30.7	-24.5	77.3	17.6	116.9	-10.5
24 Commercial paper	-26.1	13.5	11.3	3.7	7.8	-4.7	18.0	-27.5	41.1	33.6	56.7	10.9
25 Bonds	12.2	57.1	67.0	61.4	34.8	-21.5	15.4	.2	44.0	-2.7	45.7	-29.6
26 Bank loans n.e.c.	1.4	8.5	9.1	8.5	6.7	9.8	.9	5.6	-6.6	2.3	15.4	6.1
27 Other loans and advances	-1.4	-.5	1.0	-1.8	-6.0	-9.1	-3.5	-2.8	-1.1	-15.5	-.9	2.0
28 **Total domestic plus foreign**	**545.3**	**789.8**	**819.8**	**876.1**	**1,086.2**	**1,040.2**	**1,309.1**	**914.9**	**1,248.1**	**1,113.1**	**1,064.2**	**983.8**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**468.4**	**453.9**	**545.8**	**653.7**	**1,073.9**	**1,295.7**	**1,228.8**	**995.3**	**1,064.2**	**1,063.4**	**618.3**	**842.9**
By instrument												
30 Federal government-related	287.5	204.1	231.5	212.8	470.9	677.6	589.5	576.6	651.6	550.3	249.2	356.4
31 Government-sponsored enterprise securities	176.9	105.9	90.4	98.4	278.3	510.5	193.0	304.7	407.1	367.9	104.9	234.8
32 Mortgage pool securities	115.4	98.2	141.1	114.5	192.6	167.1	396.6	271.9	244.5	182.4	144.3	121.6
33 Loans from U.S. government	-4.8	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	180.9	249.8	314.4	440.9	603.0	618.1	639.2	418.8	412.6	513.0	369.2	486.5
35 Open market paper	40.5	42.7	92.2	166.7	161.0	130.9	78.7	57.3	89.9	479.0	130.9	77.4
36 Corporate bonds	121.8	195.9	173.8	210.5	296.9	292.6	473.8	254.8	179.5	-21.0	166.5	268.1
37 Bank loans n.e.c.	-13.7	2.5	12.6	13.2	30.1	9.9	-6.7	11.0	-5.9	-55.6	.3	8.8
38 Other loans and advances	22.6	3.4	27.9	35.6	90.2	154.2	73.3	107.9	139.8	107.5	64.4	122.3
39 Mortgages	9.8	5.3	7.9	14.9	24.8	30.6	20.1	-12.3	9.4	3.2	7.0	10.0
By borrowing sector												
40 Commercial banking	20.1	22.5	13.0	46.1	72.9	65.3	46.1	61.5	107.0	54.1	72.4	115.1
41 Savings institutions	12.8	2.6	25.5	19.7	52.2	88.6	75.2	59.2	51.9	5.8	40.6	56.3
42 Credit unions	.2	-.1	.1	.1	.6	.4	1.5	1.4	2.8	3.3	-2.9	.9
43 Life insurance companies	.3	-.1	1.1	.2	.7	1.8	3.3	3.0	1.1	-4.4	-.7	-1.1
44 Government-sponsored enterprises	172.1	105.9	90.4	98.4	278.3	510.5	193.0	304.7	407.1	367.9	104.9	234.8
45 Federally related mortgage pools	115.4	98.2	141.1	114.5	192.6	167.1	396.6	271.9	244.5	182.4	144.3	121.6
46 Issuers of asset-backed securities (ABSs)	76.5	142.4	150.8	202.2	321.4	340.1	289.7	301.5	220.5	124.2	166.0	193.2
47 Finance companies	48.6	50.2	45.9	48.7	43.0	6.8	77.0	90.5	-17.2	99.2	52.3	157.6
48 Mortgage companies	-11.5	-2.2	4.1	-4.6	1.6	3.0	-4.6	5.1	-6.1	6.2	-3.0	2.7
49 Real estate investment trusts (REITs)	10.2	4.5	11.9	39.6	62.7	44.0	25.6	-19.7	7.9	11.3	11.5	9.8
50 Brokers and dealers	.5	-5.0	-2.0	8.1	7.2	12.4	-31.1	-17.4	16.9	-37.3	44.4	-.7
51 Funding corporations	23.1	34.9	64.1	80.7	40.7	55.7	156.5	-66.2	27.9	250.6	-11.4	-47.4

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1994	1995	1996	1997	1998	1998	1999				2000	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
	All sectors											
52 **Total net borrowing, all sectors**	**1,013.8**	**1,243.8**	**1,365.6**	**1,529.8**	**2,160.1**	**2,335.9**	**2,537.8**	**1,910.2**	**2,312.3**	**2,176.5**	**1,682.6**	**1,826.7**
53 Open market paper	35.7	74.3	102.6	184.1	193.1	83.2	155.1	27.2	180.7	556.6	223.7	205.1
54 U.S. government securities	448.1	348.5	376.5	235.9	418.3	612.4	506.1	473.1	580.1	518.9	33.6	−57.6
55 Municipal securities	−35.9	−48.2	2.6	71.4	96.8	92.8	92.1	56.8	71.3	52.5	8.9	34.0
56 Corporate and foreign bonds	157.3	344.1	357.0	422.4	550.4	464.3	763.1	542.6	426.3	131.5	398.4	392.3
57 Bank loans n.e.c.	62.9	114.7	92.1	128.2	145.0	127.1	80.1	40.6	99.8	55.2	147.7	174.6
58 Other loans and advances	50.4	70.1	62.5	102.8	158.5	246.4	217.8	107.5	217.9	147.3	225.7	268.9
59 Mortgages	170.3	201.3	283.6	332.4	530.3	639.8	593.0	596.2	660.0	604.9	501.5	677.6
60 Consumer credit	124.9	138.9	88.8	52.5	67.6	69.9	130.5	61.4	76.2	109.5	143.1	131.8
	Funds raised through mutual funds and corporate equities											
61 **Total net issues**	**113.4**	**131.5**	**231.9**	**181.2**	**100.0**	**9.9**	**154.2**	**178.5**	**120.4**	**172.8**	**414.3**	**125.4**
62 Corporate equities	12.8	−16.0	−5.7	−83.9	−174.6	−215.6	−86.4	−33.9	−7.0	.0	105.2	−123.0
63 Nonfinancial corporations	−44.9	−58.3	−69.5	−114.4	−267.0	−491.3	−52.1	−338.4	−128.4	−55.0	62.8	−248.0
64 Foreign shares purchased by U.S. residents	48.1	50.4	82.8	57.6	101.2	330.2	−19.8	284.4	121.7	71.3	63.3	135.0
65 Financial corporations	9.6	−8.1	−19.0	−27.1	−8.9	−54.5	−14.5	20.2	−.3	−16.3	−20.8	−10.0
66 Mutual fund shares	100.6	147.4	237.6	265.1	274.6	225.5	240.6	212.4	127.5	172.8	309.0	248.4

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.4. 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	1994	1995	1996	1997	1998	1998	1999				2000	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**1,013.8**	**1,243.8**	**1,365.6**	**1,529.8**	**2,160.1**	**2,335.9**	**2,537.8**	**1,910.2**	**2,312.3**	**2,176.5**	**1,682.6**	**1,826.7**
2 Domestic nonfederal nonfinancial sectors	210.0	−61.3	80.5	17.1	131.8	−188.6	507.8	380.4	268.7	29.3	−104.3	263.4
3 Household	246.8	34.1	128.7	31.8	−16.7	−375.6	305.5	280.3	265.1	38.5	−172.9	180.7
4 Nonfinancial corporate business	17.7	−8.8	−10.2	−12.7	14.0	44.5	67.0	17.8	45.2	−13.0	63.8	38.5
5 Nonfarm noncorporate business	.6	4.7	−4.3	−2.1	.1	.1	2.8	1.2	8	1.4	2.6	2.8
6 State and local governments	−55.0	−91.4	−33.7	1	134.5	142.4	132.5	81.0	−42.4	2.4	2.3	41.4
7 Federal government	−27.4	−.2	−7.4	5.1	13.5	11.8	17.0	6.7	11.2	−11.8	6.2	8.2
8 Rest of the world	132.3	273.9	414.4	311.3	254.2	388.6	256.9	61.6	385.3	138.7	334.9	185.6
9 Financial sectors	698.8	1,031.4	878.1	1,196.3	1,760.6	2,124.1	1,756.2	1,461.5	1,647.0	2,020.3	1,445.7	1,369.5
10 Monetary authority	31.5	12.7	12.3	38.3	21.1	23.5	64.5	59.8	20.6	−42.2	103.4	−3.9
11 Commercial banking	163.4	265.9	187.5	324.3	305.2	493.3	68.1	166.6	449.4	548.7	377.1	484.7
12 U.S.-chartered banks	148.1	186.5	119.6	274.9	312.0	507.6	131.5	259.4	421.9	457.7	409.2	505.8
13 Foreign banking offices in United States	11.2	75.4	63.3	40.2	−11.9	−17.6	−53.1	−102.5	33.2	42.0	4.8	−29.9
14 Bank holding companies	.9	−.3	3.9	5.4	−.9	−7.4	−6.0	.4	−12.4	42.6	−42.2	3.5
15 Banks in U.S.-affiliated areas	3.3	4.2	7	3.7	6.0	10.7	−4.4	9.2	6.6	6.3	5.4	5.4
16 Savings institutions	6.7	−7.6	19.9	−4.7	36.3	111.0	111.0	85.3	58.1	20.2	50.2	72.9
17 Credit unions	28.1	16.2	25.5	16.8	19.0	20.4	30.9	32.7	27.5	18.8	39.9	40.7
18 Bank personal trusts and estates	7 1	−8.3	−7.7	−25.0	−12.8	−13.5	−7.6	−8.4	−8.6	−9.1	−9.5	−9.9
19 Life insurance companies	72.0	100.0	69.6	104.8	76.9	79.0	78.4	68.2	36.8	30.7	57.2	54.1
20 Other insurance companies	24.9	21.5	22.5	25.2	20.4	67.6	−19.7	26.7	−14.4	−9.4	−14.0	−13.6
21 Private pension funds	45.0	20.2	−5.8	19.5	57.8	108.3	57.5	86.6	32.0	54.0	46.1	.2
22 State and local government retirement funds	30.9	33.6	37.3	63.8	71.5	51.4	76.0	25.1	40.0	58.2	55.3	17.1
23 Money market mutual funds	30.0	86.5	88.8	87.5	244.0	345.7	215.7	−67.0	224.8	354.5	208.8	−156.2
24 Mutual funds	−7.1	52.5	48.9	80.9	124.8	106.3	97.4	117.2	−13.0	−12.7	−80.8	55.0
25 Closed-end funds	−3.7	10.5	4.7	−2.9	4.5	4.5	3.1	3.1	3.1	3.1	3.1	3.1
26 Government-sponsored enterprises	117.8	86.7	84.2	94.3	261.7	415.2	189.1	251.5	280.7	221.0	138.2	215.1
27 Federally related mortgage pools	115.4	98.2	141.1	114.5	192.6	167.1	396.6	271.9	244.5	182.4	144.3	121.6
28 Asset-backed securities issuers (ABSs)	69.4	120.6	120.5	163.8	281.7	317.2	272.1	284.8	212.0	94.4	145.3	158.7
29 Finance companies	48.3	49.9	18.4	21.9	51.9	75.8	85.3	88.1	91 7	114.4	132.9	145.5
30 Mortgage companies	−24.0	−3.4	8.2	−9.1	3.2	6.0	−9.1	10.2	−12.1	12.3	−6.0	5.5
31 Real estate investment trusts (REITs)	−.7	1.4	4.4	20.2	−5.1	−40.8	1.7	−2.2	−2.7	−7.0	−16.3	−2.5
32 Brokers and dealers	−44.2	90.1	−15.7	14.9	6.8	−210.3	34.6	−119.7	−22.2	−15.9	106.9	33.8
33 Funding corporations	−12.1	−15.7	13.6	47.4	−1.0	−3.5	10.5	81.1	−1.1	403.8	−36.3	147.5
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
34 **Net flows through credit markets**	**1,013.8**	**1,243.8**	**1,365.6**	**1,529.8**	**2,160.1**	**2,335.9**	**2,537.8**	**1,910.2**	**2,312.3**	**2,176.5**	**1,682.6**	**1,826.7**
Other financial sources												
35 Official foreign exchange	−5.8	8.8	−6.3	.7	6.6	8.6	−14.0	−5.4	−8.5	−7.0	1.5	−8.8
36 Special drawing rights certificates	.0	2.2	−.5	−.5	.0	.0	−4.0	.0	−4.0	−4.0	.0	−8.0
37 Treasury currency	.7	.6	.1	.0	.0	−2.3	.0	2.1	2.0	−4.1	2.2	−2.3
38 Foreign deposits	52.9	35.3	85.9	108.9	2.0	−127.6	113.7	110.1	69.4	52.7	258.5	−1.1
39 Net interbank transactions	89.8	10.0	−51.6	−19.7	−32.3	−115.2	48.3	93.4	−33.5	−43.3	−75.8	202.0
40 Checkable deposits and currency	−9.7	−12.8	15.7	41.2	47.4	53.2	63.6	37.5	139.3	365.2	−219.1	−61.1
41 Small time and savings deposits	−39.9	96.6	97.2	97.1	152.4	298.3	−74.8	106.6	119.1	28.0	109.1	132.2
42 Large time deposits	19.6	65.6	114.0	122.5	92.1	83.6	18.0	42.4	102.7	359.4	149.2	108.5
43 Money market fund shares	40.5	141.2	145.4	155.9	287.2	289.4	221.3	115.3	174.3	485.5	241.0	48.2
44 Security repurchase agreements	78.2	110.5	41.4	120.9	91.3	−207.7	258.0	−26.1	135.9	319.0	276.1	134.8
45 Corporate equities	12.8	−16.0	−5.7	−83.9	−174.6	−215.6	−86.4	−33.9	−7.0	.0	105.2	−123.0
46 Mutual fund shares	100.6	147.4	237.6	265.1	274.6	225.5	240.6	212.4	127.5	172.8	309.0	248.4
47 Trade payables	120.0	128.9	114.1	131.2	27.0	−35.7	121.7	253.3	216.9	137.0	213.7	213.2
48 Security credit	−.1	26.7	52.4	111.0	103.3	−19.3	−62.2	139.7	18.9	277.8	566.3	−138.6
49 Life insurance reserves	35.5	45.8	44.5	59.3	48.0	68.9	55.4	42.1	48.1	57.6	38.0	44.3
50 Pension fund reserves	257.4	171.0	163.0	278.8	248.7	282.6	204.5	248.8	266.7	294.6	258.0	240.8
51 Taxes payable	2.6	6.2	16.0	15.6	11.8	8.0	−2.1	42.5	−1.1	22.5	24.8	24.7
52 Investment in bank personal trusts	17.8	4.0	−8.6	−56.3	−48.0	−48.8	−32.0	−25.9	−34.3	−32.3	−40.4	−41.0
53 Noncorporate proprietors' equity	43.1	34.6	−3.4	−43.7	−46.7	−16.3	−19.2	4.1	−71.2	−2.2	−27.4	−28.7
54 Miscellaneous	273.2	489 4	525.7	499.6	836.2	530.5	398.5	1,393.1	499.2	502.2	1,024.6	879.9
55 **Total financial sources**	**2,102.9**	**2,739.7**	**2,942.6**	**3,333.6**	**4,086.9**	**3,395.8**	**3,986.7**	**4,662.0**	**4,072.6**	**5,157.9**	**4,897.2**	**3,691.2**
Liabilities not identified as assets (−)												
56 Treasury currency	−.2	−.5	−.9	−.6	−.7	−3.4	−1.5	.6	.2	−6.3	−1.8	−6.2
57 Foreign deposits	43.0	25.1	59.6	107.4	−6.4	−142.5	49.3	96.1	26.4	93.9	179.0	−67.2
58 Net interbank liabilities	−2.7	−3.1	−3.3	−19.9	3.4	−38.7	49.7	−4.8	−7.0	−23.7	24.4	−4.1
59 Security repurchase agreements	73.5	25.7	4.1	64.3	61.4	−18.1	213.5	54.3	77.8	−217.3	550.0	−11.5
60 Taxes payable	16.6	21.1	22.9	27 9	13.7	12.8	−9.1	20.1	1.5	−.7	10.0	−.3
61 Miscellaneous	−119.2	−180.9	−88.1	−82.0	−54.3	54.1	−533.0	−289.9	−466.9	−71.3	−340.3	−250.2
Floats not included in assets (−)												
62 Federal government checkable deposits	−4.8	−6.0	.5	−2.7	2.6	17.1	−2.1	−27.0	8.6	−9.2	28.7	−2.6
63 Other checkable deposits	−2.8	−3.8	−4.0	−3.9	−3.1	−1.8	−2.1	−.9	− 3	.0	.6	1.5
64 Trade credit	27.4	15.6	−21.2	−29.4	−42.1	−32.2	45.6	−18.1	60.4	111.4	2.7	10.8
65 **Total identified to sectors as assets**	**2,072.1**	**2,846.6**	**2,973.1**	**3,272.5**	**4,112.5**	**3,548.5**	**4,176.3**	**4,831.5**	**4,371.9**	**5,281.1**	**4,443.9**	**4,021.1**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.1 and F.5. 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	1995	1996	1997	1998	1998	1999				2000	
					Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**13,712.9**	**14,444.2**	**15,247.0**	**16,289.9**	**16,289.9**	**16,605.6**	**16,785.1**	**17,105.5**	**17,445.6**	**17,680.1**	**17,865.1**
By sector and instrument											
2 Federal government	3,636.7	3,781.8	3,804.9	3,752.2	3,752.2	3,759.7	3,651.7	3,632.7	3,681.0	3,653.5	3,464.0
3 Treasury securities	3,608.5	3,755.1	3,778.3	3,723.7	3,723.7	3,731.6	3,623.4	3,604.5	3,652.8	3,625.8	3,435.7
4 Budget agency securities and mortgages	28.2	26.6	26.5	28.5	28.5	28.1	28.3	28.3	28.3	27.8	28.2
5 Nonfederal	10,076.1	10,662.5	11,442.1	12,537.7	12,537.7	12,845.9	13,133.4	13,472.8	13,764.5	14,026.6	14,401.2
By instrument											
6 Commercial paper	157.4	156.4	168.6	193.0	193.0	223.9	232.4	239.3	230.3	260.8	296.8
7 Municipal securities and loans	1,293.5	1,296.0	1,367.5	1,464.3	1,464.3	1,491.0	1,510.0	1,518.6	1,532.5	1,539.2	1,551.6
8 Corporate bonds	1,344.1	1,460.4	1,610.9	1,829.6	1,829.6	1,898.1	1,970.0	2,020.7	2,059.5	2,106.0	2,144.5
9 Bank loans n.e.c.	863.6	934.1	1,040.5	1,148.8	1,148.8	1,165.2	1,178.5	1,202.9	1,231.5	1,259.1	1,306.4
10 Other loans and advances	736.9	770.4	839.5	913.8	913.8	957.4	956.0	969.8	985.3	1,032.4	1,066.2
11 Mortgages	4,557.9	4,833.6	5,151.1	5,656.6	5,656.6	5,791.1	5,946.2	6,151.4	6,299.4	6,412.8	6,582.1
12 Home	3,510.5	3,719.2	3,971.5	4,358.4	4,358.4	4,451.2	4,564.4	4,694.1	4,791.3	4,867.7	4,995.2
13 Multifamily residential	265.5	278.6	286.9	307.3	307.3	316.4	324.6	335.7	347.7	355.5	364.7
14 Commercial	697.3	748.7	802.3	894.4	894.4	926.1	957.5	1,020.3	1,058.4	1,085.8	1,115.5
15 Farm	84.6	87.1	90.3	96.5	96.5	97.4	99.6	101.4	102.0	103.7	106.7
16 Consumer credit	1,122.8	1,211.6	1,264.1	1,331.7	1,331.7	1,319.3	1,340.4	1,370.1	1,426.2	1,416.2	1,453.6
By borrowing sector											
17 Household	4,782.9	5,105.3	5,442.8	5,924.6	5,924.6	6,004.8	6,147.2	6,313.3	6,469.1	6,541.9	6,710.9
18 Nonfinancial business	4,223.0	4,493.7	4,879.9	5,413.3	5,413.3	5,617.9	5,748.0	5,917.1	6,043.3	6,227.4	6,423.6
19 Corporate	2,925.5	3,107.7	3,372.7	3,788.5	3,788.5	3,970.3	4,071.6	4,207.6	4,302.2	4,457.6	4,617.5
20 Nonfarm noncorporate	1,152.4	1,236.1	1,351.1	1,460.9	1,460.9	1,485.2	1,510.2	1,540.9	1,572.0	1,599.7	1,629.9
21 Farm	145.1	149.9	156.1	163.8	163.8	162.4	166.1	168.6	169.0	170.1	176.1
22 State and local government	1,070.2	1,063.4	1,119.5	1,199.8	1,199.8	1,223.2	1,238.2	1,242.4	1,252.1	1,257.3	1,266.7
23 **Foreign credit market debt held in United States**	**453.7**	**542.2**	**608.0**	**651.4**	**651.4**	**659.2**	**652.7**	**672.9**	**676.9**	**704.6**	**698.9**
24 Commercial paper	56.2	67.5	65.1	72.9	72.9	77.2	70.1	81.8	89.2	101.6	101.2
25 Bonds	299.4	366.3	427.7	462.5	462.5	466.3	466.4	477.4	476.7	488.1	480.7
26 Bank loans n.e.c.	34.6	43.7	52.1	58.9	58.9	59.1	60.5	58.8	59.4	63.3	64.8
27 Other loans and advances	63.6	64.7	63.0	57.2	57.2	56.5	55.8	55.0	51.7	51.7	52.1
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**14,166.5**	**14,986.4**	**15,855.0**	**16,941.3**	**16,941.3**	**17,264.7**	**17,437.8**	**17,778.5**	**18,122.5**	**18,384.7**	**18,564.0**
	Financial sectors										
29 **Total credit market debt owed by financial sectors**	**4,278.8**	**4,824.6**	**5,445.2**	**6,519.1**	**6,519.1**	**6,809.0**	**7,073.3**	**7,346.8**	**7,607.0**	**7,744.5**	**7,970.9**
By instrument											
30 Federal government-related	2,376.8	2,608.3	2,821.1	3,292.0	3,292.0	3,434.1	3,580.7	3,745.9	3,884.0	3,940.3	4,032.0
31 Government-sponsored enterprise securities	806.5	896.9	995.3	1,273.6	1,273.6	1,321.8	1,398.0	1,499.8	1,591.7	1,618.0	1,676.7
32 Mortgage pool securities	1,570.3	1,711.4	1,825.8	2,018.4	2,018.4	2,112.3	2,182.7	2,246.1	2,292.3	2,322.3	2,355.4
33 Loans from U.S. government	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	1,901.9	2,216.3	2,624.1	3,227.1	3,227.1	3,374.9	3,492.6	3,601.0	3,723.0	3,804.2	3,938.9
35 Open market paper	486.9	579.1	745.7	906.7	906.7	926.4	940.9	963.4	1,082.9	1,115.7	1,135.2
36 Corporate bonds	1,204.7	1,378.4	1,555.9	1,852.8	1,852.8	1,968.6	2,042.8	2,091.1	2,074.6	2,114.2	2,192.5
37 Bank loans n.e.c.	51.4	64.0	77.2	107.2	107.2	104.1	106.8	105.2	92.9	91.4	93.6
38 Other loans and advances	135.0	162.9	198.5	288.7	288.7	299.1	328.6	365.4	395.8	404.4	436.7
39 Mortgages	24.1	31.9	46.8	71.6	71.6	76.6	73.6	75.9	76.7	78.5	81.0
By borrowing sector											
40 Commercial banks	102.6	113.6	140.6	188.6	188.6	187.5	202.7	224.2	230.0	242.2	265.9
41 Bank holding companies	148.0	150.0	168.6	193.5	193.5	202.6	205.5	211.8	219.3	221.4	229.3
42 Savings institutions	115.0	140.5	160.3	212.4	212.4	226.9	241.6	255.4	260.4	266.9	280.0
43 Credit unions	.4	.4	.6	1.1	1.1	1.5	1.8	2.5	3.4	2.6	2.9
44 Life insurance companies	.5	1.6	1.8	2.5	2.5	3.3	4.0	4.3	3.2	3.0	2.7
45 Government-sponsored enterprises	806.5	896.9	995.3	1,273.6	1,273.6	1,321.8	1,398.0	1,499.8	1,591.7	1,618.0	1,676.7
46 Federally related mortgage pools	1,570.3	1,711.4	1,825.8	2,018.4	2,018.4	2,112.3	2,182.7	2,246.1	2,292.3	2,322.3	2,355.4
47 Issuers of asset-backed securities (ABSs)	712.5	863.3	1,076.6	1,398.0	1,398.0	1,463.1	1,539.9	1,599.1	1,632.0	1,665.8	1,716.0
48 Brokers and dealers	29.3	27.3	35.3	42.5	42.5	34.8	30.4	34.6	25.3	36.4	36.2
49 Finance companies	483.9	529.8	554.5	597.5	597.5	614.4	639.2	628.5	659.9	670.7	712.7
50 Mortgage companies	16.5	20.6	16.0	17.7	17.7	16.5	17.8	16.3	17.8	17.1	17.8
51 Real estate investment trusts (REITs)	44.6	56.5	96.1	158.8	158.8	165.2	160.3	162.2	165.1	167.9	170.4
52 Funding corporations	248.6	312.7	373.7	414.4	414.4	459.1	449.5	462.0	506.6	510.1	505.1
	All sectors										
53 **Total credit market debt, domestic and foreign**	**18,445.3**	**19,811.0**	**21,300.2**	**23,460.4**	**23,460.4**	**24,073.7**	**24,511.1**	**25,125.3**	**25,729.5**	**26,129.2**	**26,534.9**
54 Open market paper	700.4	803.0	979.4	1,172.6	1,172.6	1,227.6	1,243.3	1,284.5	1,402.4	1,478.1	1,533.3
55 U.S. government securities	6,013.6	6,390.0	6,626.0	7,044.3	7,044.3	7,193.8	7,232.4	7,378.6	7,565.0	7,593.8	7,496.0
56 Municipal securities	1,293.5	1,296.0	1,367.5	1,464.3	1,464.3	1,491.0	1,510.0	1,518.6	1,532.5	1,539.2	1,551.6
57 Corporate and foreign bonds	2,848.1	3,205.1	3,594.5	4,144.9	4,144.9	4,333.0	4,479.2	4,589.1	4,610.8	4,708.3	4,817.7
58 Bank loans n.e.c.	949.6	1,041.7	1,169.8	1,314.9	1,314.9	1,328.3	1,345.7	1,366.9	1,383.8	1,413.7	1,464.7
59 Other loans and advances	935.4	998.0	1,101.0	1,259.6	1,259.6	1,313.0	1,340.3	1,390.1	1,432.7	1,488.5	1,555.0
60 Mortgages	4,581.9	4,865.5	5,197.9	5,728.2	5,728.2	5,867.7	6,019.8	6,227.3	6,376.1	6,491.3	6,663.1
61 Consumer credit	1,122.8	1,211.6	1,264.1	1,331.7	1,331.7	1,319.3	1,340.4	1,370.1	1,426.2	1,416.2	1,453.6

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	1995	1996	1997	1998	1998	1999				2000	
					Q4	Q1	Q2	Q3	Q4	Q1	Q2
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**18,445.3**	**19,811.0**	**21,300.2**	**23,460.4**	**23,460.4**	**24,073.7**	**24,511.1**	**25,125.3**	**25,729.5**	**26,129.2**	**26,534.9**
2 Domestic nonfederal nonfinancial sectors	2,905.5	3,031.3	3,004.7	3,108.2	3,108.2	3,208.2	3,277.3	3,343.4	3,474.9	3,418.7	3,459.0
3 Household	1,944.3	2,118.3	2,106.4	2,061.4	2,061.4	2,133.5	2,172.2	2,235.9	2,353.9	2,304.6	2,319.1
4 Nonfinancial corporate business	280.4	270.2	257.5	271.5	271.5	266.1	273.3	288.4	300.7	293.0	305.2
5 Nonfarm noncorporate business	42.3	38.0	35.9	35.9	35.9	36.6	36.9	37.1	37.5	38.1	38.8
6 State and local governments	638.6	604.8	605.0	739.4	739.4	772.1	794.8	781.9	782.8	782.9	795.8
7 Federal government	207.5	200.2	205.5	219.1	219.1	223.3	225.0	260.7	258.0	259.6	261.6
8 Rest of the world	1,531.1	1,926.6	2,257.3	2,539.8	2,539.8	2,608.3	2,621.3	2,718.1	2,678.0	2,765.9	2,809.7
9 Financial sectors	13,801.1	14,652.9	15,832.7	17,593.3	17,593.3	18,033.8	18,387.5	18,803.0	19,318.6	19,685.1	20,004.6
10 Monetary authority	380.8	393.1	431.4	452.5	452.5	466.0	485.1	489.3	478.1	501.9	505.1
11 Commercial banking	3,520.1	3,707.7	4,031.9	4,335.7	4,335.7	4,338.4	4,383.4	4,488.3	4,643.9	4,725.0	4,847.4
12 U.S.-chartered banks	3,056.1	3,175.8	3,450.7	3,761.2	3,761.2	3,782.9	3,847.6	3,944.3	4,078.9	4,171.3	4,295.4
13 Foreign banking offices in United States	412.6	475.8	516.1	504.2	504.2	487.8	465.7	475.3	484.1	482.0	478.1
14 Bank holding companies	18.0	22.0	27.4	26.5	26.5	25.0	25.1	22.0	32.7	22.1	23.0
15 Banks in U.S.-affiliated areas	33.4	34.1	37.8	43.8	43.8	42.7	45.0	46.7	48.3	49.6	51.0
16 Savings institutions	913.3	933.2	928.5	964.8	964.8	990.8	1,011.4	1,030.8	1,033.4	1,044.5	1,061.7
17 Credit unions	263.0	288.5	305.3	324.2	324.2	330.2	341.0	348.5	351.7	360.0	372.9
18 Bank personal trusts and estates	239.7	232.0	207.0	194.1	194.1	192.2	190.1	188.0	185.7	183.3	180.8
19 Life insurance companies	1,587.5	1,657.0	1,751.1	1,828.0	1,828.0	1,853.5	1,869.6	1,880.4	1,886.0	1,901.5	1,913.9
20 Other insurance companies	468.7	491.2	515.3	535.7	535.7	530.8	537.5	533.9	531.6	528.0	524.6
21 Private pension funds	633.1	627.3	646.8	704.7	704.7	719.0	740.7	748.7	762.2	773.7	773.8
22 State and local government retirement funds	531.0	568.2	632.0	703.6	703.6	722.6	728.9	738.9	753.4	767.2	771.5
23 Money market mutual funds	545.5	634.3	721.9	965.9	965.9	1,036.2	1,001.8	1,049.7	1,147.8	1,217.1	1,159.4
24 Mutual funds	771.3	820.2	901.1	1,025.9	1,025.9	1,050.8	1,083.7	1,083.0	1,073.1	1,053.0	1,070.9
25 Closed-end funds	96.4	101.1	98.3	102.8	102.8	103.6	104.3	105.1	105.9	106.7	107.4
26 Government-sponsored enterprises	750.0	807.9	902.2	1,163.9	1,163.9	1,203.1	1,268.4	1,340.2	1,399.5	1,426.4	1,481.7
27 Federally related mortgage pools	1,570.3	1,711.4	1,825.8	2,018.4	2,018.4	2,112.3	2,182.7	2,246.1	2,292.3	2,322.3	2,355.4
28 Asset-backed securities issuers (ABSs)	653.4	773.9	937.7	1,219.4	1,219.4	1,280.1	1,352.7	1,409.8	1,435.3	1,463.9	1,505.4
29 Finance companies	526.2	544.5	566.4	618.4	618.4	639.9	660.9	678.2	713.3	747.0	782.2
30 Mortgage companies	33.0	41.2	32.1	35.3	35.3	33.0	35.6	32.5	35.6	34.1	35.5
31 Real estate investment trusts (REITs)	26.0	30.4	50.6	45.5	45.5	45.9	45.3	44.7	42.9	38.8	38.2
32 Brokers and dealers	183.4	167.7	182.6	189.4	189.4	211.4	162.9	167.0	158.6	201.1	188.2
33 Funding corporations	108.4	122.0	164.7	165.2	165.2	174.1	201.4	200.1	288.4	289.6	328.5
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
34 **Total credit market debt**	**18,445.3**	**19,811.0**	**21,300.2**	**23,460.4**	**23,460.4**	**24,073.7**	**24,511.1**	**25,125.3**	**25,729.5**	**26,129.2**	**26,534.9**
Other liabilities											
35 Official foreign exchange	63.7	53.7	48.9	60.1	60.1	53.6	50.9	52.1	50.1	49.4	46.5
36 Special drawing rights certificates	10.2	9.7	9.2	9.2	9.2	8.2	8.2	7.2	6.2	6.2	4.2
37 Treasury currency	18.2	18.3	18.3	18.3	18.3	18.3	18.8	19.3	18.3	18.8	18.1
38 Foreign deposits	418.8	521.7	619.7	639.0	639.0	667.4	694.9	712.3	725.8	790.4	790.2
39 Net interbank liabilities	290.7	240.8	219.4	189.0	189.0	182.0	207.1	198.9	203.2	165.6	219.5
40 Checkable deposits and currency	1,229.1	1,244.8	1,286.1	1,333.4	1,333.4	1,310.5	1,353.1	1,353.8	1,484.8	1,392.9	1,410.7
41 Small time and savings deposits	2,279.7	2,377.0	2,474.1	2,626.5	2,626.5	2,637.6	2,644.6	2,665.9	2,671.2	2,729.2	2,740.5
42 Large time deposits	476.9	590.9	713.4	805.5	805.5	804.3	809.0	837.5	936.1	966.5	987.4
43 Money market fund shares	741.3	886.7	1,042.5	1,329.7	1,329.7	1,411.7	1,393.5	1,444.9	1,578.8	1,666.0	1,627.1
44 Security repurchase agreements	660.0	701.5	822.4	913.7	913.7	980.3	970.8	999.3	1,085.4	1,155.8	1,186.2
45 Mutual fund shares	1,852.8	2,342.4	2,989.4	3,610.5	3,610.5	3,758.1	4,049.1	3,931.5	4,553.4	4,864.5	4,740.7
46 Security credit	305.7	358.1	469.1	572.3	572.3	552.7	589.3	593.2	665.9	803.7	770.8
47 Life insurance reserves	566.2	610.6	665.0	718.3	718.3	735.9	749.8	756.2	783.9	796.9	802.8
48 Pension fund reserves	5,812.7	6,548.4	7,817.1	8,912.7	8,912.7	9,064.9	9,479.5	9,150.5	9,999.4	10,227.4	10,139.0
49 Trade payables	1,698.0	1,812.1	1,943.3	1,970.3	1,970.3	1,973.9	2,038.1	2,098.4	2,152.6	2,179.6	2,233.3
50 Taxes payable	107.6	123.6	139.2	151.0	151.0	158.2	160.6	165.3	166.4	180.3	178.0
51 Investment in bank personal trusts	803.0	871.7	942.5	1,001.0	1,001.0	1,012.5	1,059.8	998.3	1,116.6	1,135.2	1,085.0
52 Miscellaneous	5,838.0	6,231.3	6,571.9	7,133.9	7,133.9	7,131.6	7,310.8	7,318.7	7,638.2	7,851.6	8,059.6
53 **Total liabilities**	**41,617.9**	**45,354.2**	**50,091.7**	**55,454.8**	**55,454.8**	**56,535.3**	**58,099.0**	**58,428.7**	**61,565.7**	**63,109.3**	**63,574.5**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	22.1	21.4	21.1	21.6	21.6	20.7	20.8	21.3	21.4	21.4	21.5
55 Corporate equities	8,495.7	10,255.8	13,201.3	15,427.8	15,427.8	15,919.1	17,060.4	16,214.9	19,576.3	20,231.8	19,298.5
56 Household equity in noncorporate business	3,671.6	3,876.6	4,151.1	4,400.8	4,400.8	4,460.5	4,523.0	4,582.8	4,643.5	4,695.1	4,764.9
Liabilities not identified as assets (−)											
57 Treasury currency	−5.8	−6.7	−7.3	−8.0	−8.0	−8.4	−8.2	−8.2	−9.7	−10.2	−11.9
58 Foreign deposits	360.2	437.0	538.3	548.2	548.2	560.5	584.5	591.1	614.9	659.7	642.9
59 Net interbank transactions	−9.0	−10.6	−32.2	−27.0	−27.0	−11.3	−10.6	−13.2	−25.5	−13.9	−11.5
60 Security repurchase agreements	107.4	111.5	175.8	237.2	237.2	296.7	308.2	327.7	269.3	413.4	408.8
61 Taxes payable	62.4	76.7	92.3	101.5	101.5	89.2	110.3	94.2	94.5	88.9	101.1
62 Miscellaneous	−1,167.5	−1,630.7	−1,996.0	−2,539.2	−2,539.2	−2,755.0	−2,824.4	−3,133.2	−3,008.0	−3,149.6	−3,169.7
Floats not included in assets (−)											
63 Federal government checkable deposits	3.1	−1.6	−8.1	−3.9	−3.9	−7.2	−12.4	−10.2	−9.9	−6.5	−5.2
64 Other checkable deposits	34.2	30.1	26.2	23.1	23.1	18.9	22.1	14.5	22.3	18.7	22.5
65 Trade credit	196.8	174.6	135.5	94.5	94.5	56.3	30.8	44.7	141.7	92.6	73.1
66 **Total identified to sectors as assets**	**54,225.6**	**60,327.7**	**68,540.7**	**76,878.6**	**76,878.6**	**78,696.0**	**81,502.8**	**81,340.1**	**87,717.2**	**89,964.3**	**89,609.3**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.1 and L.5. 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 1992=100, except as noted

Measure	1997	1998	1999	1999	2000							
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.[p]
1 **Industrial production**[1]	**127.1**	**132.4**	**137.1**	**140.1**	**141.1**	**141.6**	**142.4**	**143.5**	**144.7[r]**	**145.2[r]**	**145.2**	**145.7**
Market groupings												
2 Products, total	119.6	123.7	126.5	128.5	129.7	130.1	130.3	131.0	131.2[r]	131.3[r]	131.5	131.8
3 Final, total	121.1	125.4	128.0	130.3	131.6	131.8	132.0	132.8	133.1[r]	133.6[r]	134.0	134.5
4 Consumer goods	115.1	116.2	116.9	118.1	118.8	118.7	118.0	118.6	118.8[r]	119.0[r]	118.6	119.2
5 Equipment	132.1	142.7	148.9	151.8	154.2	155.0	156.9	158.1	158.8[r]	159.8[r]	161.7	162.1
6 Intermediate	115.3	118.8	122.1	123.1	123.7	124.8	125.1	125.3	125.1[r]	124.2	123.9	123.3
7 Materials	139.0	146.5	154.8	159.7	160.5	161.2	163.1	165.0	168.1[r]	169.3[r]	168.9	169.9
Industry groupings												
8 Manufacturing	130.1	136.4	142.3	145.6	146.7	147.2	148.4	149.3	150.3[r]	151.0[r]	151.2	151.3
9 Capacity utilization, manufacturing (percent)[2]	82.4	80.9	79.8	80.3	80.7	80.7	81.1	81.3	81.5[r]	81.6[r]	81.4	81.2
10 Construction contracts[3]	144.2[r]	161.3[r]	177.6[r]	175.0	176.0[r]	179.0	192.0	186.0[r]	175.0[r]	184.0[r]	175.0	173.0
11 Nonagricultural employment, total[4]	120.3	123.4	126.2	127.5	127.9	128.0	128.5	128.9	129.1	129.1	129.1	129.0
12 Goods-producing, total	101.2	102.7	102.3	103.6	104.1	103.9	104.3	104.3	104.1	104.2	104.4	104.1
13 Manufacturing, total	98.3	98.8	97.0	97.3	97.4	97.2	97.3	97.3	97.3	97.3	97.6	97.2
14 Manufacturing, production workers	99.6	99.8	97.8	98.1	98.2	98.0	97.9	98.0	97.9	97.9	98.3	97.7
15 Service-producing	126.5	130.0	133.8	135.2	135.5	135.7	136.2	136.8	137.0	137.1	137.0	136.9
16 Personal income, total	175.1	186.5	196.6	201.7	203.3	204.4	206.0	207.1	207.7	208.6	209.1	n.a.
17 Wages and salary disbursements	171.3	184.6	196.9	202.7	204.3	205.2	206.4	208.1	208.1	209.4	210.5	n.a.
18 Manufacturing	144.6	152.3	157.4	159.8	161.1	161.6	162.0	163.5	162.6	163.8	164.7	n.a.
19 Disposable personal income[5]	172.5	182.7	191.9	196.1	197.4	198.3	199.8	200.7	201.2	201.8	202.4	n.a.
20 Retail sales[5]	169.8	178.4	194.6	204.0	205.5	208.3	209.3	208.3	208.5	209.3[r]	211.1	211.5
Prices[6]												
21 Consumer (1982–84=100)	160.5	163.0	166.6	168.3	168.7	169.7	171.1	171.2	171.3	172.3	172.6	172.7
22 Producer finished goods (1982=100)	131.8	130.7	133.0	134.9	134.7	136.0	136.8	136.7[r]	137.5	138.4	138.3	138.1

1. Data in this table appear in the Board's G.17 (419) monthly statistical release. The data are also available on the Board's web site, http://www.federalreserve.gov/releases/g17. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1999. The recent annual revision is described in an article in the March 2000 issue of the *Bulletin*. For a description of the methods of estimating industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92, and the references cited therein. For details about the construction of individual industrial production series, 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, 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 the 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*.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1997	1998	1999	2000							
				Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.[p]
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	136,297	137,673	139,368	140,910	141,165	140,867	141,230	140,489	140,762	140,399	140,742
Employment											
2 Nonagricultural industries[3]	126,159	128,085	130,207	131,850	131,954	131,801	132,351	131,417	131,858	131,450	131,569
3 Agriculture	3,399	3,378	3,281	3,371	3,408	3,359	3,355	3,298	3,321	3,299	3,344
Unemployment											
4 Number	6,739	6,210	5,880	5,689	5,804	5,708	5,524	5,774	5,583	5,650	5,829
5 Rate (percent of civilian labor force)	4.9	4.5	4.2	4.0	4.1	4.1	3.9	4.1	4.0	4.0	4.1
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**122,690**	**125,826**	**128,616**	**130,387**	**130,482**	**131,009**	**131,419**	**131,590**	**131,647[r]**	**131,596**	**131,491**
7 Manufacturing	18,675	18,772	18,431	18,495	18,473	18,476	18,492	18,479	18,493[r]	18,544	18,465
8 Mining	596	590	535	530	533	536	539	539	539	539	539
9 Contract construction	5,691	5,985	6,273	6,652	6,618	6,726	6,694	6,666	6,668	6,673	6,673
10 Transportation and public utilities	6,408	6,600	6,792	6,925	6,937	6,953	6,970	6,962	6,985	7,008	6,944
11 Trade	28,614	29,127	29,792	29,978	29,989	30,060[r]	30,252	30,112	30,171[r]	30,244	30,219
12 Finance	7,109	7,407	7,632	7,612	7,624	7,621	7,610	7,600	7,588[r]	7,589	7,614
13 Service	36,040	37,526	39,000	39,844	39,914	40,090	40,195	40,220	40,401[r]	40,412	40,572
14 Government	19,557	19,819	20,161	20,351	20,394	20,547	20,667	21,012	20,802[r]	20,587	20,465

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	Output (1992=100) 1999 Q3	1999 Q4	2000 Q1	2000 Q2[r]	Capacity (percent of 1992 output) 1999 Q3	1999 Q4	2000 Q1	2000 Q2	Capacity utilization rate (percent)[2] 1999 Q3	1999 Q4	2000 Q1	2000 Q2[r]
1 **Total industry**	**137.7**	**139.5**	**141.7**	**144.5**	**170.7**	**172.3**	**173.8**	**175.5**	**80.7**	**81.0**	**81.5**	**82.3**
2 Manufacturing	142.5	144.9	147.4	150.2	178.7	180.6	182.4	184.4	79.7	80.3	80.8	81.5
3 Primary processing[3]	123.4	125.4	126.0	125.9	149.0	149.8	150.4	150.9	82.8	83.7	83.8	83.4
4 Advanced processing[4]	152.5	155.2	158.7	163.1	193.7	196.1	198.7	201.6	78.7	79.1	79.9	80.9
5 Durable goods	174.4	177.4	182.5	188.9	217.6	221.0	224.8	229.1	80.2	80.3	81.2	82.5
6 Lumber and products	120.5	120.6	121.3	119.0	147.4	148.4	149.0	149.1	81.7	81.2	81.4	79.8
7 Primary metals	128.7	130.9	132.4	133.4	149.3	150.1	150.7	151.5	86.2	87.2	87.9	88.1
8 Iron and steel	126.6	129.1	130.9	132.4	151.3	152.5	153.5	154.4	83.7	84.6	85.3	85.7
9 Nonferrous	131.2	133.3	134.3	134.7	147.0	147.2	147.5	148.0	89.3	90.5	91.0	91.0
10 Industrial machinery and equipment	232.3	239.9	252.3	263.4	285.3	295.8	306.1	315.2	81.4	81.1	82.4	83.6
11 Electrical machinery	400.9	419.0	458.1	514.0	498.5	514.6	537.2	570.7	80.4	81.4	85.3	90.1
12 Motor vehicles and parts	153.3	154.7	155.2	158.0	184.9	185.0	185.7	186.7	82.9	83.6	83.6	84.6
13 Aerospace and miscellaneous transportation equipment	93.8	89.9	88.0	87.0	126.2	125.8	125.2	124.5	74.3	71.5	70.3	69.9
14 Nondurable goods	111.5	113.4	113.7	113.3	139.9	140.3	140.5	140.6	79.7	80.9	80.9	80.6
15 Textile mill products	111.6	111.4	111.3	109.9	131.6	131.8	131.9	131.9	84.8	84.5	84.4	83.3
16 Paper and products	116.0	117.9	117.0	117.3	135.3	136.1	136.6	136.7	85.7	86.6	85.6	85.8
17 Chemicals and products	117.0	121.8	121.7	120.3	150.7	151.0	151.4	151.7	77.6	80.7	80.4	79.3
18 Plastics materials	124.2	132.3	134.0	131.3	138.4	139.6	140.8	141.9	89.7	94.8	95.2	92.5
19 Petroleum products	114.6	114.1	115.8	117.7	122.7	123.1	123.4	123.6	93.4	92.7	93.9	95.3
20 Mining	98.2	99.5	100.4	102.2	120.2	120.2	119.8	119.3	81 7	82.8	83.8	85.6
21 Utilities	118.4	113.2	113.6	116.5	127.8	128.2	128.6	129.0	92.7	88.3	88.3	90.4
22 Electric	120.8	116.5	115.5	119.5	125.6	126.1	126.6	127.1	96.2	92.4	91.2	94.0

Capacity utilization rate (percent)[2]

Series	1973 High	1975 Low	Previous cycle[5] High	Previous cycle[5] Low	Latest cycle[6] High	Latest cycle[6] Low	1999 Aug.	2000 Mar.	2000 Apr.	2000 May[r]	2000 June[r]	2000 July	2000 Aug.[p]
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.1**	**85.4**	**78.1**	**80.7**	**81.7**	**82.0**	**82.4**	**82.4**	**82.2**	**82.3**
2 Manufacturing	88.5	70.5	86.9	69.0	85.7	76.6	79.7	81.1	81.3	81.5	81.6	81.4	81.2
3 Primary processing[3]	91.2	68.2	88.1	66.2	88.9	77.7	82.8	83.7	83.8	83.3	83.3	82.7	82.2
4 Advanced processing[4]	87.2	71.8	86.7	70.4	84.2	76.1	78.8	80.2	80.5	81.0	81 1	81.1	81.1
5 Durable goods	89.2	68.9	87.7	63.9	84.6	73.1	80.2	81.6	82.1	82.6	82.7	82.3	82.0
6 Lumber and products	88.7	61.2	87.9	60.8	93.6	75.5	81.6	80.8	81.0	80.1	78.4	78.6	77.9
7 Primary metals	100.2	65.9	94.2	45.1	92.7	73.7	86.8	88.5	88.5	87.8	87.9	85.3	84.0
8 Iron and steel	105.8	66.6	95.8	37.0	95.2	71.8	84.4	86.4	86.1	85.5	85.5	81.0	79.9
9 Nonferrous	90.8	59.8	91.1	60.1	89.3	74.2	89.9	91.1	91.5	90.7	90.8	90.6	89.2
10 Industrial machinery and equipment	96.0	74.3	93.2	64.0	85.4	72.3	81.1	83.0	83.4	83.6	83.7	83.8	83.0
11 Electrical machinery	89.2	64.7	89.4	71.6	84.0	75.0	80.5	86.9	88.7	90.5	91.0	92.0	92.1
12 Motor vehicles and parts	93.4	51.3	95.0	45.5	89.1	55.9	82.3	83.6	83.9	85.4	84.7	77.8	79.6
13 Aerospace and miscellaneous transportation equipment	78.4	67.6	81.9	66.6	87.3	79.2	75.0	70.4	69.8	69.2	70.7	71.7	70.8
14 Nondurable goods	87.8	71.7	87.5	76.4	87.3	80.7	79.7	80.9	80.8	80.5	80.5	80.6	80.6
15 Textile mill products	91.4	60.0	91.2	72.3	90.4	77.7	84.8	84.6	84.4	82.4	83.1	82.5	81.8
16 Paper and products	97.1	69.2	96.1	80.6	93.5	85.0	85.6	85.9	86.2	84.5	86.7	83.6	83.9
17 Chemicals and products	87.6	69.7	84.6	69.9	86.2	79.3	78.1	80.0	79.3	79.3	79.2	79.4	79.5
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	87.8	91.3	93.4	92.3	91.8	91.7	90.3
19 Petroleum products	96.7	81.1	90.0	66.8	88.5	85.1	93.0	96.1	94.8	95.8	95.2	95.5	95.8
20 Mining	94.3	88.2	96.0	80.3	88.0	87.0	81.9	84.7	84.7	85.7	86.5	87.6	87.8
21 Utilities	96.2	82.9	89.1	75.9	92.6	83.4	92.2	86.1	89.2	92.3	89.6	87.7	91.2
22 Electric	99.0	82.7	88.2	78.9	95.0	87 1	95.5	90.3	92.9	95.9	93.1	90.6	94.4

1. Data in this table appear in the Board's G.17 (419) monthly statistical release. The data are also available on the Board's web site, http://www.federalreserve.gov/releases/g17. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1999. The recent annual revision is described in an article in the March 2000 issue of the *Bulletin*. For a description of the methods of estimating industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp 67–92, and the references cited therein. For details about the construction of individual industrial production series, 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	1999 avg.	1999 Aug.	1999 Sept.	1999 Oct.	1999 Nov.	1999 Dec.	2000 Jan.	2000 Feb.	2000 Mar.	2000 Apr.	2000 May[r]	2000 June[r]	2000 July	2000 Aug.[p]
			Index (1992 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**137.1**	**137.7**	**138.1**	**139.1**	**139.4**	**140.1**	**141.1**	**141.6**	**142.4**	**143.5**	**144.7**	**145.2**	**145.2**	**145.7**
2 Products	60.5	126.5	127.6	127.6	128.5	128.0	128.5	129.7	130.1	130.3	131.0	131.2	131.3	131.5	131.8
3 Final products	46.3	128.0	129.5	129.1	130.2	129.8	130.3	131.6	131.8	132.0	132.8	133.1	133.6	134.0	134.5
4 Consumer goods, total	29.1	116.9	117.6	117.1	118.2	117.6	118.1	118.8	118.7	118.0	118.6	118.8	119.0	118.6	119.2
5 Durable consumer goods	6.1	152.6	155.5	153.5	157.4	154.4	155.7	158.9	156.4	156.8	159.1	156.9	158.1	153.3	153.9
6 Automotive products	2.6	144.7	150.6	145.5	147.9	146.2	144.4	149.1	145.4	146.0	148.7	146.8	149.3	139.5	142.8
7 Autos and trucks	1.7	151.8	162.9	152.8	155.1	154.3	148.7	155.0	150.7	151.9	155.8	154.0	157.2	139.8	145.9
8 Autos, consumer	.9	102.6	105.0	105.5	103.9	107.2	99.8	105.4	105.0	103.1	107.4	106.2	105.5	100.3	105.0
9 Trucks, consumer	.7	202.4	221.6	201.9	207.8	203.6	199.0	206.3	198.3	202.3	206.2	203.8	210.5	181.9	189.7
10 Auto parts and allied goods	.9	133.9	132.8	134.4	136.7	133.8	137.1	139.6	136.9	136.6	137.6	135.7	137.2	137.0	136.9
11 Other	3.5	158.6	158.7	159.7	165.0	160.7	164.9	166.6	165.4	165.5	167.5	165.1	165.1	165.0	163.0
12 Appliances, televisions, and air conditioners	1.0	324.3	319.0	326.3	363.1	348.4	357.6	361.6	362.8	367.3	373.3	367.1	369.8	357.1	356.7
13 Carpeting and furniture	.8	121.7	122.1	124.1	124.8	117.4	123.0	126.9	122.6	122.6	125.0	122.4	123.9	127.5	125.4
14 Miscellaneous home goods	1.6	114.7	115.4	114.4	114.8	115.0	116.7	116.6	116.6	115.9	116.5	115.3	114.0	114.3	112.5
15 Nondurable consumer goods	23.0	108.7	108.9	108.7	109.3	109.1	109.5	109.7	110.0	109.1	109.4	110.0	110.0	110.4	111.0
16 Foods and tobacco	10.3	107.3	106.5	106.2	106.8	107.3	107.4	107.6	107.9	107.8	108.3	107.8	107.8	108.1	108.0
17 Clothing	2.4	90.6	90.1	89.9	89.4	90.6	89.1	89.3	89.6	89.2	89.5	89.3	87.2	87.7	86.5
18 Chemical products	4.5	121.8	122.7	120.9	123.1	126.0	126.5	125.8	125.1	125.8	124.2	124.6	125.2	126.1	126.5
19 Paper products	2.9	102.3	103.2	104.7	106.3	105.1	103.1	104.3	104.5	103.0	103.3	104.1	106.9	108.1	109.0
20 Energy	2.9	114.0	116.6	117.6	114.5	106.7	112.0	113.0	114.8	108.8	111.1	117.2	114.3	114.0	118.2
21 Fuels	.8	111.3	110.0	112.0	112.4	110.1	111.7	108.4	111.5	114.8	112.3	113.3	113.4	114.2	115.2
22 Residential utilities	2.1	115.0	119.3	119.7	114.9	104.3	111.6	114.6	115.8	105.2	109.9	118.5	114.1	113.2	119.2
23 Equipment	17.2	148.9	150.5	150.2	151.2	151.4	151.8	154.2	155.0	156.9	158.1	158.8	159.8	161.7	162.1
24 Business equipment	13.2	171.6	173.9	173.7	174.8	175.0	175.5	179.4	180.6	183.0	185.0	185.7	186.8	188.6	189.2
25 Information processing and related	5.4	248.6	259.9	261.3	265.6	266.7	270.1	277.9	281.2	285.7	290.3	295.7	296.7	303.7	310.4
26 Computer and office equipment	1.1	840.1	892.8	926.9	950.5	970.0	985.6	1,015.3	1,059.5	1,093.5	1,126.1	1,162.3	1,194.1	1,224.1	1,255.8
27 Industrial	4.0	135.3	133.6	133.9	134.9	134.6	135.0	138.4	140.1	140.0	140.1	140.4	139.6	140.8	140.0
28 Transit	2.5	126.9	128.1	124.0	122.3	121.2	118.5	119.9	117.6	118.7	118.7	116.2	117.1	116.0	114.7
29 Autos and trucks	1.2	131.4	135.3	132.0	133.4	134.2	127.8	134.3	134.0	133.9	136.9	135.7	133.8	127.2	127.7
30 Other	1.3	131.4	123.2	126.4	125.1	127.5	128.1	126.8	128.6	136.4	140.9	137.7	144.9	142.2	135.4
31 Defense and space equipment	3.3	74.4	74.7	73.6	73.7	73.0	72.4	70.6	69.7	69.8	69.3	69.3	70.5	71.9	71.3
32 Oil and gas well drilling	.6	106.8	107.1	111.3	115.7	121.3	124.3	125.5	129.9	130.6	129.0	135.0	134.0	140.9	143.4
33 Manufactured homes	.2	155.2	151.3	144.4	142.6	139.3	138.3	135.4	129.6	129.3	123.4	118.2	118.5	117.5	116.0
34 Intermediate products, total	14.2	122.1	121.7	122.6	123.2	122.4	123.1	123.7	124.8	125.1	125.3	125.1	124.2	123.9	123.3
35 Construction supplies	5.3	133.4	132.9	134.1	135.4	134.3	134.9	136.4	137.5	139.0	139.2	137.4	136.9	137.1	135.5
36 Business supplies	8.9	115.3	115.1	115.8	115.9	115.2	116.0	116.1	117.2	116.9	117.1	117.7	116.6	116.0	116.0
37 Materials	39.5	154.8	154.6	155.7	156.8	158.8	159.7	160.5	161.2	163.1	165.0	168.1	169.3	168.9	169.9
38 Durable goods materials	20.8	198.9	199.9	202.3	203.4	206.7	208.8	211.7	213.1	217.5	220.6	227.0	229.6	229.9	230.9
39 Durable consumer parts	4.0	150.7	147.2	156.0	153.7	154.8	155.0	156.0	153.1	154.7	152.8	160.5	156.6	151.0	150.9
40 Equipment parts	7.6	360.9	369.0	371.4	377.5	386.8	394.9	404.9	418.0	435.4	453.2	472.6	490.6	502.8	511.9
41 Other	9.2	131.3	131.6	131.2	131.7	133.4	134.0	134.8	134.1	134.7	134.6	135.2	135.1	134.5	133.7
42 Basic metal materials	3.1	121.8	123.3	122.1	123.5	125.6	126.3	126.2	124.2	126.3	126.9	126.9	127.1	124.3	122.8
43 Nondurable goods materials	8.9	114.6	114.4	114.7	117.4	119.1	118.7	117.0	117.6	116.8	116.6	116.7	116.8	115.2	115.0
44 Textile materials	1.1	101.0	101.1	100.3	102.3	103.3	100.9	99.3	101.9	102.7	100.7	100.2	101.7	97.3	97.7
45 Paper materials	1.8	117.0	116.3	118.6	118.5	119.3	118.5	117.9	116.6	118.3	119.3	117.4	119.0	114.6	115.7
46 Chemical materials	3.9	117.3	117.4	117.7	122.0	125.1	124.2	122.1	124.5	121.5	121.5	122.8	121.7	121.3	121.1
47 Other	2.1	113.5	113.2	112.5	114.9	114.9	116.8	114.8	112.7	113.3	112.3	112.2	112.5	112.8	111.3
48 Energy materials	9.7	101.7	102.3	101.8	101.5	101.6	101.4	101.2	100.5	100.6	102.5	102.8	102.4	102.0	103.7
49 Primary energy	6.3	99.2	100.3	99.6	98.8	100.1	99.5	98.3	96.7	98.0	100.4	100.5	100.6	100.7	101.8
50 Converted fuel materials	3.3	107.0	106.1	106.1	106.5	104.1	104.8	106.8	108.2	105.5	106.6	107.1	105.5	104.1	107.3
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.1	137.0	137.4	138.0	138.9	139.3	140.2	141.0	141.6	142.4	143.5	144.7	145.2	145.6	146.0
52 Total excluding motor vehicles and parts	95.1	136.4	137.1	137.2	138.3	138.7	139.5	140.4	141.1	141.8	143.0	144.0	144.6	145.3	145.6
53 Total excluding computer and office equipment	98.2	131.1	131.4	131.5	132.4	132.7	133.2	134.1	134.4	135.0	136.0	137.0	137.3	137.2	137.5
54 Consumer goods excluding autos and trucks	27.4	115.0	115.2	115.2	116.3	115.6	116.4	116.9	117.0	116.2	116.6	116.9	116.9	117.3	117.7
55 Consumer goods excluding energy	26.2	117.3	117.7	117.1	118.7	118.8	118.8	119.5	119.1	119.0	119.5	119.0	119.5	119.1	119.3
56 Business equipment excluding autos and trucks	12.0	176.2	178.3	178.5	179.5	179.7	181.1	184.5	186.0	188.7	190.5	191.5	192.9	195.9	196.4
57 Business equipment excluding computer and office equipment	12.1	143.8	144.6	143.6	144.0	143.7	143.8	146.8	146.9	148.4	149.4	149.2	149.5	150.6	150.4
58 Materials excluding energy	29.8	172.0	171.3	173.0	174.7	177.4	178.6	179.8	181.0	183.5	185.5	189.6	191.3	190.9	191.5

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Monthly data seasonally adjusted

Group	SIC code[2]	1992 proportion	1999 avg.	1999					2000							
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June[r]	July	Aug.[p]
				Index (1992 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	. .	**100.0**	**137.1**	**137.7**	**138.1**	**139.1**	**139.4**	**140.1**	**141.1**	**141.6**	**142.4**	**143.5**	**144.7**	**145.2**	**145.2**	**145.7**
60 Manufacturing		85.4	142.3	142.5	142.9	144.2	145.0	145.6	146.7	147.2	148.4	149.3	150.3	151.0	151.2	151.3
61 Primary processing	.	26.5	123.3	123.4	123.6	124.8	125.6	125.9	126.0	125.9	126.1	126.3	125.6	125.7	125.0	124.2
62 Advanced processing	. .	58.9	151.8	152.6	153.1	154.5	155.2	155.9	157.5	158.4	160.1	161.5	163.3	164.4	165.0	165.6
63 Durable goods	. .	45.0	172.8	174.4	175.0	176.5	177.4	178.4	181.0	181.8	184.6	186.8	189.2	190.8	190.9	191.3
64 Lumber and products	24	2.0	121.6	120.2	119.7	120.5	119.8	121.4	122.1	121.2	120.5	120.8	119.4	116.9	117.1	116.1
65 Furniture and fixtures	25	1.4	125.5	126.4	127.9	127.0	125.2	128.6	126.9	126.8	126.3	126.4	128.1	127.9	128.2	127.9
66 Stone, clay, and glass products	32	2.1	130.5	130.2	129.6	131.2	132.4	131.4	130.9	131.7	132.7	131.9	132.2	132.2	132.4	132.0
67 Primary metals	33	3.1	126.6	129.6	128.3	129.0	131.1	132.8	132.8	130.9	133.6	133.8	133.0	133.3	129.6	127.9
68 Iron and steel	331,2	1.7	123.2	127.6	125.9	124.9	130.7	131.7	130.8	129.1	132.9	132.7	132.1	132.4	125.6	124.1
69 Raw steel	331PT	1	113.3	115.9	112.4	121.8	124.0	124.2	123.1	118.7	121.1	124.1	123.9	124.6	122.3	115.9
70 Nonferrous	333−6,9	1.4	130.9	132.1	131.4	134.0	131.7	134.1	135.2	133.2	134.5	135.3	134.2	134.6	134.5	132.5
71 Fabricated metal products	34	5.0	128.7	128.5	128.4	128.8	129.7	129.0	130.8	130.4	130.6	131.0	131.4	131.1	131.5	129.8
72 Industrial machinery and equipment	35	8.0	230.1	231.4	235.5	238.3	239.7	241.8	247.7	252.6	256.7	260.5	263.5	266.4	269.0	268.4
73 Computer and office equipment	357	1.8	1,061.4	1,123.7	1,167.5	1,196.6	1,222.8	1,244.6	1,284.5	1,342.2	1,389.6	1,428.4	1,467.7	1,505.3	1,544.1	1,584.6
74 Electrical machinery	36	7.3	390.2	401.3	402.1	412.6	418.1	426.4	443.5	455.6	475.2	494.8	516.3	531.0	547.4	559.0
75 Transportation equipment	37	9.5	122.4	122.9	123.1	122.3	121.8	120.4	121.7	119.6	120.9	120.7	121.7	122.2	116.9	117.9
76 Motor vehicles and parts	371	4.9	151.0	152.2	155.6	155.7	155.8	152.7	156.6	153.4	155.6	156.2	159.4	158.4	145.8	149.5
77 Autos and light trucks	371PT	2.6	137.8	146.8	139.4	140.7	141.0	135.0	141.0	137.7	138.1	142.1	140.5	142.7	128.6	134.3
78 Aerospace and miscellaneous transportation equipment	372−6,9	4.6	94.9	94.7	92.2	90.6	89.5	89.7	88.6	87.5	88.0	87.0	86.1	87.9	89.0	87.7
79 Instruments	38	5.4	116.5	117.7	117.2	118.3	118.9	119.7	118.4	117.3	117.4	117.3	117.4	117.6	118.8	118.8
80 Miscellaneous	39	1.3	124.7	125.2	125.1	125.0	125.0	126.4	126.9	125.5	124.8	125.2	124.5	124.0	125.3	124.7
81 Nondurable goods	.	40.4	111.8	111.5	111.8	113.0	113.6	113.7	113.5	113.8	113.6	113.5	113.2	113.3	113.4	113.3
82 Foods	20	9.4	110.1	108.9	109.6	110.1	110.3	110.0	109.8	110.7	111.1	111.6	111.0	111.1	111.2	110.9
83 Tobacco products	21	1.6	94.3	94.8	90.9	91.9	93.1	94.7	96.7	94.5	91.4	92.7	92.4	90.9	92.9	93.5
84 Textile mill products	22	1.8	110.9	111.7	110.8	112.7	111.4	110.1	111.5	110.8	111.6	111.3	108.8	109.6	108.9	107.9
85 Apparel products	23	2.2	90.7	89.2	89.0	89.1	89.1	89.1	89.0	89.7	89.5	90.1	88.9	86.8	87.4	85.9
86 Paper and products	26	3.6	116.2	115.8	117.2	118.0	118.1	117.7	117.1	116.5	117.3	117.8	115.5	118.5	114.1	114.5
87 Printing and publishing	27	6.7	104.4	103.6	104.6	106.0	105.7	105.3	105.3	105.7	105.9	105.4	106.0	105.6	106.7	106.6
88 Chemicals and products	28	9.9	117.5	117.7	117.4	119.8	122.7	122.9	121.6	122.4	121.2	120.2	120.3	120.3	120.6	120.9
89 Petroleum products	29	1.4	114.7	114.1	114.6	114.5	112.8	114.9	113.2	115.6	118.7	117.1	118.4	117.7	118.1	118.6
90 Rubber and plastic products	30	3.5	137.7	137.6	139.3	138.9	139.3	141.4	142.2	141.2	140.5	141.6	140.4	141.1	142.3	141.4
91 Leather and products	31	.3	69.8	70.2	69.5	68.2	67.7	65.4	68.1	66.2	64.6	63.7	64.9	64.3	64.0	63.3
92 Mining	. .	6.9	98.0	98.5	98.3	99.2	99.7	99.5	99.7	100.0	101.3	101.2	102.3	103.1	104.3	104.3
93 Metal	10	.5	97.1	93.0	91.4	94.2	94.5	95.2	95.5	94.1	92.7	93.4	96.3	94.9	94.6	94.0
94 Coal	12	1.0	108.1	110.7	109.4	108.8	110.0	109.5	106.3	101.9	109.3	112.0	110.1	114.4	119.8	119.0
95 Oil and gas extraction	13	4.8	92.5	93.2	93.0	94.0	94.5	94.6	95.7	96.2	96.0	95.9	98.0	98.1	98.7	99.2
96 Stone and earth minerals	14	.6	124.4	123.0	125.5	126.3	125.0	122.4	120.8	127.5	133.0	128.8	124.5	127.4	128.1	126.2
97 Utilities	. . .	7.7	115.6	117.8	117.7	115.2	110.9	113.5	114.6	115.3	110.8	114.9	119.0	115.7	113.4	117.9
98 Electric	491,493PT	6.2	118.2	120.0	119.8	116.9	115.8	116.9	116.0	116.0	114.4	117.9	122.0	118.5	115.5	120.5
99 Gas	492,493PT	1.6	104.8	108.2	108.5	107.9	88.2	98.1	108.4	112.6	94.4	101.2	105.7	103.2	104.0	106.6
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	. .	80.5	141.7	142.0	142.3	143.6	144.5	145.2	146.2	146.9	148.0	149.0	149.8	150.7	151.6	151.5
101 Manufacturing excluding computer and office equipment	. . .	83.6	135.3	135.1	135.3	136.5	137.1	137.6	138.5	138.7	139.7	140.5	141.2	141.8	141.8	141.8
102 Computers, communications equipment, and semiconductors	. .	5.9	794.1	830.4	843.0	863.9	887.7	908.5	952.4	994.7	1,043.7	1,093.0	1,144.2	1,181.3	1,229.0	1,269.1
103 Manufacturing excluding computers and semiconductors	. . .	81.1	121.6	121.6	121.7	122.6	122.9	123.1	123.6	123.4	123.8	123.9	124.1	124.1	123.8	123.6
104 Manufacturing excluding computers, communications equipment, and semiconductors	. .	79.5	119.3	119.1	119.3	120.1	120.4	120.6	120.9	120.7	121.0	121.0	121.0	121.1	120.6	120.2
		Gross value (billions of 1992 dollars, annual rates)														
Major Markets																
105 **Products, total**	.	**2,001.9**	**2,726.1**	**2,742.0**	**2,740.2**	**2,762.6**	**2,740.0**	**2,751.5**	**2,781.7**	**2,791.9**	**2,795.8**	**2,811.3**	**2,813.9**	**2,817.3**	**2,812.5**	**2,817.4**
106 Final	.	1,552.1	2,101.6	2,118.5	2,112.5	2,132.5	2,115.8	2,122.4	2,147.5	2,152.5	2,155.2	2,168.6	2,172.3	2,181.2	2,178.6	2,187.0
107 Consumer goods	. .	1,049.6	1,294.9	1,301.3	1,297.0	1,311.7	1,294.7	1,301.5	1,309.9	1,309.9	1,302.9	1,308.9	1,309.9	1,313.5	1,304.8	1,311.3
108 Equipment	. .	502.5	808.3	819.0	817.5	822.5	823.4	822.9	840.3	845.6	856.0	863.5	866.4	871.9	878.9	880.6
109 Intermediate	. .	449.9	623.3	622.4	626.4	628.9	623.0	627.9	633.0	638.1	639.3	641.5	640.3	635.1	632.9	629.6

1. Data in this table appear in the Board's G.17 (419) monthly statistical release. The data are also available on the Board's web site, http://www.federalreserve.gov/releases/g17. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1999. The recent annual revision is described in an article in the March 2000 issue of the *Bulletin*. For a description of the methods of estimating industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92, and the references cited therein. For details about the construction of individual industrial production series, 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	1997	1998	1999	1999			2000						
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June[r]	July
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,441	1,612	1,664	1,636	1,678	1,683	1,762	1,661	1,597	1,559	1,511	1,528	1,511
2 One-family	1,062	1,188	1,247	1,204	1,238	1,266	1,317	1,223	1,238	1,164	1,150	1,127	1,117
3 Two-family or more	379	425	417	432	440	417	445	438	359	395	361	401	394
4 Started	1,474	1,617	1,667	1,636	1,663	1,769	1,744	1,822	1,630	1,652	1,591	1,571	1,526
5 One-family	1,134	1,271	1,335	1,343	1,344	1,441	1,361	1,324	1,327	1,310	1,258	1,227	1,205
6 Two-family or more	340	346	332	293	319	328	383	498	303	342	333	344	321
7 Under construction at end of period[1]	847	971	993	1,020	1,022	1,025	1,033	1,041	1,031	1,029	1,023	1,021	1,017
8 One-family	555	659	679	706	708	710	712	712	706	703	697	694	689
9 Two-family or more	292	312	314	314	314	315	321	329	325	326	326	327	328
10 Completed	1,400	1,474	1,636	1,608	1,653	1,675	1,599	1,732	1,728	1,660	1,705	1,555	1,537
11 One-family	1,116	1,160	1,307	1,274	1,345	1,340	1,296	1,382	1,375	1,354	1,377	1,229	1,222
12 Two-family or more	284	315	329	334	308	335	303	350	353	306	328	326	315
13 Mobile homes shipped	354	374	348	321	316	304	307	291	287	271	265	262	251
Merchant builder activity in one-family units													
14 Number sold	804	886	907	906	895	916	927	905	947	865[r]	886	823	944
15 Number for sale at end of period[1]	287	300	326	314	317	320	321	309	321	305[r]	303	304	299
Price of units sold (thousands of dollars)[2]													
16 Median	146.0	152.5	160.0	160.0	172.9	165.0	163.0	162.3	165.7	163.1[r]	163.6	160.0	166.1
17 Average	176.2	181.9	195.8	200.3	212.4	203.0	200.1	199.6	205.3	207.5[r]	198.6	195.8	196.7
EXISTING UNITS (one-family)													
18 Number sold	4,382	4,970	5,197	4,880	5,150	5,140	4,450	4,760	5,200	4,880	5,090	5,310	4,820
Price of units sold (thousands of dollars)[2]													
19 Median	121.8	128.4	133.3	132.5	133.2	133.7	132.2	133.7	134.7	136.1	137.6	140.2	143.3
20 Average	150.5	159.1	168.3	167.2	168.9	168.8	168.9	168.1	171.5	173.3	176.0	178.9	177.7
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 **Total put in place**	**656,084**	**710,104**	**765,719**	**756,854**	**776,476**	**791,698**	**806,099**	**816,012**	**829,517**	**815,848**	**811,868**	**801,665**	**789,009**
22 Private	501,426	550,983	592,037	584,860	596,942	605,802	614,584	629,590	637,743	629,097	630,751	628,245	621,698
23 Residential	289,101	314,058	348,584	349,968	353,854	358,223	365,149	368,745	372,118	368,734	368,781	364,313	355,355
24 Nonresidential	212,325	236,925	243,454	234,892	243,088	247,579	249,435	260,845	265,625	260,363	261,970	263,932	266,343
25 Industrial buildings	36,696	40,464	35,016	31,354	32,244	33,262	33,947	38,538	39,030	38,591	39,694	39,834	38,999
26 Commercial buildings	86,151	95,753	103,759	103,935	107,305	107,187	107,961	115,440	116,030	114,997	113,503	115,440	114,934
27 Other buildings	37,193	39,607	41,279	41,496	42,095	43,392	43,350	45,553	45,808	44,223	45,468	45,218	44,690
28 Public utilities and other	52,287	61,101	63,400	58,107	61,444	63,738	64,177	61,314	64,757	62,552	63,305	63,440	67,720
29 Public	154,657	159,121	173,682	171,994	179,534	185,895	191,515	186,422	191,774	186,750	181,118	173,420	167,311
30 Military	2,561	2,538	2,122	2,114	1,944	2,332	1,782	3,011	2,249	2,185	2,248	2,161	2,122
31 Highway	43,886	48,339	54,447	50,646	56,547	60,218	63,368	53,145	59,007	55,923	51,277	47,430	45,623
32 Conservation and development	5,708	5,421	6,002	5,941	6,585	7,001	6,223	6,975	6,494	5,878	5,350	5,845	4,472
33 Other	102,502	102,823	111,110	113,293	114,458	116,344	120,142	123,291	124,024	122,764	122,243	117,984	115,094

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, Aug. 2000[1]
	1999 Aug.	2000 Aug.	1999		2000		2000					
			Sept.	Dec.	Mar.	June	Apr.	May	June	July	Aug.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**2.3**	**3.4**	**3.9**	**2.4**	**5.8**	**2.6**	**.0**	**.1**	**.6**	**.2**	**−.1**	**172.7**
2 Food	2.0	2.7	2.5	2.2	1.7	2.7	.1	.5	1	.5	2	168.7
3 Energy items	7.2	13.1	26.0	7.8	50.5	6.6	−1.9	−1.9	5.6	.1	−2.9	125.9
4 All items less food and energy	1.9	2.5	2.5	1.8	3.2	2.0	.2	.2	.2	.2	.2	181.6
5 Commodities	.2	.5	2.5	−.6	.3	0	.2	.0	− 2	.0	−.1	143.7
6 Services	2.6	3.5	2.5	3.1	4.1	3.2	.2	.2	.3	.2	.3	203.3
PRODUCER PRICES (1982=100)												
7 Finished goods	2.3	3.3	6.8	.9	7.9	1.8	−.4[r]	.2[r]	.6	.0	−.2	138.1
8 Consumer foods	.5	.7	3.3	−2.0	3.6	1.8	1.1[r]	−.4[r]	−.3	.0	−.7	136.9
9 Consumer energy	10.7	15.3	37.6	5.9	51.8	5.7	−3.9[r]	.4[r]	5.1	−.7	−.2	96.3
10 Other consumer goods	2.2	1.8	3.8	1.1	.8	.8	−.1[r]	.4[r]	−.1	.1	.1	153.4
11 Capital equipment	.1	1.1	.3	1.2	.9	1.5	.1[r]	.3[r]	.0	.1	.0	138.4
Intermediate materials												
12 Excluding foods and feeds	1.5	4.5	6.6	3.6	9.5	2.8	−.1	−.1	.9	.3	−.2	131.0
13 Excluding energy	.2	2.5	3.4	2.1	4.2	2.7	.4[r]	.0[r]	.2	.2	−.1	137.0
Crude materials												
14 Foods	−3.1	−4.7	3.7	−3.6	21.5	−11.1	1.5[r]	−1.7[r]	−2.6	−2.7	−4.5	95.4
15 Energy	35.3	42.3	134.4	−27.9	84.9	106.7	−4.5[r]	8.1[r]	16.2	.4	6	124.2
16 Other	−2.1	4.0	22.6	26.2	9.9	−10.5	−1.0[r]	−.4[r]	−1.3	−1.8	−1.3	142.3

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	1997	1998	1999	1999			2000	
				Q2	Q3	Q4	Q1	Q2
GROSS DOMESTIC PRODUCT								
1 **Total**	**8,318.4**	**8,790.2**	**9,299.2**	**9,191.5**	**9,340.9**	**9,559.7**	**9,752.7**	**9,942.9**
By source								
2 Personal consumption expenditures	5,529.3	5,850.9	6,268.7	6,213.2	6,319.9	6,446.2	6,621.7	6,707.1
3 Durable goods	642.5	693.9	761.3	756.3	767.2	787.6	826.3	814.4
4 Nondurable goods	1,641.6	1,707.6	1,845.5	1,825.3	1,860.0	1,910.2	1,963.9	1,997.2
5 Services	3,245.2	3,449.3	3,661.9	3,631.5	3,692.7	3,748.5	3,831.6	3,895.6
6 Gross private domestic investment	1,390.5	1,549.9	1,650.1	1,607.9	1,659.1	1,723.7	1,755.7	1,852.8
7 Fixed investment	1,327.7	1,472.9	1,606.8	1,593.4	1,622.4	1,651.0	1,725.8	1,779.9
8 Nonresidential	999.4	1,107.5	1,203.1	1,188.0	1,216.8	1,242.2	1,308.5	1,359.9
9 Structures	255.8	283.2	285.6	283.7	281.2	290.4	308.9	315.4
10 Producers' durable equipment	743.6	824.3	917.4	904.3	935.6	951.8	999.6	1,044.5
11 Residential structures	328.2	365.4	403.8	405.4	405.6	408.8	417.3	419.9
12 Change in business inventories	62.9	77.0	43.3	14.5	36.7	72.7	29.9	73.0
13 Nonfarm	60.0	76.4	43.6	13.4	42.0	71.8	32.4	73.1
14 Net exports of goods and services	−89.3	−151.5	−254.0	−240.4	−280.5	−299.1	−335.2	−360.0
15 Exports	966.4	966.0	990.2	973.0	999.5	1,031.0	1,051.9	1,090.8
16 Imports	1,055.8	1,117.5	1,244.2	1,213.4	1,280.0	1,330.1	1,387.1	1,450.8
17 Government consumption expenditures and gross investment	1,487.9	1,540.9	1,634.4	1,610.9	1,642.4	1,688.8	1,710.4	1,742.9
18 Federal	538.2	540.6	568.6	558.3	570.4	591.6	580.1	604.5
19 State and local	949.7	1,000.3	1,065.8	1,052.6	1,072.1	1,097.3	1,130.4	1,138.5
By major type of product								
20 Final sales, total	8,255.5	8,713.2	9,255.9	9,177.0	9,304.2	9,486.9	9,722.8	9,870.0
21 Goods	3,082.5	3,239.3	3,467.0	3,436.7	3,490.6	3,566.0	3,680.3	3,734.5
22 Durable	1,436.2	1,532.3	1,651.1	1,635.9	1,669.4	1,701.8	1,773.7	1,810.3
23 Nondurable	1,646.4	1,707.1	1,815.8	1,800.8	1,821.1	1,864.1	1,906.6	1,924.2
24 Services	4,442.1	4,673.0	4,934.6	4,891.2	4,965.2	5,050.3	5,135.2	5,227.8
25 Structures	730.9	800.9	854.3	849.1	848.5	870.7	907.4	907.7
26 Change in business inventories	62.9	77.0	43.3	14.5	36.7	72.7	29.9	73.0
27 Durable goods	33.1	45.8	27.2	5.0	27.6	47.5	20.7	48.3
28 Nondurable goods	29.8	31.2	16.1	9.5	9.1	25.2	9.2	24.7
MEMO								
29 **Total GDP in chained 1996 dollars**	**8,159.5**	**8,515.7**	**8,875.8**	**8,783.2**	**8,905.8**	**9,084.1**	**9,191.8**	**9,311.5**
NATIONAL INCOME								
30 **Total**	**6,618.4**	**7,038.1**	**7,469.7**	**7,392.3**	**7,493.1**	**7,680.7**	**7,833.5**	**7,972.4**
31 Compensation of employees	4,651.3	4,984.2	5,299.8	5,255.4	5,340.9	5,421.1	5,512.2	5,597.6
32 Wages and salaries	3,886.0	4,192.8	4,475.1	4,435.5	4,512.2	4,583.5	4,660.4	4,734.8
33 Government and government enterprises	664.3	692.7	724.4	720.3	727.5	734.5	749.9	760.1
34 Other	3,221.7	3,500.1	3,750.7	3,715.2	3,784.7	3,849.0	3,910.5	3,974.7
35 Supplement to wages and salaries	765.3	791.4	824.6	819.9	828.7	837.7	851.8	862.9
36 Employer contributions for social insurance	289.9	305.9	323.6	321.2	325.9	330.3	337.8	342.4
37 Other labor income	475.4	485.5	501.0	498.7	502.8	507.4	514.0	520.5
38 Proprietors' income[1]	581.2	620.7	663.5	660.4	659.7	689.6	693.9	708.5
39 Business and professional[1]	551.5	595.2	638.2	631.4	644.2	657.9	674.8	686.8
40 Farm[1]	29.7	25.4	25.3	29.0	15.5	31.7	19.1	21.7
41 Rental income of persons[2]	128.3	135.4	143.4	145.7	136.6	146.2	145.6	141.9
42 Corporate profits[1]	833.8	815.0	856.0	836.8	842.0	893.2	936.3	964.0
43 Profits before tax[3]	792.4	758.2	823.0	804.5	819.0	870.7	920.7	942.2
44 Inventory valuation adjustment	8.4	17.0	−9.1	−8.9	−19.7	−19.2	−25.0	−13.4
45 Capital consumption adjustment	32.9	39.9	42.1	41.2	42.7	41.6	40.6	35.2
46 Net interest	423.9	482.7	507.1	494.1	513.8	530.6	545.4	560.3

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	1997	1998	1999	1999			2000	
				Q2	Q3	Q4	Q1	Q2
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**6,937.0**	**7,391.0**	**7,789.6**	**7,729.7**	**7,828.5**	**7,972.3**	**8,105.8**	**8,233.6**
2 Wage and salary disbursements	3,888.9	4,190.7	4,470.0	4,430.4	4,507.0	4,578.3	4,660.4	4,734.8
3 Commodity-producing industries	975.1	1,038.6	1,089.2	1,081.6	1,097.8	1,111.2	1,130.9	1,144.8
4 Manufacturing	718.4	756.6	782.4	777.4	789.0	795.1	802.8	811.5
5 Distributive industries	879.6	949.1	1,020.3	1,009.9	1,029.9	1,049.4	1,070.9	1,092.3
6 Service industries	1,369.9	1,510.3	1,636.0	1,618.6	1,651.8	1,683.2	1,708.6	1,737.5
7 Government and government enterprises	664.3	692.7	724.4	720.3	727.5	734.5	749.9	760.1
8 Other labor income	475.4	485.5	501.0	498.7	502.8	507.4	514.0	520.5
9 Proprietors' income[1]	581.2	620.7	663.5	660.4	659.7	689.6	693.9	708.5
10 Business and professional[1]	551.5	595.2	638.2	631.4	644.2	657.9	674.8	686.8
11 Farm[1]	29.7	25.4	25.3	29.0	15.5	31.7	19.1	21.7
12 Rental income of persons[2]	128.3	135.4	143.4	145.7	136.6	146.2	145.6	141.9
13 Dividends	334.9	351.1	370.3	366.8	373.5	380.2	386.9	392.6
14 Personal interest income	864.0	940.8	963.7	951.3	969.4	989.0	1,011.6	1,027.7
15 Transfer payments	962.2	983.0	1,016.2	1,012.2	1,020.3	1,027.4	1,046.9	1,066.1
16 Old-age survivors, disability, and health insurance benefits	565.8	578.0	588.0	586.1	589.7	592.8	607.9	624.3
17 LESS: Personal contributions for social insurance	297.9	316.2	338.5	335.8	341.0	345.9	353.4	358.5
18 EQUALS: Personal income	6,937.0	7,391.0	7,789.6	7,729.7	7,828.5	7,972.3	8,105.8	8,233.6
19 LESS: Personal tax and nontax payments	968.8	1,070.9	1,152.0	1,133.4	1,164.0	1,197.3	1,239.3	1,271.6
20 EQUALS: Disposable personal income	5,968.2	6,320.0	6,637.7	6,596.3	6,664.5	6,775.0	6,866.5	6,962.0
21 LESS: Personal outlays	5,715.3	6,054.7	6,490.1	6,432.8	6,543.3	6,674.1	6,855.6	6,945.7
22 EQUALS: Personal saving	252.9	265.4	147.6	163.6	121.1	101.0	11.0	16.4
MEMO								
Per capita (chained 1996 dollars)								
23 Gross domestic product	30,434.4	31,469.5	32,511.9	32,220.0	32,586.0	33,153.5	33,485.6	33,847.7
24 Personal consumption expenditures	20,230.9	20,985.4	21,900.4	21,791.0	22,004.4	22,266.4	22,635.5	22,748.8
25 Disposable personal income	21,838.0	22,672.0	23,191.0	23,133.0	23,203.0	23,404.0	23,472.0	23,617.0
26 Saving rate (percent)	4.2	4.2	2.2	2.5	1.8	1.5	.2	.2
GROSS SAVING								
27 **Gross saving**	**1,502.3**	**1,654.4**	**1,717.6**	**1,691.7**	**1,716.8**	**1,746.3**	**1,777.0**	**1,830.5**
28 Gross private saving	1,343.7	1,375.7	1,343.5	1,338.5	1,321.1	1,331.4	1,279.2	1,323.7
29 Personal saving	252.9	265.4	147.6	163.6	121.1	101.0	11.0	16.4
30 Undistributed corporate profits[1]	261.3	218.9	229.4	218.7	214.0	241.7	262.7	278.1
31 Corporate inventory valuation adjustment	8.4	17.0	−9.1	−8.9	−19.7	−19.2	−25.0	−13.4
Capital consumption allowances								
32 Corporate	581.5	624.3	676.9	670.7	687.7	694.8	711.5	730.6
33 Noncorporate	250.9	265.1	284.5	280.3	293.1	288.7	294.1	298.7
34 Gross government saving	158.6	278.7	374.1	353.3	395.7	414.9	497.7	506.8
35 Federal	33.4	137.4	217.3	209.5	240.6	238.4	333.0	336.9
36 Consumption of fixed capital	86.8	88.4	92.8	92.0	93.4	95.0	97.2	99.1
37 Current surplus or deficit (−), national accounts	−53.3	49.0	124.4	117.5	147.3	143.3	235.8	237.8
38 State and local	125.2	141.3	156.8	143.7	155.1	176.6	164.7	169.9
39 Consumption of fixed capital	94.2	99.5	106.8	105.8	107.7	109.9	112.7	115.7
40 Current surplus or deficit (−), national accounts	31.0	41.7	50.0	38.0	47.4	66.6	52.0	54.2
41 **Gross investment**	**1,532.1**	**1,629.6**	**1,645.6**	**1,614.9**	**1,627.3**	**1,678.5**	**1,699.3**	**1,766.1**
42 Gross private domestic investment	1,390.5	1,549.9	1,650.1	1,607.9	1,659.1	1,723.7	1,755.7	1,852.8
43 Gross government investment	264.6	278.8	308.7	303.5	308.0	324.4	334.2	332.5
44 Net foreign investment	−123.1	−199.1	−313.2	−296.5	−339.8	−369.6	−390.7	−419.3
45 **Statistical discrepancy**	**29.7**	**−24.8**	**−71.9**	**−76.8**	**−89.5**	**−67.8**	**−77.7**	**−64.4**

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	1997	1998	1999	1999 Q2	1999 Q3	1999 Q4	2000 Q1[r]	2000 Q2[p]
1 Balance on current account	−140,540	−217,138	−331,479	−78,982	−89,649	−96,223	−101,505	−106,138
2 Balance on goods and services	−105,932	−166,898	−264,971	−63,300	−72,718	−76,280	−85,117	−89,259
3 Exports	936,937	932,977	956,242	234,297	241,969	249,653	255,977	265,133
4 Imports	−1,042,869	−1,099,875	−1,221,213	−297,597	−314,687	−325,933	−341,094	−354,392
5 Income, net	6,186	−6,211	−18,483	−4,145	−5,535	−5,683	−4,364	−4,543
6 Investment, net	11,050	−1,036	−13,102	−2,813	−4,193	−4,319	−2,987	−3,145
7 Direct	71,935	67,728	62,704	14,698	15,701	16,275	17,068	18,421
8 Portfolio	−60,885	−68,764	−75,806	−17,511	−19,894	−20,594	−20,055	−21,566
9 Compensation of employees	−4,864	−5,175	−5,381	−1,332	−1,342	−1,364	−1,377	−1,398
10 Unilateral current transfers, net	−40,794	−44,029	−48,025	−11,537	−11,396	−14,260	−12,024	−12,336
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	68	−422	2,751	−392	−686	3,711	−131	−572
12 Change in U.S. official reserve assets (increase, −)	−1,010	−6,783	8,747	1,159	1,951	1,569	−554	2,020
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−350	−147	10	−190	−184	−178	−180	−180
15 Reserve position in International Monetary Fund	−3,575	−5,119	5,484	1,413	2,268	1,800	−237	2,328
16 Foreign currencies	2,915	−1,517	3,253	−64	−133	−53	−137	−128
17 Change in U.S. private assets abroad (increase, −)	−487,998	−328,231	−441,685	−171,609	−124,174	−120,162	−178,273	−75,096
18 Bank-reported claims[3]	−141,118	−35,572	−69,862	−41,786	−11,259	−45,304	−55,511	14,861
19 Nonbank-reported claims	−122,888	−10,612	−92,328	−25,734	−27,943	−24,428	−52,563	−26,112
20 U.S. purchases of foreign securities, net	−118,976	−135,995	−128,594	−71,131	−41,420	−17,150	−27,236	−26,350
21 U.S. direct investments abroad, net	−105,016	−146,052	−150,901	−32,958	−43,552	−33,280	−42,963	−37,495
22 Change in foreign official assets in United States (increase, +)	18,876	−20,127	42,864	−1,096	12,191	27,495	22,015	5,905
23 U.S. Treasury securities	−6,690	−9,921	12,177	−6,708	12,963	5,122	16,198	−4,000
24 Other U.S. government obligations	4,529	6,332	20,350	5,792	1,835	6,730	8,107	10,334
25 Other U.S. government liabilities[3]	−1,041	−3,550	−3,255	−1,099	−760	89	−644	−772
26 Other U.S. liabilities reported by U.S. banks[3]	22,286	−9,501	12,692	1,436	−2,032	14,427	−2,577	−561
27 Other foreign official assets[4]	−208	−3,487	900	−517	185	1,127	931	904
28 Change in foreign private assets in United States (increase, +)	738,086	502,362	710,700	273,104	182,019	157,072	214,520	216,831
29 U.S. bank-reported liabilities[2]	149,026	39,769	67,403	37,151	24,585	19,618	−8,824	48,660
30 U.S. nonbank-reported liabilities	113,921	−7,001	34,298	13,663	−8,085	792	58,061	21,597
31 Foreign private purchases of U.S. Treasury securities, net	146,433	48,581	−20,464	−5,407	9,639	−17,191	−9,248	−20,661
32 U.S. currency flows	24,782	16,622	22,407	3,057	4,697	12,213	−6,847	989
33 Foreign purchases of other U.S. securities, net	197,892	218,075	331,523	80,838	95,620	92,250	132,416	86,547
34 Foreign direct investments in United States, net	106,032	186,316	275,533	143,802	55,563	49,390	48,962	79,699
35 Capital account transactions, net[5]	350	637	−3,500	165	171	−3,993	166	163
36 Discrepancy	−127,832	69,702	11,602	−22,349	18,177	30,531	43,762	−43,113
37 Due to seasonal adjustment	...	...	...	−1,511	−9,739	5,738	5,724	−2,505
38 Before seasonal adjustment	−127,832	69,702	11,602	−20,838	27,916	24,793	38,038	−40,608
MEMO								
Changes in official assets								
39 U.S. official reserve assets (increase, −)	−1,010	−6,783	8,747	1,159	1,951	1,569	−554	2,020
40 Foreign official assets in United States, excluding line 25 (increase, +)	19,917	−16,577	46,119	3	12,951	27,406	22,659	6,677
41 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	12,124	−11,531	1,331	1,632	−783	−1,673	6,109	1,922

1. Seasonal factors are not calculated for lines 11–16, 18–20, 22–35, and 38–41.
2. Reporting banks included all types of depository institutions as well as some brokers and dealers.
3. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.
4. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.
5. Consists of capital transfers (such as those of accompanying migrants entering or leaving the country and debt forgiveness) and the acquisition and disposal of nonproduced nonfinancial assets.

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	1997	1998	1999	2000						
				Jan.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June[r]	July[p]
1 Goods and services, balance	−105,932	−166,898	−264,971	−27,266	−27,481	−30,370	−29,637	−29,794	−29,846	−31,892
2 Merchandise	−196,665	−246,854	−345,559	−34,049	−34,641	−37,148	−36,894	−36,475	−36,862	−38,695
3 Services	90,733	79,956	80,588	6,783	7,160	6,778	7,257	6,681	7,016	6,803
4 Goods and services, exports	936,937	932,977	956,242	83,691	85,312	86,975	87,268	86,846	90,991	89,670
5 Merchandise	679,702	670,324	684,358	60,321	60,894	62,513	62,566	62,749	66,468	64,979
6 Services	257,235	262,653	271,884	23,370	24,418	24,462	24,702	24,097	24,523	24,691
7 Goods and services, imports	1,042,869	1,099,875	1,221,213	−110,957	−112,793	−117,345	−116,905	−116,640	−120,837	−121,562
8 Merchandise	876,367	917,178	1,029,917	−94,370	−95,535	−99,661	−99,460	−99,224	−103,330	−103,674
9 Services	166,502	182,697	191,296	−16,587	−17,258	−17,684	−17,445	−17,416	−17,507	−17,888

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	1997	1998	1999	2000							
				Feb.	Mar.	Apr.	May	June	July	Aug	Sept.[p]
1 **Total**	**69,954**	**81,755**	**71,516**	**69,309**	**70,789**	**66,587**	**67,160**	**67,957**	**66,516**	**65,333**	**66,256**
2 Gold stock, including Exchange Stabilization Fund[1]	11,050	11,041	11,089	11,048	11,048	11,048	11,048	11,048	11,046	11,046	11,046
3 Special drawing rights[2,3]	10,027	10,603	10,336	10,277	10,335	10,122	10,310	10,444	10,257	10,371	10,316
4 Reserve position in International Monetary Fund[2]	18,071	24,111	17,950	17,578	17,871	15,403	15,373	15,428	15,083	13,798	13,685
5 Foreign currencies[4]	30,809	36,001	32,182	30,406	31,535	30,014	30,429	31,037	30,130	30,118	31,209

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	1997	1998	1999	2000							
				Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.[p]
1 **Deposits**	**457**	**167**	**71**	**87**	**125**	**142**	**110**	**104**	**76**	**78**	**139**
Held in custody											
2 U.S. Treasury securities[2]	620,885	607,574	632,482	631,421	641,830	632,216	623,553	627,081	624,177	628,001	611,641
3 Earmarked gold[3]	10,763	10,343	9,933	9,771	9,711	9,711	9,711	9,688	9,688	9,674	9,620

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	1998	1999	2000						
			Jan.	Feb.	Mar.	Apr.	May	June	July[p]
1 **Total**[1]	**759,928**	**806,288**	**808,474**	**812,353**	**828,947**	**834,154**	**826,302**	**836,075[r]**	**848,298**
By type									
2 Liabilities reported by banks in the United States[2]	125,883	138,817	134,753	130,268	136,240	137,724	135,802	136,129[r]	141,186
3 U.S. Treasury bills and certificates[3]	134,177	156,177	153,548	156,995	164,781	157,607	148,820	157,190	160,093
U.S. Treasury bonds and notes									
4 Marketable	432,127	422,266	429,029	430,806	430,237	436,640	435,235	433,823	433,184
5 Nonmarketable[4]	6,074	6,111	6,152	6,191	5,734	5,770	5,808	5,740	5,180
6 U.S. securities other than U.S Treasury securities[5]	61,667	82,917	84,992	88,093	91,955	96,413	100,637	103,193	108,655
By area									
7 Europe[1]	256,026	244,805	246,022	248,792	251,571	249,685	250,306	253,416[r]	258,923
8 Canada	36,715	38,666	39,439	39,358	39,846	39,501	39,190	39,705	39,891
9 Latin America and Caribbean	79,503	73,518	71,888	71,180	77,014	72,407	69,508	71,220	73,616
10 Asia	400,631	463,673	463,801	466,087	474,355	486,133	482,134	485,424	487,491
11 Africa	10,059	7,523	8,208	7,976	7,979	8,024	7,709	7,849	8,656
12 Other countries	3,080	4,189	5,202	5,046	4,268	4,490	3,541	4,547	5,807

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 1994 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	1996	1997	1998	1999		2000	
				Sept.	Dec.[r]	Mar.[r]	June
1 Banks' liabilities	103,383	117,524	101,125	100,112	88,537	85,649	78,603
2 Banks' claims	66,018	83,038	78,162	67,032	67,365	63,492	62,631
3 Deposits	22,467	28,661	45,985	32,713	34,426	32,967	31,224
4 Other claims	43,551	54,377	32,177	34,319	32,939	30,525	31,407
5 Claims of banks' domestic customers[2]	10,978	8,191	20,718	11,534	20,826	21,753	18,802

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	1997	1998	1999	2000 Jan.	Feb.	Mar.	Apr.	May	June	July[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**1,283,027**	**1,347,837**	**1,413,683**	**1,413,811**	**1,407,301**	**1,406,476**	**1,406,149**	**457,629[r]**	**456,538**	**485,518**
2 Banks' own liabilities	882,980	884,939	976,400	981,461	970,752	960,303	974,579	36,677[r]	17,537	55,667
3 Demand deposits	31,344	29,558	42,884	36,518	39,611	29,255	30,202	29,097	30,706	35,103
4 Time deposits[2]	198,546	151,761	163,620	162,147	165,682	167,031	182,683	176,927[r]	182,777	186,614
5 Other[3]	168,011	140,752	162,749	174,682	163,884	161,533	165,626	179,090	175,906	178,666
6 Own foreign offices[4]	485,079	562,868	607,147	608,114	601,575	602,484	596,068	651,563[r]	628,148	655,284
7 Banks' custodial liabilities[5]	400,047	462,898	437,283	432,350	436,549	446,173	431,570	420,952	439,001	429,851
8 U.S. Treasury bills and certificates[6]	193,239	183,494	185,797	181,879	184,604	195,050	184,160	174,310	180,951	182,699
9 Other negotiable and readily transferable instruments[7]	93,641	141,699	132,575	129,551	128,673	127,630	124,209	123,580	124,670	120,624
10 Other	113,167	137,705	118,911	120,920	123,272	123,493	123,201	123,062	133,380	126,528
11 Nonmonetary international and regional organizations[8]	11,690	11,883	15,276	21,807	20,436	18,361	20,590	22,807	21,366	16,689
12 Banks' own liabilities	11,486	10,850	14,357	20,951	19,513	17,586	19,800	22,109	20,924	16,294
13 Demand deposits	16	172	98	202	148	71	58	36	34	30
14 Time deposits[2]	5,466	5,793	10,349	9,621	9,251	9,741	11,338	11,393	12,545	10,305
15 Other[3]	6,004	4,885	3,910	11,128	10,114	7,774	8,404	10,680	8,345	5,959
16 Banks' custodial liabilities[5]	204	1,033	919	856	923	775	790	698	442	395
17 U.S. Treasury bills and certificates[6]	69	636	680	625	704	695	623	582	432	371
18 Other negotiable and readily transferable instruments[7]	133	397	233	225	213	71	77	113	10	21
19 Other	2	0	6	6	6	9	90	3	0	3
20 Official institutions[9]	283,685	260,060	294,994	288,301	287,263	301,021	295,331	284,622	293,319	301,279
21 Banks' own liabilities	102,028	80,256	97,615	82,678	79,652	87,187	87,379	87,931	88,449	94,298
22 Demand deposits	2,314	3,003	3,341	2,645	3,306	2,381	2,620	2,781	2,887	4,274
23 Time deposits[2]	41,396	29,506	28,942	25,909	27,690	30,117	36,587	31,645	33,520	34,756
24 Other[3]	58,318	47,747	65,332	54,124	48,656	54,689	48,172	53,505	52,042	55,268
25 Banks' custodial liabilities[5]	181,657	179,804	197,379	205,623	207,611	213,834	207,952	196,691	204,870	206,981
26 U.S. Treasury bills and certificates[6]	148,301	134,177	156,177	153,548	156,995	164,781	157,607	148,820	157,190	160,093
27 Other negotiable and readily transferable instruments[7]	33,151	44,953	41,152	51,522	50,298	48,689	50,118	47,734	47,611	46,363
28 Other	205	674	50	553	318	364	227	137	69	525
29 Banks[10]	815,247	885,336	905,383	905,045	893,042	887,858	890,695	941,920[r]	930,649	958,205
30 Banks' own liabilities	641,447	676,057	733,356	740,355	730,867	723,761	730,194	781,795[r]	759,873	795,071
31 Unaffiliated foreign banks	156,368	113,189	126,209	132,241	129,292	121,277	134,126	130,232	131,725	139,787
32 Demand deposits	16,767	14,071	17,583	12,964	12,424	13,930	14,404	13,254	14,537	17,496
33 Time deposits[2]	83,433	45,904	48,140	51,171	51,510	49,716	57,240	55,167	58,086	60,703
34 Other[3]	56,168	53,214	60,486	68,106	65,358	57,631	62,482	61,811	59,102	61,588
35 Own foreign offices[4]	485,079	562,868	607,147	608,114	601,575	602,484	596,068	651,563[r]	628,148	655,284
36 Banks' custodial liabilities[5]	173,800	209,279	172,027	164,690	162,175	164,097	160,501	160,125	170,776	163,134
37 U.S. Treasury bills and certificates[6]	31,915	35,359	16,936	17,582	14,635	15,770	13,931	14,179	13,239	12,657
38 Other negotiable and readily transferable instruments[7]	35,393	45,332	45,695	36,426	34,629	35,453	33,790	33,667	34,657	34,018
39 Other	106,492	128,588	109,396	110,682	112,911	112,874	112,780	112,279	122,880	116,459
40 Other foreigners	172,405	190,558	198,030	198,658	206,560	199,236	199,533	208,280[r]	211,204	209,345
41 Banks' own liabilities	128,019	117,776	131,072	137,477	140,720	131,769	137,206	144,842[r]	148,291	150,004
42 Demand deposits	12,247	12,312	21,862	20,707	23,733	12,873	13,120	13,026	13,248	13,303
43 Time deposits[2]	68,251	70,558	76,189	75,446	77,231	77,457	77,518	78,722[r]	78,626	80,850
44 Other[3]	47,521	34,906	33,021	41,324	39,756	41,439	46,568	53,094	56,417	55,851
45 Banks' custodial liabilities[5]	44,386	72,782	66,958	61,181	65,840	67,467	62,327	63,438	62,913	59,341
46 U.S. Treasury bills and certificates[6]	12,954	13,322	12,004	10,124	12,270	13,804	11,999	10,729	10,090	9,578
47 Other negotiable and readily transferable instruments[7]	24,964	51,017	45,495	41,378	43,533	43,417	40,224	42,066	42,392	40,222
48 Other	6,468	8,443	9,459	9,679	10,037	10,246	10,104	10,643	10,431	9,541
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	16,083	27,026	30,345	28,344	27,266	28,056	26,087	27,238	26,571	26,186

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
Payable in U.S. dollars

Millions of dollars, end of period

Item	1997	1998	1999	2000						
				Jan.	Feb.	Mar.	Apr.	May	June	July[p]
AREA										
50 **Total, all foreigners**	**1,283,027**	**1,347,837**	**1,413,683**	**1,413,811**	**1,407,301**	**1,406,476**	**1,406,149**	**457,629[r]**	**456,538**	**485,518**
51 **Foreign countries**	**1,271,337**	**1,335,954**	**1,398,407**	**1,392,004**	**1,386,865**	**1,388,115**	**1,385,559**	**434,822[r]**	**1,435,172**	**468,829**
52 Europe	419,672	427,375	448,070	450,033	451,022	449,760	433,784	435,694	448,745	481,812
53 Austria	2,717	3,178	2,789	2,648	2,997	2,570	2,302	2,468	2,697	3,224
54 Belgium and Luxembourg	41,007	42,818	44,692	42,433	38,783	36,385	33,100	31,656	31,246	33,372
55 Denmark	1,514	1,437	2,196	2,510	2,533	3,235	2,601	3,629	3,444	3,522
56 Finland	2,246	1,862	1,658	1,290	1,479	2,015	1,744	1,529	1,380	1,745
57 France	46,607	44,616	49,790	48,530	49,839	43,666	45,324	43,577	42,105	42,384
58 Germany	23,737	21,357	24,748	24,097	23,916	25,176	23,710	24,875	28,943	26,323
59 Greece	1,552	2,066	3,748	3,145	4,000	3,216	3,188	3,030	2,765	2,920
60 Italy	11,378	7,103	6,775	6,261	5,405	5,278	4,789	7,142	6,676	5,702
61 Netherlands	7,385	10,793	8,310	7,271	7,797	7,617	7,277	6,823	8,728	12,339
62 Norway	317	710	1,327	834	1,169	1,336	1,197	963	2,189	2,374
63 Portugal	2,262	3,236	2,228	2,034	2,113	2,006	1,913	1,964	2,373	2,172
64 Russia	7,968	2,439	5,475	6,404	7,543	7,360	10,065	11,716	11,884	14,961
65 Spain	18,989	15,781	10,426	12,531	12,130	12,518	11,208	10,796	9,999	8,878
66 Sweden	1,628	3,027	4,652	4,673	4,792	5,425	5,165	4,390	5,434	5,091
67 Switzerland	39,023	50,654	65,985	64,282	61,335	81,934	69,208	63,700	59,561	78,197
68 Turkey	4,054	4,286	7,842	6,912	7,714	7,995	8,016	7,501	8,472	8,401
69 United Kingdom	181,904	181,554	176,234	184,520	187,347	169,156	169,222	176,824	187,806	197,238
70 Yugoslavia[11]	239	233	286	273	294	270	265	275	276	279
71 Other Europe and other former U.S.S.R.[12]	25,145	30,225	28,909	29,385	29,836	32,602	35,490	32,836	32,767	32,690
72 Canada	28,341	30,212	34,119	32,965	33,387	36,147	40,562	36,229	37,256	37,253
73 Latin America and Caribbean	536,393	554,866	577,737	599,593	596,273	596,211	604,685	663,827[r]	641,069	643,584
74 Argentina	20,199	19,014	18,633	15,333	16,548	17,906	18,487	16,496	16,540	19,392
75 Bahamas	112,217	118,085	134,407	149,727	155,720	141,370	159,115	174,132	182,216	168,345
76 Bermuda	6,911	6,846	7,877	9,910	9,106	10,108	9,710	8,713	8,021	7,341
77 Brazil	31,037	15,815	12,860	12,230	12,785	14,889	10,305	9,945	10,905	11,916
78 British West Indies	276,418	302,486	312,779	320,352	311,990	320,120	314,961	359,771[r]	324,994	341,441
79 Chile	4,072	5,015	7,008	6,366	6,244	5,752	5,933	6,095	6,192	5,439
80 Colombia	3,652	4,624	5,669	4,438	4,304	4,314	4,243	4,237	4,360	4,622
81 Cuba	66	62	75	75	75	100	77	77	85	122
82 Ecuador	2,078	1,572	1,956	1,985	2,035	2,141	2,193	2,274	2,272	2,179
83 Guatemala	1,494	1,336	1,626	1,636	1,617	1,706	1,628	1,669	1,649	1,718
84 Jamaica	450	577	520	540	571	671	670	706	674	710
85 Mexico	33,972	37,157	30,717	32,090	32,216	31,393	32,832	33,915	33,937	33,381
86 Netherlands Antilles	5,085	5,010	3,997	4,269	3,692	4,528	5,108	6,561	7,885	7,165
87 Panama	4,241	3,864	4,415	4,042	3,737	4,157	3,788	3,764	3,822	3,348
88 Peru	893	840	1,142	1,073	1,051	975	1,021	1,100	1,125	1,096
89 Uruguay	2,382	2,486	2,386	2,260	2,262	2,377	2,431	2,520	2,680	2,160
90 Venezuela	21,601	19,894	20,189	21,517	21,297	22,572	21,140	20,469	22,263	21,461
91 Other	9,625	10,183	11,481	11,750	11,023	11,132	11,043	11,383	11,449	11,748
92 Asia	269,379	307,960	319,363	290,411	287,375	287,636	288,745	282,325	290,014	285,086
China										
93 Mainland	18,252	13,441	12,325	11,570	11,661	8,096	8,530	7,824	9,930	9,383
94 Taiwan	11,840	12,708	13,600	11,674	11,211	14,642	14,488	14,113	13,584	13,156
95 Hong Kong	17,722	20,900	27,697	25,951	24,038	22,672	22,873	23,951	23,952	25,693
96 India	4,567	5,250	7,367	5,491	5,405	6,258	5,586	5,703	5,558	5,689
97 Indonesia	3,554	8,282	6,567	6,853	7,495	7,837	7,275	7,064	7,400	7,472
98 Israel	6,281	7,749	7,488	6,581	7,680	8,338	7,058	5,541	6,123	5,793
99 Japan	143,401	168,563	159,075	149,033	145,314	145,074	147,409	148,668	153,662	147,554
100 Korea (South)	13,060	12,524	12,853	11,573	12,625	16,420	16,820	12,941	10,324	8,624
101 Philippines	3,250	3,324	3,253	1,937	2,540	2,277	2,290	1,750	1,999	1,649
102 Thailand	6,501	7,359	6,050	5,389	5,134	4,370	3,628	3,428	3,529	3,900
103 Middle Eastern oil-exporting countries[13]	14,959	15,609	21,284	16,927	15,811	16,132	19,005	18,647	18,538	22,127
104 Other	25,992	32,251	41,804	37,432	38,461	35,520	33,783	32,695	35,415	34,046
105 Africa	10,347	8,905	9,468	8,105	8,270	8,614	8,576	8,437	8,716	9,738
106 Egypt	1,663	1,339	2,022	1,616	1,703	1,770	1,663	1,722	1,962	1,778
107 Morocco	138	97	179	176	262	115	106	122	149	118
108 South Africa	2,158	1,522	1,495	730	698	673	687	662	595	793
109 Zaire	10	5	14	7	13	13	7	13	6	5
110 Oil-exporting countries[14]	3,060	3,088	2,914	2,952	3,098	3,318	3,558	3,298	3,405	4,258
111 Other	3,318	2,854	2,844	2,624	2,496	2,725	2,555	2,620	2,599	2,786
112 Other	7,205	6,636	9,650	10,897	10,538	9,747	9,207	8,310	9,372	11,356
113 Australia	6,304	5,495	8,377	9,910	9,335	8,669	8,414	7,586	8,564	10,347
114 Other	901	1,141	1,273	987	1,203	1,078	793	724	808	1,009
115 Nonmonetary international and regional organizations	11,690	11,883	15,276	21,807	20,436	18,361	20,590	22,807	21,366	16,689
116 International[15]	10,517	10,221	12,876	19,708	17,561	16,306	19,207	21,375	20,106	15,295
117 Latin American regional[16]	424	594	1,150	1,128	1,858	1,244	518	624	768	786
118 Other regional[17]	749	1,068	1,250	971	1,017	811	865	808	492	608

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	1997	1998	1999	2000 Jan.	Feb.	Mar.	Apr.	May	June	July[p]
1 **Total, all foreigners**	**708,225**	**734,995**	**795,377**	**757,214**	**750,972**	**813,890**	**815,083**	**820,782[r]**	**825,898**	**827,987**
2 **Foreign countries**	**705,762**	**731,378**	**790,814**	**751,596**	**746,305**	**809,581**	**810,081**	**816,439[r]**	**820,887**	**824,111**
3 Europe	199,880	233,321	315,905	308,133	314,504	361,470	350,067	359,895	357,243	361,814
4 Austria	1,354	1,043	2,643	3,020	2,471	2,493	2,429	2,242	2,148	2,646
5 Belgium and Luxembourg	6,641	7,187	10,193	8,898	9,777	8,022	7,939	5,959	6,393	6,261
6 Denmark	980	2,383	1,669	1,702	1,743	1,625	1,940	2,001	3,440	3,349
7 Finland	1,233	1,070	2,020	2,328	1,846	2,093	2,087	2,414	2,650	2,946
8 France	16,239	15,251	29,142	30,051	28,303	28,127	30,958	35,217	28,633	25,848
9 Germany	12,676	15,923	29,205	29,871	28,890	35,371	33,991	31,521	33,585	30,454
10 Greece	402	575	806	793	683	842	864	828	837	754
11 Italy	6,230	7,284	8,496	8,614	6,785	7,048	7,034	6,565	7,724	6,483
12 Netherlands	6,141	5,697	11,810	11,477	11,484	14,089	13,932	14,377	15,668	13,155
13 Norway	555	827	1,000	1,376	1,146	1,132	1,499	1,832	1,935	2,404
14 Portugal	777	669	1,571	1,307	1,155	1,043	1,085	1,268	1,424	1,454
15 Russia	1,248	789	713	701	743	709	709	715	744	718
16 Spain	2,942	5,735	3,796	4,581	4,339	3,187	3,217	3,126	3,844	4,768
17 Sweden	1,854	4,223	3,264	4,556	5,382	7,492	8,100	7,112	8,744	8,460
18 Switzerland	28,846	46,874	79,158	68,976	70,250	111,544	97,688	105,573	86,284	94,549
19 Turkey	1,558	1,982	2,617	2,969	3,031	3,053	3,148	3,269	3,189	2,736
20 United Kingdom	103,143	106,349	120,190	120,126	128,252	125,162	125,935	128,259	141,769	147,138
21 Yugoslavia[2]	52	53	50	50	50	50	51	49	49	69
22 Other Europe and other former U.S.S.R.[3]	7,009	9,407	7,562	6,737	8,174	8,388	7,461	7,568	8,183	7,622
23 Canada	27,189	47,037	37,206	36,474	38,541	42,686	43,300	45,481	42,591	40,383
24 Latin America and Caribbean	343,730	342,654	353,416	323,537	314,839	323,816	328,769	321,219	328,629	329,170
25 Argentina	8,924	9,552	10,167	9,962	10,095	9,845	9,732	9,507	9,386	9,428
26 Bahamas	89,379	96,455	99,324	78,641	68,914	74,018	72,312	71,459	80,393	73,275
27 Bermuda	8,782	5,011	8,007	10,145	11,771	7,441	5,685	6,478	6,285	6,906
28 Brazil	21,696	16,184	15,706	15,031	15,382	14,981	16,210	16,376	16,544	16,902
29 British West Indies	145,471	153,749	167,189	157,469	156,776	166,284	173,907	165,920	164,969	172,262
30 Chile	7,913	8,250	6,607	6,672	6,224	6,511	6,447	6,399	6,213	6,072
31 Colombia	6,945	6,507	4,524	4,326	4,176	3,937	3,907	4,032	3,796	3,907
32 Cuba	0	0	0	0	0	0	0	0	0	0
33 Ecuador	1,311	1,400	760	692	730	688	662	640	613	610
34 Guatemala	886	1,127	1,135	1,067	1,170	1,181	1,252	1,245	1,235	1,215
35 Jamaica	424	239	295	298	332	328	316	300	291	299
36 Mexico	19,428	21,212	17,899	17,848	17,489	16,998	16,944	16,771	17,066	16,432
37 Netherlands Antilles	17,838	6,779	5,982	6,194	6,341	6,385	6,388	6,579	6,502	6,652
38 Panama	4,364	3,584	3,387	3,067	2,972	2,912	2,844	2,984	3,063	2,981
39 Peru	3,491	3,275	2,529	2,462	2,414	2,223	2,356	2,515	2,458	2,488
40 Uruguay	629	1,126	801	709	777	761	714	708	620	649
41 Venezuela	2,129	3,089	3,494	3,571	3,524	3,580	3,474	3,595	3,471	3,357
42 Other	4,120	5,115	5,610	5,383	5,752	5,743	5,619	5,711	5,724	5,735
43 Asia	125,092	98,607	74,914	73,342	69,074	72,692	78,257	80,221[r]	82,415	83,137
China										
44 Mainland	1,579	1,261	2,090	2,221	2,726	3,161	4,532	2,611	1,688	1,822
45 Taiwan	922	1,041	1,390	1,462	1,501	925	1,080	1,732[r]	1,339	926
46 Hong Kong	13,991	9,080	5,893	5,240	4,453	4,519	4,546	4,573	4,266	5,782
47 India	2,200	1,440	1,738	1,616	1,802	1,749	1,786	1,941	1,905	2,013
48 Indonesia	2,651	1,942	1,776	1,711	1,743	1,817	1,821	1,819	1,856	1,940
49 Israel	768	1,166	1,875	1,853	1,832	3,412	3,293	2,857	1,610	1,982
50 Japan	59,549	46,713	28,636	28,612	25,559	27,310	30,381	31,689	33,256	31,207
51 Korea (South)	18,162	8,289	9,262	11,378	12,066	11,466	12,209	14,018	15,866	18,924
52 Philippines	1,689	1,465	1,410	1,088	1,058	1,698	1,714	1,884	1,865	1,802
53 Thailand	2,259	1,807	1,515	1,155	1,275	1,154	1,081	1,137	1,255	1,051
54 Middle Eastern oil-exporting countries[4]	10,790	16,130	14,252	10,774	10,947	11,612	10,765	11,666	12,128	10,366
55 Other	10,532	8,273	5,077	6,232	4,112	3,869	5,049	4,294[r]	5,381	5,322
56 Africa	3,530	3,122	2,268	2,786	2,453	1,991	2,054	2,109	2,494	2,517
57 Egypt	247	257	258	222	207	243	206	218	230	217
58 Morocco	511	372	352	299	313	279	300	271	259	272
59 South Africa	805	643	622	943	889	428	360	341	772	423
60 Zaire	0	0	24	0	0	0	0	0	0	0
61 Oil-exporting countries[5]	1,212	936	276	494	228	198	394	508	430	751
62 Other	755	914	736	828	816	843	794	771	803	854
63 Other	6,341	6,637	7,105	7,324	6,894	6,926	7,634	7,514	7,515	7,090
64 Australia	5,300	6,173	6,824	7,113	6,682	6,674	7,225	7,139	7,240	6,890
65 Other	1,041	464	281	211	212	252	409	375	275	200
66 Nonmonetary international and regional organizations[6]	2,463	3,617	4,563	5,618	4,667	4,309	5,002	4,343	5,011	3,876

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	1997	1998	1999	2000						
				Jan.	Feb.	Mar.	Apr.	May^r	June	July^p
1 **Total**	**852,852**	**875,891**	**947,176^r**	...	.	**1,010,415^r**	.	.	**1,010,005**	.
2 Banks' claims	708,225	734,995	795,377	757,214	750,972	813,890	815,083	820,782	825,898	827,987
3 Foreign public borrowers	20,581	23,542	35,090	42,241	36,541	36,036	37,300	43,092	41,461	48,499
4 Own foreign offices[2]	431,685	484,535	528,397	490,280	496,771	552,218	557,339	549,165	553,262	553,133
5 Unaffiliated foreign banks	109,230	106,206	101,227	93,524	87,666	96,030	91,849	92,280	92,911	89,236
6 Deposits	30,995	27,230	34,360	24,259	21,275	24,361	22,399	24,769	22,373	21,861
7 Other	78,235	78,976	66,867	69,265	66,391	71,669	69,450	67,511	70,538	67,375
8 All other foreigners	146,729	120,712	130,663	131,169	129,994	129,606	128,595	136,245	138,264	137,119
9 Claims of banks' domestic customers[3]	144,627	140,896	151,799^r	.		196,525^r	..	.	184,107	.
10 Deposits	73,110	79,363	88,006^r	..	...	128,490^r	..	.	106,055	.
11 Negotiable and readily transferable instruments[4]	53,967	47,914	51,161	.	..	56,032	..	.	62,975	..
12 Outstanding collections and other claims	17,550	13,619	12,632	...	.	12,003	...	.	15,077	.
MEMO										
13 Customer liability on acceptances	9,624	4,520	4,553^r	..	...	4,464^r	.	.	5,082	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	33,816	39,978	31,125	41,559	48,225	53,657	45,383	44,868	44,139	46,254

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]	1996	1997	1998	1999^r		2000	
				Sept.	Dec.	Mar.^{r}	June^p
1 **Total**	**258,106**	**276,550**	**250,418**	**270,098**	**266,309**	**261,056**	**273,022**
By borrower							
2 Maturity of one year or less	211,859	205,781	186,526	196,772	187,383	180,453	187,028
3 Foreign public borrowers	15,411	12,081	13,671	22,526	22,811	23,436	25,289
4 All other foreigners	196,448	193,700	172,855	174,246	164,572	157,017	161,739
5 Maturity of more than one year	46,247	70,769	63,892	73,326	78,926	80,603	85,994
6 Foreign public borrowers	6,790	8,499	9,839	12,162	12,013	12,802	15,484
7 All other foreigners	39,457	62,270	54,053	61,164	66,913	67,801	70,510
By area							
Maturity of one year or less							
8 Europe	55,690	58,294	68,679	82,566	80,842	79,639	76,366
9 Canada	8,339	9,917	10,968	8,544	7,859	8,408	7,353
10 Latin America and Caribbean	103,254	97,207	81,766	78,063	68,987	62,325	66,065
11 Asia	38,078	33,964	18,007	20,859	21,802	23,002	29,231
12 Africa	1,316	2,211	1,835	1,119	1,122	957	1,569
13 All other[3]	5,182	4,188	5,271	5,621	6,771	6,122	6,444
Maturity of more than one year							
14 Europe	6,965	13,240	14,923	18,619	22,951	23,951	25,116
15 Canada	2,645	2,525	3,140	3,193	3,192	3,127	3,323
16 Latin America and Caribbean	24,943	42,049	33,442	38,154	38,789	39,194	41,758
17 Asia	9,392	10,235	10,018	10,641	11,257	11,612	12,446
18 Africa	1,361	1,236	1,232	1,087	1,065	965	924
19 All other[3]	941	1,484	1,137	1,632	1,672	1,754	2,427

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	1996	1997	1998			1999				2000	
			June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June[p]
1 **Total**	**645.8**	**721.8**	**1017.2**	**1071.9**	**1051.6**	**992.8**	**939.4**	**937.4**	**936.7[r]**	**952.7**	**991.0**
2 G-10 countries and Switzerland	228.3	242.8	273.9	240.0	217.7	208.7	223.1	206.1	236.5[r]	284.1	323.3
3 Belgium and Luxembourg	11.7	11.0	14.0	11.7	10.7	15.6	16.1	15.7	14.3	14.2	13.8
4 France	16.6	15.4	21.7	20.3	18.4	21.6	20.4	19.9	29.0	27.1	32.6
5 Germany	29.8	28.6	30.5	31.4	30.9	34.7	32.1	37.4	38.7	37.3	31.5
6 Italy	16.0	15.5	21.1	18.5	11.5	17.8	16.4	15.0	18.1	20.0	20.0
7 Netherlands	4.0	6.2	8.6	8.4	7.8	10.7	13.3	10.6	12.3	17.1	16.1
8 Sweden	2.6	3.3	3.1	2.1	2.3	4.0	2.6	3.6	3.0	3.9	3.5
9 Switzerland	5.3	7.2	7.0	7.6	8.5	7.8	8.2	8.8	10.3	10.1	13.8
10 United Kingdom	104.7	113.4	125.9	100.1	85.4	56.1	74.3	51.7	72.4[r]	113.5	148.3
11 Canada	14.0	13.7	16.7	15.9	16.8	15.9	17.1	17.8	16.3	17.5	18.2
12 Japan	23.7	28.6	25.3	23.9	25.4	24.6	22.6	25.6	22.0	23.5	25.4
13 Other industrialized countries	66.1	65.5	78.7	78.5	69.0	80.1	79.7	71.7	68.4	62.8	76.2
14 Austria	1.1	1.5	1.9	2.1	1.4	2.8	2.8	3.0	3.5	2.6	2.8
15 Denmark	1.5	2.4	2.2	3.0	2.2	3.4	2.9	2.1	2.6	1.5	1.2
16 Finland	.8	1.3	1.4	1.6	1.4	1.5	.9	.9	.9	.8	1.3
17 Greece	6.7	5.1	5.8	5.8	5.9	6.5	5.9	6.6	6.0	5.7	6.8
18 Norway	8.0	3.6	3.4	3.2	3.2	3.1	3.0	3.8	3.3	3.0	4.6
19 Portugal	.9	.9	1.4	1.1	1.4	1.4	1.2	1.2	1.0	1.0	2.0
20 Spain	13.3	12.6	17.5	19.5	13.7	15.7	16.6	15.1	12.1	11.3	12.2
21 Turkey	2.7	4.5	6.5	5.2	4.8	5.2	4.9	4.7	4.8	5.1	5.6
22 Other Western Europe	4.9	8.3	9.9	10.4	10.4	10.2	10.2	9.2	6.8	8.3	8.8
23 South Africa	2.0	2.2	6.9	5.4	4.4	4.8	4.7	4.0	3.8	4.8	4.6
24 Australia	24.0	23.1	21.8	21.4	20.3	25.4	26.6	21.1	23.5	18.6	26.3
25 OPEC[2]	19.8	26.0	25.5	26.0	27.1	26.2	26.1	30.1	31.4	28.9	32.3
26 Ecuador	1.1	1.3	1.2	1.2	1.3	1.2	1.1	.9	.8	.7	.7
27 Venezuela	2.4	2.5	3.3	3.1	3.2	3.5	3.2	3.0	2.8	3.0	2.9
28 Indonesia	5.2	6.7	5.1	4.7	4.7	4.5	5.0	4.4	4.2	3.9	4.1
29 Middle East countries	10.7	14.4	15.6	16.1	17.0	16.7	16.5	21.4	23.0	21.1	24.0
30 African countries	.4	1.2	.3	.8	1.0	.4	.4	5	.5	.2	.7
31 Non-OPEC developing countries	130.3	139.2	146.1	140.4	143.4	146.7	148.6	142.5	147.3	152.5	155.6
Latin America											
32 Argentina	14.3	18.4	20.9	22.9	23.1	24.3	22.8	22.1	22.4	21.3	20.3
33 Brazil	20.7	28.6	30.3	24.0	24.7	24.2	25.1	22.1	26.4	26.9	27.0
34 Chile	7.0	8.7	9.1	8.5	8.3	8.6	8.2	7.7	7.4	8.2	8.1
35 Colombia	4.1	3.4	3.6	3.4	3.2	3.3	3.1	2.7	2.5	2.5	2.4
36 Mexico	16.2	17.4	18.1	18.7	18.9	19.7	18.5	19.4	18.7	18.3	20.5
37 Peru	1.6	2.0	2.2	2.2	2.2	2.2	2.1	1.8	1.7	1.9	2.1
38 Other	3.3	4.1	4.4	4.6	5.4	5.3	5.5	5.5	5.9	6.5	6.7
Asia											
China											
39 Mainland	2.5	3.2	3.9	2.8	3.0	5.0	5.3	3.3	3.6	4.6	3.8
40 Taiwan	10.3	9.5	11.8	12.5	13.3	11.8	12.6	12.3	12.0	12.6	12.6
41 India	4.3	4.9	4.9	5.3	5.5	5.5	6.7	7.0	7.7	7.9	8.2
42 Israel	.5	.7	.9	.9	1.1	1.1	2.0	1.0	1.8	3.3	1.5
43 Korea (South)	21.5	15.6	14.6	13.1	13.7	13.7	15.3	16.0	15.1	17.4	21.2
44 Malaysia	6.0	5.1	4.7	5.0	5.6	5.9	6.0	6.1	6.1	6.5	6.8
45 Philippines	5.8	5.7	5.4	4.7	5.1	5.4	5.7	5.8	6.2	5.3	5.3
46 Thailand	5.7	5.4	5.0	5.3	4.7	4.5	4.2	4.0	4.1	4.3	4.0
47 Other Asia	4.1	4.3	3.7	3.1	2.9	3.0	2.8	2.8	2.9	2.6	2.5
Africa											
48 Egypt	.7	.9	1.5	1.7	1.3	1.4	1.4	1.3	1.4	1.4	1.3
49 Morocco	7	.6	.6	.5	.5	.5	.5	.5	.4	.3	.3
50 Zaire	.1	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	.9	.8	.8	1.1	1.0	1.2	1.0	1.0	1.0	.9	.9
52 Eastern Europe	6.9	9.1	11.3	6.3	5.5	7.1	5.8	5.4	5.2	6.3	9.4
53 Russia[4]	3.7	5.1	6.9	2.8	2.2	2.3	2.1	2.0	1.6	1.7	1.5
54 Other	3.2	4.0	4.4	3.5	3.3	4.8	3.7	3.4	3.6	4.7	7.9
55 Offshore banking centers	135.1	140.2	130.0	121.0	93.9	93.6	75.9	90.3	60.1	42.0	52.4
56 Bahamas	20.5	24.2	28.6	30.7	35.4	32.6	20.4	29.4	13.9	2.4	.5
57 Bermuda	4.5	9.8	9.4	10.4	4.6	3.9	5.7	8.2	8.0	7.3	6.3
58 Cayman Islands and other British West Indies	37.2	43.4	34.3	27.8	12.8	13.9	7.2	6.3	1.3	0	5.1
59 Netherlands Antilles	26.1	14.6	10.5	6.0	2.6	2.7	1.3	9 1	1.7	2.5	2.6
60 Panama[5]	2.0	3.1	3.3	4.0	3.9	3.9	3.9	3.9	3.9	3.4	3.3
61 Lebanon	.1	.1	.1	.2	.1	.1	.1	.2	.1	.1	.1
62 Hong Kong, China	27.9	32.2	30.0	30.6	23.3	22.8	22.0	22.4	21.0	22.2	20.7
63 Singapore	16.7	12.7	13.6	11.1	11.1	13.5	15.2	10.6	10.1	4.1	13.6
64 Other[6]	.1	.1	.2	.2	.2	.2	1	.2	.1	.1	.1
65 Miscellaneous and unallocated[7]	59.6	99.1	351.7	459.9	495.1	430.4	380.2	391.2	387.9	376.1	341.9

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. Includes Canal Zone.

6. Foreign branch claims only.

7. 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	1996	1997	1998	1998	1999				2000
				Dec.	Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**61,782**	**57,382**	**46,570**	**46,570**	**46,663**	**49,337**	**52,979**	**53,044**	**52,555**
2 Payable in dollars	39,542	41,543	36,668	36,668	34,030	36,032	36,296	37,605	34,680
3 Payable in foreign currencies	22,240	15,839	9,902	9,902	12,633	13,305	16,683	15,415	17,875
By type									
4 Financial liabilities	33,049	26,877	19,255	19,255	22,458	25,058	27,422	27,980	28,246
5 Payable in dollars	11,913	12,630	10,371	10,371	11,225	13,205	12,231	13,883	11,924
6 Payable in foreign currencies	21,136	14,247	8,884	8,884	11,233	11,853	15,191	14,097	16,322
7 Commercial liabilities	28,733	30,505	27,315	27,315	24,205	24,279	25,557	25,064	24,309
8 Trade payables	12,720	10,904	10,978	10,978	9,999	10,935	12,651	12,857	12,401
9 Advance receipts and other liabilities	16,013	19,601	16,337	16,337	14,206	13,344	12,906	12,207	11,908
10 Payable in dollars	27,629	28,913	26,297	26,297	22,805	22,827	24,065	23,722	22,756
11 Payable in foreign currencies	1,104	1,592	1,018	1,018	1,400	1,452	1,492	1,318	1,553
By area or country									
Financial liabilities									
12 Europe	23,179	18,027	12,589	12,589	16,098	19,578	21,695	23,241	23,116
13 Belgium and Luxembourg	632	186	79	79	50	70	50	31	4
14 France	1,091	1,425	1,097	1,097	1,178	1,287	1,675	1,659	1,405
15 Germany	1,834	1,958	2,063	2,063	1,906	1,959	1,712	1,974	1,390
16 Netherlands	556	494	1,406	1,406	1,337	2,104	2,066	1,996	1,970
17 Switzerland	699	561	155	155	141	143	133	147	97
18 United Kingdom	17,161	11,667	5,980	5,980	9,729	13,097	15,096	16,521	16,579
19 Canada	1,401	2,374	693	693	781	320	344	284	313
20 Latin America and Caribbean	1,668	1,386	1,495	1,495	1,528	1,369	1,180	892	846
21 Bahamas	236	141	7	7	1	1	1	1	1
22 Bermuda	50	229	101	101	78	52	26	5	1
23 Brazil	78	143	152	152	137	131	122	126	128
24 British West Indies	1,030	604	957	957	1,064	944	786	492	489
25 Mexico	17	26	59	59	22	19	28	25	22
26 Venezuela	1	1	2	2	2	1	0	0	0
27 Asia	6,423	4,387	3,785	3,785	3,475	3,217	3,622	3,437	3,275
28 Japan	5,869	4,102	3,612	3,612	3,337	3,035	3,384	3,142	2,985
29 Middle Eastern oil-exporting countries[1]	25	27	0	0	1	2	3	3	4
30 Africa	38	60	28	28	31	29	31	28	28
31 Oil-exporting countries[2]	0	0	0	0	2	0	0	0	0
32 All other[3]	340	643	665	665	545	545	550	98	668
Commercial liabilities									
33 Europe	9,767	10,228	10,030	10,030	8,580	8,718	9,265	9,262	8,646
34 Belgium and Luxembourg	479	666	278	278	229	189	128	140	78
35 France	680	764	920	920	654	656	620	672	539
36 Germany	1,002	1,274	1,392	1,392	1,088	1,143	1,201	1,131	914
37 Netherlands	766	439	429	429	361	432	535	507	648
38 Switzerland	624	375	499	499	535	497	593	626	536
39 United Kingdom	4,303	4,086	3,697	3,697	3,008	2,959	3,175	3,071	2,661
40 Canada	1,090	1,175	1,390	1,390	1,597	1,670	1,753	1,775	2,024
41 Latin America and Caribbean	2,574	2,176	1,618	1,618	1,612	1,674	1,957	2,310	2,286
42 Bahamas	63	16	14	14	11	19	24	22	9
43 Bermuda	297	203	198	198	225	180	178	152	287
44 Brazil	196	220	152	152	107	112	120	145	115
45 British West Indies	14	12	10	10	7	5	39	48	23
46 Mexico	665	565	347	347	437	490	704	887	805
47 Venezuela	328	261	202	202	155	149	182	305	193
48 Asia	13,422	14,966	12,342	12,342	10,428	10,039	10,428	9,886	9,681
49 Japan	4,614	4,500	3,827	3,827	2,715	2,753	2,689	2,609	2,274
50 Middle Eastern oil-exporting countries[1]	2,168	3,111	2,852	2,852	2,479	2,209	2,618	2,551	2,308
51 Africa	1,040	874	794	794	727	832	959	950	943
52 Oil-exporting countries[2]	532	408	393	393	377	392	584	499	536
53 Other[3]	840	1,086	1,141	1,141	1,261	1,346	1,195	881	729

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	1996	1997	1998	1998	1999				2000
				Dec.	Mar.	June	Sept.	Dec.	Mar.[r]
1 **Total**	**65,897**	**68,128**	**77,462**	**77,462**	**69,054**	**63,884**	**67,566**	**76,669**	**84,266**
2 Payable in dollars	59,156	62,173	72,171	72,171	64,026	57,006	60,456	69,170	74,331
3 Payable in foreign currencies	6,741	5,955	5,291	5,291	5,028	6,878	7,110	7,472	9,935
By type									
4 Financial claims	37,523	36,959	46,260	46,260	38,217	31,957	33,877	40,231	47,798
5 Deposits	21,624	22,909	30,199	30,199	18,686	13,350	15,192	18,566	23,316
6 Payable in dollars	20,852	21,060	28,549	28,549	17,101	11,636	13,240	16,373	21,442
7 Payable in foreign currencies	772	1,849	1,650	1,650	1,585	1,714	1,952	2,193	1,874
8 Other financial claims	15,899	14,050	16,061	16,061	19,531	18,607	18,685	21,665	24,482
9 Payable in dollars	12,374	11,806	14,049	14,049	17,457	14,800	15,718	18,593	19,659
10 Payable in foreign currencies	3,525	2,244	2,012	2,012	2,074	3,807	2,967	3,072	4,823
11 Commercial claims	28,374	31,169	31,202	31,202	30,837	31,927	33,689	36,438	36,468
12 Trade receivables	25,751	27,536	27,202	27,202	26,724	27,791	29,397	32,629	31,443
13 Advance payments and other claims	2,623	3,633	4,000	4,000	4,113	4,136	4,292	3,809	5,025
14 Payable in dollars	25,930	29,307	29,573	29,573	29,468	30,570	31,498	34,204	33,230
15 Payable in foreign currencies	2,444	1,862	1,629	1,629	1,369	1,357	2,191	2,207	3,238
By area or country									
Financial claims									
16 Europe	11,085	14,999	12,294	12,294	12,881	13,978	13,878	13,023	16,789
17 Belgium and Luxembourg	185	406	661	661	469	457	574	529	540
18 France	694	1,015	864	864	913	1,368	1,212	967	1,835
19 Germany	276	427	304	304	302	367	549	504	669
20 Netherlands	493	677	875	875	993	997	1,067	1,229	1,981
21 Switzerland	474	434	414	414	530	504	559	643	612
22 United Kingdom	7,922	10,337	7,766	7,766	8,400	8,631	8,157	7,561	9,044
23 Canada	3,442	3,313	2,503	2,503	3,111	2,828	3,172	2,553	3,175
24 Latin America and Caribbean	20,032	15,543	27,714	27,714	18,825	11,486	12,749	18,206	21,945
25 Bahamas	1,553	2,308	403	403	666	467	755	1,593	1,299
26 Bermuda	140	108	39	39	41	39	524	11	11
27 Brazil	1,468	1,313	835	835	1,112	1,102	1,265	1,476	1,646
28 British West Indies	15,536	10,462	24,388	24,388	14,621	7,393	7,263	12,099	15,814
29 Mexico	457	537	1,245	1,245	1,583	1,702	1,791	1,798	1,979
30 Venezuela	31	36	55	55	72	71	47	48	65
31 Asia	2,221	2,133	3,027	3,027	2,648	2,801	3,205	5,457	4,430
32 Japan	1,035	823	1,194	1,194	942	949	1,250	3,262	2,021
33 Middle Eastern oil-exporting countries[1]	22	11	9	9	8	5	5	21	29
34 Africa	174	319	159	159	174	228	251	286	232
35 Oil-exporting countries[2]	14	15	16	16	26	5	12	15	15
36 All other[3]	569	652	563	563	578	636	622	706	1,227
Commercial claims									
37 Europe	10,443	12,120	13,246	13,246	12,782	12,961	14,367	16,389	16,118
38 Belgium and Luxembourg	226	328	238	238	281	286	289	316	271
39 France	1,644	1,796	2,171	2,171	2,173	2,094	2,375	2,236	2,520
40 Germany	1,337	1,614	1,822	1,822	1,599	1,660	1,944	1,960	2,034
41 Netherlands	562	597	467	467	415	389	617	1,429	1,337
42 Switzerland	642	554	483	483	367	385	714	610	611
43 United Kingdom	2,946	3,660	4,769	4,769	4,529	4,615	4,789	5,827	5,354
44 Canada	2,165	2,660	2,617	2,617	2,983	2,855	2,638	2,757	3,088
45 Latin America and Caribbean	5,276	5,750	6,296	6,296	5,930	6,278	5,879	5,959	5,899
46 Bahamas	35	27	24	24	10	21	29	20	15
47 Bermuda	275	244	536	536	500	583	549	390	404
48 Brazil	1,303	1,162	1,024	1,024	936	887	763	905	849
49 British West Indies	190	109	104	104	117	127	157	181	95
50 Mexico	1,128	1,392	1,545	1,545	1,431	1,478	1,613	1,678	1,529
51 Venezuela	357	576	401	401	361	384	365	439	435
52 Asia	8,376	8,713	7,192	7,192	7,080	7,690	8,579	9,165	9,101
53 Japan	2,003	1,976	1,681	1,681	1,486	1,511	1,823	2,074	2,082
54 Middle Eastern oil-exporting countries[1]	971	1,107	1,135	1,135	1,286	1,465	1,479	1,625	1,533
55 Africa	746	680	711	711	685	738	682	631	716
56 Oil-exporting countries[2]	166	119	165	165	116	202	221	171	82
57 Other[3]	1,368	1,246	1,140	1,140	1,377	1,405	1,544	1,537	1,546

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	1998	1999	2000	2000						
			Jan.–July	Jan.	Feb.	Mar.	Apr.	May	June	July[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	1,574,192	2,340,659	2,112,597	263,946	293,110	402,373	309,778	268,454	300,356	274,580
2 Foreign sales	1,524,203	2,233,137	2,003,563	253,365	265,365	378,141	306,474	262,142	282,563	255,513
3 Net purchases, or sales (−)	**49,989**	**107,522**	**109,034**	**10,581**	**27,745**	**24,232**	**3,304**	**6,312**	**17,793**	**19,067**
4 Foreign countries	**50,369**	**107,578**	**108,993**	**10,539**	**27,626**	**24,414**	**3,243**	**6,291**	**17,823**	**19,057**
5 Europe	68,124	98,060	110,060	15,704	24,375	18,594	12,289	7,496	14,853	16,749
6 France	5,672	3,813	3,513	−240	529	1,831	1,341	−588	−653	1,293
7 Germany	9,195	13,410	25,239	5,633	5,425	4,532	3,431	3,355	2,544	319
8 Netherlands	8,249	8,083	1,642	−281	516	277	113	−113	584	546
9 Switzerland	5,001	5,650	10,862	2,926	4,804	−913	1,589	585	67	1,704
10 United Kingdom	23,952	42,902	32,653	2,246	6,685	4,794	558	1,440	7,026	9,904
11 Canada	−4,689	−335	2,494	666	890	286	9	834	−46	−145
12 Latin America and Caribbean	757	5,187	−9,168	−5,190	1,989	4,840	−11,441	−2,633	1,898	1,369
13 Middle East[1]	−1,449	−1,066	6,858	677	1,179	2,124	2,371	705	4	98
14 Other Asia	−12,351	4,445	−2,597	−1,645	−860	−1,716	52	−121	870	823
15 Japan	−1,171	5,723	−5,877	−1,603	−1,115	−2,604	−446	−1,045	439	497
16 Africa	639	372	519	150	−2	205	228	−50	54	−66
17 Other countries	−662	915	827	177	55	81	35	60	190	229
18 Nonmonetary international and regional organizations	**−380**	**−56**	**41**	**42**	**119**	**−182**	**61**	**21**	**−30**	**10**
BONDS[2]										
19 Foreign purchases	905,782	856,804	657,336	79,045	99,605	106,302	88,155	89,760[r]	107,281	87,188
20 Foreign sales	727,044	602,109	487,354	58,889	69,476	76,979	70,900	68,212[r]	75,117[r]	67,781
21 Net purchases, or sales (−)	**178,738**	**254,695**	**169,982**	**20,156**	**30,129**	**29,323**	**17,255**	**21,548[r]**	**32,164[r]**	**19,407**
22 Foreign countries	**179,081**	**255,097**	**170,014**	**20,161**	**30,147**	**29,422**	**17,260**	**21,490[r]**	**32,215[r]**	**19,319**
23 Europe	130,057	140,674	90,776	10,083	17,063	19,454	7,640	9,475	19,378	7,683
24 France	3,386	1,870	1,944	−114	1,124	620	−34	104	159	85
25 Germany	4,369	7,723	1,944	−618	702	348	288	175	897	152
26 Netherlands	3,443	2,446	−208	−23	−97	94	279	283	−169	−575
27 Switzerland	4,826	4,553	1,994	−47	526	202	−18	9	324	998
28 United Kingdom	99,637	106,344	69,894	10,324	13,478	15,479	4,274	6,237	16,218	3,884
29 Canada	6,121	6,043	8,021	2,133	1,324	689	764	1,076	1,092	943
30 Latin America and Caribbean	23,938	60,861	33,645	4,658	9,659	3,680	4,724	2,786[r]	4,390	3,748
31 Middle East[1]	4,997	1,979	1,070	−86	−177	670	347	−47	99	264
32 Other Asia	12,662	42,842	35,021	2,623	2,545	4,506	3,753	7,996[r]	7,059[r]	6,539
33 Japan	8,384	17,541	15,570	1,113	1,173	2,010	580	3,491	3,945[r]	3,258
34 Africa	190	1,411	693	677	−130	−11	35	40	72	10
35 Other countries	1,116	1,287	788	73	−137	434	−3	164	125	132
36 Nonmonetary international and regional organizations	**−343**	**−402**	**−32**	**−5**	**−18**	**−99**	**−5**	**58**	**−51**	**88**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	6,227	15,640	−23,584	1,107	−8,884	−8,173	723	8,535	−2,046[r]	−14,846
38 Foreign purchases	929,923	1,177,303	1,073,083	134,949	176,940	177,090	154,322	145,408	152,149[r]	132,225
39 Foreign sales	923,696	1,161,663	1,096,667	133,842	185,824	185,263	153,599	136,873	154,195[r]	147,071
40 Bonds, net purchases, or sales (−)	−17,350	−5,676	4,750	−3,498	−1,986	−3,431	798	4,263	5,770	2,834
41 Foreign purchases	1,328,281	798,267	514,956	62,186	74,380	83,838	63,916	79,534	82,951	68,151
42 Foreign sales	1,345,631	803,943	510,206	65,684	76,366	87,269	63,118	75,271	77,181	65,317
43 Net purchases, or sales (−), of stocks and bonds	**−11,123**	**9,964**	**−18,834**	**−2,391**	**−10,870**	**−11,604**	**1,521**	**12,798**	**3,724[r]**	**−12,012**
44 Foreign countries	**−10,778**	**9,679**	**−18,972**	**−2,551**	**−10,899**	**−11,703**	**1,356**	**12,722**	**3,874[r]**	**−11,771**
45 Europe	12,632	59,247	−15,269	754	−4,969	−5,923	1,628	10,113	−1,434[r]	−15,438
46 Canada	−1,901	−999	−3,754	−471	−1,865	−1,400	−422	−1,234	1,399	239
47 Latin America and Caribbean	−13,798	−4,726	−13,578	−4,868	−4,252	−701	−5,155	−845	1,981	262
48 Asia	−3,992	−42,961	12,936	1,955	−713	−4,086	5,695	4,971	1,878	3,236
49 Japan	−1,742	−43,637	16,423	866	−879	−1,458	4,688	5,978	3,243	3,985
50 Africa	−1,225	710	971	99	184	384	−143	−51	−33	531
51 Other countries	−2,494	−1,592	−278	−20	716	23	−247	−232	83	−601
52 Nonmonetary international and regional organizations	**−345**	**285**	**138**	**160**	**29**	**99**	**165**	**76**	**−150**	**−241**

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	1998	1999	2000 Jan.–July	2000 Jan.	Feb.	Mar.	Apr.	May	June	July[p]
1 **Total estimated**	**49,039**	**−9,953**	**−18,263**	**9,543**	**5,563**	**−16,871**	**14,520**	**−7,018**	**−17,932**	**−6,068**
2 Foreign countries	46,570	−10,518	−17,430	9,578	5,770	−17,092	14,484	−6,820	−17,597	−5,753
3 Europe	23,797	−38,228	−31,651	214	−2,443	−9,971	−632	−2,526	−9,935	−6,358
4 Belgium and Luxembourg	3,805	−81	−215	731	65	116	−498	−743	252	−138
5 Germany	144	2,285	−3,704	1,706	−866	−1,352	−1,676	74	609	−2,199
6 Netherlands	−5,533	2,122	2,388	806	2,475	539	700	−1,159	−389	−584
7 Sweden	1,486	1,699	706	499	−100	263	−289	266	−47	114
8 Switzerland	5,240	−1,761	−8,730	−3,407	−1,382	5	−288	−337	−1,928	−1,393
9 United Kingdom	14,384	−20,232	−20,843	−450	−1,261	−5,150	−533	178	−9,243	−4,384
10 Other Europe and former U.S.S.R.	4,271	−22,260	−1,253	329	−1,374	−4,392	1,952	−805	811	2,226
11 Canada	615	7,348	558	−582	8	640	1,819	−681	226	−872
12 Latin America and Caribbean	−3,662	−7,523	−3,391	−2,409	6,844	−4,789	2,509	−3,122	−3,839	1,415
13 Venezuela	59	362	226	54	13	24	26	4	16	89
14 Other Latin America and Caribbean	9,523	1,661	−6,728	−3,837	2,482	−1,596	258	−548	−4,748	1,261
15 Netherlands Antilles	−13,244	−9,546	3,111	1,374	4,349	−3,217	2,225	−2,578	893	65
16 Asia	27,433	29,359	16,306	12,403	1,064	−2,943	11,166	−908	−3,988	−488
17 Japan	13,048	20,102	6,298	1,297	−1,874	494	10,855	−2,486	−2,660	672
18 Africa	751	−3,021	−218	−43	80	−19	4	−114	−130	4
19 Other	−2,364	1,547	966	−5	217	−10	−382	531	69	546
20 Nonmonetary international and regional organizations	2,469	565	−833	−35	−207	221	36	−198	−335	−315
21 International	1,502	190	−797	−7	−194	151	30	−158	−286	−333
22 Latin American regional	199	666	52	0	0	70	6	−14	−9	−1
MEMO										
23 Foreign countries	46,570	−10,518	−17,430	9,578	5,770	−17,092	14,484	−6,820	−17,597	−5,753
24 Official institutions	4,123	−9,861	10,918	6,763	1,777	−569	6,403	−1,405	−1,412	−639
25 Other foreign	42,447	−657	−28,348	2,815	3,993	−16,523	8,081	−5,415	−16,185	−5,114
Oil-exporting countries										
26 Middle East[2]	−16,554	2,207	5,875	2,913	170	283	811	572	859	267
27 Africa[3]	2	0	0	0	0	0	0	0	0	0

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.28 FOREIGN EXCHANGE RATES AND INDEXES OF THE FOREIGN EXCHANGE VALUE OF THE U.S. DOLLAR[1]

Currency units per U.S. dollar except as noted

Item	1997	1998	1999	2000 Apr.	2000 May	2000 June	2000 July	2000 Aug.	2000 Sept.
				Exchange Rates					
COUNTRY/CURRENCY UNIT									
1 Australia/dollar[2]	74.37	62.91	64.54	59.60	57.84	59.49	58.70	58.08	55.21
2 Austria/schilling	12.206	12.379	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
3 Belgium/franc	35.81	36.31	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
4 Brazil/real	1.0779	1.1605	1.8207	1.7696	1.8278	1.8099	1.7982	1.8091	1.8397
5 Canada/dollar	1.3849	1.4836	1.4858	1.4689	1.4957	1.4770	1.4778	1.4828	1.4864
6 China, P.R./yuan	8.3193	8.3008	8.2781	8.2793	8.2781	8.2772	8.2794	8.2796	8.2785
7 Denmark/krone	6.6092	6.7030	6.9900	7.8872	8.2329	7.8501	7.9471	8.2459	8.5849
8 European Monetary Union/euro[3]	n.a.	n.a.	1.0653	0.9449	0.9059	0.9505	0.9386	0.9045	0.8695
9 Finland/markka	5.1956	5.3473	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 France/franc	5.8393	5.8995	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
11 Germany/deutsche mark	1.7348	1.7597	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Greece/drachma	273.28	295.70	306.30	355.02	371.63	354.14	359.04	372.97	389.67
13 Hong Kong/dollar	7.7431	7.7467	7.7594	7.7880	7.7907	7.7934	7.7969	7.7995	7.7985
14 India/rupee	36.36	41.36	43.13	43.68	44.08	44.76	44.84	45.77	45.97
15 Ireland/pound[2]	151.63	142.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
16 Italy/lira	1,703.81	1,736.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
17 Japan/yen	121.06	130.99	113.73	105.63	108.32	106.13	108.21	108.08	106.84
18 Malaysia/ringgit	2.8173	3.9254	3.8000	3.8000	3.8000	3.8000	3.8000	3.8000	3.8000
19 Mexico/peso	7.918	9.152	9.553	9.394	9.506	9.834	9.419	9.272	9.362
20 Netherlands/guilder	1.9525	1.9837	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
21 New Zealand/dollar[2]	66.25	53.61	52.94	49.60	47.08	47.05	45.97	44.52	41.71
22 Norway/krone	7.0857	7.5521	7.8071	8.6272	9.0533	8.6807	8.7185	8.9526	9.2331
23 Portugal/escudo	175.44	180.25	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24 Singapore/dollar	1.4857	1.6722	1.6951	1.7096	1.7286	1.7277	1.7414	1.7206	1.7406
25 South Africa/rand	4.6072	5.5417	6.1191	6.6480	7.0238	6.9147	6.8971	6.9570	7.1805
26 South Korea/won	947.65	1,400.40	1,189.84	1,110.32	1,119.49	1,117.94	1,115.08	1,114.47	1,117.57
27 Spain/peseta	146.53	149.41	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28 Sri Lanka/rupee	59.026	65.006	70.868	74.123	74.867	76.736	78.852	78.283	78.731
29 Sweden/krona	7.6446	7.9522	8.2740	8.7486	9.0925	8.7471	8.9640	9.2771	9.6853
30 Switzerland/franc	1.4514	1.4506	1.5045	1.6657	1.7190	1.6420	1.6519	1.7149	1.7586
31 Taiwan/dollar	28.775	33.547	32.322	30.520	30.772	30.831	30.984	31.106	31.198
32 Thailand/baht	31.072	41.262	37.887	37.993	38.951	39.087	40.318	40.889	41.992
33 United Kingdom/pound[2]	163.76	165.73	161.72	158.23	150.90	150.92	150.76	148.89	143.36
34 Venezuela/bolivar	488.87	548.39	606.82	672.73	680.00	680.96	685.86	689.17	690.39
				Indexes[4]					
NOMINAL									
35 Broad (January 1997=100)[5]	104.44	116.48	116.87	118.10	120.70	119.43	119.86	120.65	122.08
36 Major currencies (March 1973=100)[6]	91.24	95.79	94.07	96.31	99.31	96.74	97.68	99.16	100.76
37 Other important trading partners (January 1997=100)[7]	104.67	126.03	129.94	129.05	130.43	131.62	131.08	130.51	131.39
REAL									
38 Broad (March 1973=100)[5]	91.24r	99.25r	98.66r	100.67r	102.77r	102.03r	102.47r	103.01r	104.11
39 Major currencies (March 1973=100)[6]	92.26	97.25	96.75	100.70r	103.70r	101.32r	102.45r	104.08r	105.89
40 Other important trading partners (March 1973=100)[7]	95.58r	108.20r	107.44r	106.91r	107.95r	109.35r	108.88r	108.00r	108.26

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. U.S. cents per currency unit.

3. As of January 1999, the euro is reported in place of the individual euro area currencies. By convention, the rate is reported in U.S. dollars per euro. These currency rates can be derived from the euro rate by using the fixed conversion rates (in currencies per euro) as shown below:

Euro equals

13.7603	Austrian schillings	1936.27	Italian lire
40.3399	Belgian francs	40.3399	Luxembourg francs
5.94573	Finnish markkas	2.20371	Netherlands guilders
6.55957	French francs	200.482	Portuguese escudos
1.95583	German marks	166.386	Spanish pesetas
.787564	Irish pounds		

4. The December 1999 Bulletin contains revised index values resulting from the annual revision to the trade weights. For more information on the indexes of the foreign exchange value of the dollar, see *Federal Reserve Bulletin*, vol. 84 (October 1998), pp. 811–18.

5. Weighted average of the foreign exchange value of the U.S. dollar against the currencies of a broad group of U.S. trading partners. The weight for each currency is computed as an average of U.S. bilateral import shares from and export shares to the issuing country and of a measure of the importance to U.S. exporters of that country's trade in third country markets.

6. Weighted average of the foreign exchange value of the U.S. dollar against a subset of broad index currencies that circulate widely outside the country of issue. The weight for each currency is its broad index weight scaled so that the weights of the subset of currencies in the index sum to one.

7. Weighted average of the foreign exchange value of the U.S. dollar against a subset of broad index currencies that do not circulate widely outside the country of issue. The weight for each currency is its broad index weight scaled so that the weights of the subset of currencies in the index sum to one.

Guide to Statistical Releases and Special Tables

4.20 DOMESTIC AND FOREIGN OFFICES Insured Commercial Bank Assets and Liabilities
Consolidated Report of Condition, June 30, 2000

Millions of dollars except as noted

Item	Total	Domestic total	Banks with foreign offices[1]		Banks with domestic offices only[2]	
			Total	Domestic	Over 100	Under 100
1 **Total assets**[3]	**5,912,147**	**5,208,477**	**4,124,884**	**3,421,213**	**1,525,580**	**261,683**
2 Cash and balances due from depository institutions	337,766	244,286	265,180	171,700	60,303	12,284
3 Cash items in process of collection, unposted debits, and currency and coin	n.a.	n.a.	129,555	125,879	31,331	n.a.
4 Cash items in process of collection and unposted debits	n.a.	n.a.	n.a.	100,929	20,742	n.a.
5 Currency and coin	n.a.	n.a.	n.a.	24,951	10,589	n.a.
6 Balances due from depository institutions in the United States	n.a.	n.a.	37,153	26,502	19,204	n.a.
7 Balances due from banks in foreign countries and foreign central banks	n.a.	n.a.	86,485	7,441	1,287	n.a.
8 Balances due from Federal Reserve Banks	n.a.	n.a.	11,987	11,877	8,481	n.a.
MEMO						
9 Non-interest-bearing balances due from commercial banks in the United States (included in balances due from depository institutions in the United States)	n.a.	33,535	n.a.	13,661	15,192	4,682
10 Total securities, held-to-maturity (amortized cost) and available-for-sale (fair value)	1,028,435	n.a.	599,856	n.a.	361,228	67,352
11 U.S. Treasury securities	100,045	n.a.	68,373	n.a.	25,965	5,708
12 U.S. government agency and corporation obligations (excludes mortgage-backed securities)	215,051	n.a.	74,077	n.a.	106,228	34,746
13 Issued by U.S. government agencies	4,692	n.a.	2,248	n.a.	1,783	662
14 Issued by U.S. government-sponsored agencies	210,359	n.a.	71,829	n.a.	104,446	34,084
15 Securities issued by states and political subdivisions in the United States	89,713	n.a.	29,841	n.a.	48,330	11,542
16 General obligations	64,751	n.a.	20,029	n.a.	36,464	8,258
17 Revenue obligations	24,255	n.a.	9,320	n.a.	11,686	3,249
18 Industrial development and similar obligations	706	n.a.	492	n.a.	180	35
19 Mortgage-backed securities (MBS)	446,815	n.a.	295,005	n.a.	139,553	12,257
20 Pass-through securities	281,405	n.a.	192,518	n.a.	80,645	8,242
21 Guaranteed by GNMA	71,891	n.a.	41,975	n.a.	26,837	3,079
22 Issued by FNMA and FHLMC	207,352	n.a.	149,049	n.a.	53,166	5,136
23 Privately issued	2,163	n.a.	1,494	n.a.	642	27
24 Other mortgage-backed securities (includes CMOs, REMICs, and stripped MBS)	165,410	n.a.	102,487	n.a.	58,908	4,015
25 Issued or guaranteed by FNMA, FHLMC or GNMA	114,032	n.a.	70,940	n.a.	39,399	3,694
26 Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA	3,910	n.a.	3,035	n.a.	762	113
27 All other mortgage-backed securities	47,468	n.a.	28,512	n.a.	18,747	209
28 Other debt securities	137,715	n.a.	105,881	n.a.	30,016	1,819
29 Other domestic debt securities	n.a.	n.a.	50,252	n.a.	29,646	n.a.
30 Foreign debt securities	n.a.	n.a.	55,629	n.a.	369	n.a.
31 Equity securities	39,096	n.a.	26,680	n.a.	11,136	1,280
32 Investments in mutual funds and other equity securities with readily determinable fair value	12,546	n.a.	9,438	n.a.	2,809	298
33 All other equity securities	26,550	n.a.	17,242	n.a.	8,327	982
34 Federal funds sold and securities purchased under agreements to resell	242,698	188,477	194,523	140,302	39,458	8,717
35 Total loans and lease-financing receivables, gross	3,662,692	3,371,731	2,500,150	2,209,189	998,070	164,472
36 LESS: Unearned income on loans	3,075	2,495	1,577	997	1,215	283
37 Total loans and leases (net of unearned income)	3,659,617	3,369,236	2,498,573	2,208,192	996,855	164,189
38 LESS: Allowance for loan and lease losses	60,616	n.a.	42,023	n.a.	16,354	2,240
39 LESS: Allocated transfer risk reserves	133	n.a.	131	n.a.	1	1
40 EQUALS: Total loans and leases, net	3,598,867	n.a.	2,456,419	n.a.	980,500	161,949
Total loans and leases, gross, by category						
41 Loans secured by real estate	1,612,976	1,580,960	955,585	923,568	562,068	95,324
42 Construction and land development	n.a.	148,657	n.a.	79,791	60,451	8,415
43 Farmland	n.a.	33,717	n.a.	6,556	15,751	11,410
44 One- to four-family residential properties	n.a.	895,369	n.a.	582,180	267,612	45,576
45 Revolving, open-end loans, extended under lines of credit	n.a.	116,106	n.a.	84,322	29,366	2,418
46 All other loans	n.a.	779,263	n.a.	497,858	238,247	43,158
47 Multifamily (five or more) residential properties	n.a.	59,428	n.a.	33,652	23,610	2,166
48 Nonfarm nonresidential properties	n.a.	443,790	n.a.	221,389	194,644	27,757
49 Loans to depository institutions	107,653	89,590	98,517	80,453	9,057	80
50 Commercial banks in the United States	n.a.	n.a.	63,406	62,881	8,762	n.a.
51 Other depository institutions in the United States	n.a.	n.a.	11,736	11,580	168	n.a.
52 Banks in foreign countries	n.a.	n.a.	23,376	5,992	127	n.a.
53 Loans to finance agricultural production and other loans to farmers	46,747	45,921	12,170	11,344	18,341	16,237
54 Commercial and industrial loans	1,027,817	867,232	824,730	664,144	174,295	28,793
55 U.S. addressees (domicile)	n.a.	n.a.	676,750	654,050	173,514	n.a.
56 Non-U.S. addressees (domicile)	n.a.	n.a.	147,980	10,094	781	n.a.
57 Acceptances of other banks	1,318	579	1,229	490	83	6
58 U.S. banks	n.a.	n.a.	310	254	n.a.	n.a.
59 Foreign banks	n.a.	n.a.	918	237	n.a.	n.a.
60 Loans to individuals for household, family, and other personal expenditures (includes purchased paper)	548,296	506,177	316,838	274,720	209,609	21,848
61 Credit cards and related plans	204,169	n.a.	115,029	n.a.	88,280	860
62 Other (includes single payment and installment)	344,127	n.a.	201,810	n.a.	121,330	20,988
63 Obligations (other than securities) of states and political subdivisions in the United States (includes nonrated industrial development obligations)	20,030	20,023	13,148	13,141	6,127	754
64 All other loans	141,166	110,249	132,838	101,921	7,557	772
65 Loans to foreign governments and official institutions	n.a.	n.a.	7,687	1,652	17	n.a.
66 Other loans	n.a.	n.a.	125,151	100,269	7,540	n.a.
67 Loans for purchasing and carrying securities	n.a.	n.a.	n.a.	21,322	1,562	n.a.
68 All other loans (excludes consumer loans)	n.a.	n.a.	n.a.	78,947	5,978	n.a.
69 Lease-financing receivables	156,688	151,000	145,096	139,407	10,934	658
70 Assets held in trading accounts	271,517	n.a.	270,337	n.a.	1,179	1
71 Premises and fixed assets (including capitalized leases)	73,546	n.a.	45,726	n.a.	22,656	5,163
72 Other real estate owned	3,026	n.a.	1,620	n.a.	1,117	290
73 Investments in unconsolidated subsidiaries and associated companies	9,238	n.a.	8,778	n.a.	414	46
74 Customers' liability on acceptances outstanding	9,992	n.a.	9,772	n.a.	218	3
75 Net due from own foreign offices, Edge Act and agreement subsidiaries, and IBFs	n.a.	22,105	n.a.	22,105	n.a.	n.a.
76 Intangible assets	99,184	n.a.	84,477	n.a.	13,827	880
77 All other assets	237,877	n.a.	188,198	n.a.	44,681	4,998

4.20 DOMESTIC AND FOREIGN OFFICES Insured Commercial Bank Assets and Liabilities—Continued
Consolidated Report of Condition, June 30, 2000

Millions of dollars except as noted

Item	Total	Domestic total	Banks with foreign offices[1]		Banks with domestic offices only[2]	
			Total	Domestic	Over 100	Under 100
78 **Total liabilities, limited-life preferred stock, and equity capital**	**5,912,147**	n.a.	**4,124,884**	n.a.	**1,525,580**	**261,683**
79 **Total liabilities**	**5,418,226**	**4,714,556**	**3,795,187**	**3,091,516**	**1,389,0[illegible]**	**233,995**
80 Total deposits	3,944,353	3,259,182	2,619,887	1,934,717	1,104,328	220,138
81 Individuals, partnerships, and corporations	3,505,399	3,031,333	2,284,973	1,810,908	1,022,348	198,078
82 U.S. government	n.a.	7,309	n.a.	6,194	958	158
83 States and political subdivisions in the United States	n.a.	148,239	n.a.	67,163	63,094	17,982
84 Commercial banks in the United States	101,276	36,224	92,945	27,893	7,355	975
85 Other depository institutions in the United States	n.a.	8,329	n.a.	3,241	3,730	1,358
86 Foreign banks, governments, and official institutions	146,887	10,667	146,657	10,438	223	7
87 Banks	n.a.	n.a.	102,753	9,194	217	n.a.
88 Governments and official institutions	n.a.	n.a.	43,904	1,243	6	n.a.
89 Certified and official checks	18,444	17,081	10,243	8,880	6,620	1,581
90 Total transaction accounts		658,716		377,525	219,544	61,646
91 Individuals, partnerships, and corporations		559,863		316,095	190,284	53,484
92 U.S. government		1,584		1,068	444	72
93 States and political subdivisions in the United States		44,829		21,317	17,341	6,172
94 Commercial banks in the United States		24,768		20,682	3,841	245
95 Other depository institutions in the United States		2,865		1,978	801	86
96 Foreign banks, governments, and official institutions		7,727		7,507	214	6
97 Banks		n.a.		6,847	208	n.a.
98 Governments and official institutions		n.a.		660	6	n.a.
99 Certified and official checks		17,081		8,880	6,620	1,581
100 Demand deposits (included in total transaction accounts)		516,045		336,710	146,472	32,863
101 Individuals, partnerships, and corporations		442,829		283,722	129,370	29,737
102 U.S. government		1,374		927	386	60
103 States and political subdivisions in the United States		19,427		13,021	5,256	1,150
104 Commercial banks in the United States	n.a	24,762	n.a.	20,679	3,840	243
105 Other depository institutions in the United States		2,848		1,977	786	85
106 Foreign banks, governments, and official institutions		7,724		7,504	214	6
107 Banks		n.a.		6,845	208	n.a.
108 Governments and official institutions		n.a.		658	6	n.a.
109 Certified and official checks		17,081		8,880	6,620	1,581
110 Total nontransaction accounts		2,600,466		1,557,191	884,783	158,492
111 Individuals, partnerships, and corporations		2,471,470		1,494,812	832,064	144,594
112 U.S. government		5,726		5,126	514	86
113 States and political subdivisions in the United States		103,409		45,847	45,753	11,810
114 Commercial banks in the United States		11,456		7,212	3,514	730
115 Other depository institutions in the United States		5,465		1,263	2,929	1,272
116 Foreign banks, governments, and official institutions		2,941		2,931	9	1
117 Banks		n.a.		2,348	9	n.a.
118 Governments and official institutions		n.a.		583	0	n.a.
119 Federal funds purchased and securities sold under agreements to repurchase	470,509	443,161	379,613	352,264	86,943	3,954
120 Demand notes issued to the U.S. Treasury	47,112	47,112	43,060	43,060	3,908	145
121 Trading liabilities	182,359	n.a.	182,277	n.a.	81	0
122 Other borrowed money	523,549	481,785	350,595	308,831	165,239	7,715
123 Banks' liability on acceptances executed and outstanding	10,060	7,245	9,839	7,024	218	3
124 Notes and debentures subordinated to deposits	81,568	n.a.	77,489	n.a.	4,060	18
125 Net due to own foreign offices, Edge Act and agreement subsidiaries, and IBFs	n.a	196,520	n.a.	196,520	n.a.	n.a.
126 All other liabilities	158,717	n.a.	132,427	n.a.	24,268	2,022
127 **Total equity capital**	**493,921**	n.a.	**329,697**	n.a.	**136,535**	**27,689**
MEMO						
128 Trading assets at large banks[4]	271,297	120,864	270,316	119,884	980	
129 U.S. Treasury securities (domestic offices)		16,303		16,293	10	
130 U.S. government agency corporation obligations		7,504		7,357	147	
131 Securities issued by states and political subdivisions in the United States	n.a.	1,308	n.a.	1,205	103	
132 Mortgage-backed securities		8,452		8,008	444	n.a.
133 Other debt securities		17,618		17,605	13	
134 Other trading assets		9,175		9,020	155	
135 Trading assets in foreign banks	150,433	0	150,433	0	0	
136 Revaluation gains on interest rate, foreign exchange rate, and other commodity and equity contracts	60,503	60,503	60,395	60,395	108	
137 Total individual retirement (IRA) and Keogh plan accounts		149,034		80,621	57,348	11,066
138 Total brokered deposits		138,114		76,059	60,025	2,030
139 Fully insured brokered deposits		95,736		40,274	53,608	1,855
140 Issued in denominations of less than $100,000		16,313		4,658	10,595	1,060
141 Issued in denominations of $100,000, or in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less	n.a.	79,423	n.a.	35,615	43,013	795
142 Money market deposit accounts (MMDAs)		884,237		616,985	242,288	24,963
143 Other savings deposits (excluding MMDAs)		423,487		263,905	139,635	19,946
144 Total time deposits of less than $100,000		769,904		368,925	320,592	80,387
145 Total time deposits of $100,000 or more		522,838		307,376	182,266	33,196
146 All negotiable order of withdrawal (NOW) accounts		140,247		40,485	71,571	28,191
147 Number of banks	8,450	8,450	156	n.a.	3,069	5,225

NOTE. The notation "n.a." indicates the lesser detail available from banks that don't have foreign offices, the inapplicability of certain items to banks that have only domestic offices or the absence of detail on a fully consolidated basis for banks that have foreign offices.

1. All transactions between domestic and foreign offices of a bank are reported in "net due from" and "net due to" lines. All other lines represent transactions with parties other than the domestic and foreign offices of each bank. Because these intraoffice transactions are nullified by consolidation, total assets and total liabilities for the entire bank may not equal the sum of assets and liabilities respectively of the domestic and foreign offices.

Foreign offices include branches in foreign countries, Puerto Rico, and U.S. territories and possessions; subsidiaries in foreign countries; all offices of Edge Act and agreement corporations wherever located; and IBFs.

2. "Over 100" refers to banks whose assets, on June 30 of the preceding calendar year, were $100 million or more. (These banks file the FFIEC 032 or FFIEC 033 Call Report.) "Under 100" refers to banks whose assets, on June 30 of the preceding calendar year, were less than $100 million. (These banks file the FFIEC 034 Call Report.)

3. Because the domestic portion of allowances for loan and lease losses and allocated transfer risk reserves are not reported for banks with foreign offices, the components of total assets (domestic) do not sum to the actual total (domestic).

4. Components of "Trading assets at large banks" are reported only by banks with either total assets of $1 billion or more or with $2 billion or more in the par/notional amount of their off-balance-sheet derivative contracts.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, August 7–11, 2000

A. Commercial and industrial loans made by all commercial banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent)				Most common base pricing rate[4]
				Days	Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	
LOAN RISK[5]									
1 All commercial and industrial loans	8.28	114,271	756	393	41.6	11.4	24.9	72.4	Fed funds
2 Minimal risk	7.42	7,454	1,055	439	49.7	11.6	52.4	88.5	Fed funds
3 Low risk	7.55	16,581	1,213	378	15.1	13.3	38.6	80.8	Fed funds
4 Moderate risk	8.41	37,122	652	468	36.7	9.9	30.9	79.6	Foreign
5 Other	8.95	24,071	591	409	39.5	11.4	12.3	69.2	Fed funds
By maturity/repricing interval[6]									
6 Zero interval	9.46	21,648	434	439	54.2	14.5	3.5	58.6	Prime
7 Minimal risk	8.49	598	293	508	35.7	30.1	7.1	97.1	Other
8 Low risk	8.39	1,538	471	468	31.9	34.1	18.3	96.6	Prime
9 Moderate risk	9.39	7,244	365	381	53.5	12.0	4.8	79.9	Prime
10 Other	10.32	4,781	269	606	83.1	30.7	1.6	86.4	Prime
11 Daily	7.74	42,606	1,107	231	35.4	13.3	28.7	68.3	Fed funds
12 Minimal risk	7.18	3,347	7,083	228	66.8	8.8	88.7	94.5	Fed funds
13 Low risk	7.35	8,360	3,968	308	6.2	8.4	42.0	75.7	Fed funds
14 Moderate risk	7.95	11,554	907	294	21.1	13.7	28.9	67.4	Fed funds
15 Other	8.28	7,193	637	178	21.0	8.2	1.9	50.2	Fed funds
16 2 to 30 days	8.18	18,994	1,173	299	28.9	10.6	25.4	69.0	Fed funds
17 Minimal risk	7.07	1,212	1,763	231	13.5	14.5	13.6	85.7	Fed funds
18 Low risk	7.63	3,187	2,283	375	21.1	21.0	21.5	77.5	Fed funds
19 Moderate risk	8.23	6,005	845	403	27.6	12.6	32.4	87.1	Foreign
20 Other	8.84	5,577	1,026	268	28.4	2.0	17.1	48.3	Fed funds
21 31 to 365 days	8.13	26,249	878	508	42.3	4.3	39.8	93.8	Foreign
22 Minimal risk	7.56	2,109	788	793	45.6	6.9	34.7	79.8	Foreign
23 Low risk	7.57	3,207	574	431	20.0	8.3	56.3	90.3	Foreign
24 Moderate risk	8.20	10,288	976	540	38.0	1.7	56.5	96.5	Foreign
25 Other	8.72	6,048	1,383	617	34.4	8.1	28.5	96.1	Foreign
				Months					
26 More than 365 days	8.84	3,467	245	52	85.8	4.7	6.0	58.0	Other
27 Minimal risk	9.23	179	157	43	66.7	34.3	.5	68.5	Prime
28 Low risk	7.81	253	212	49	67.1	5.9	46.9	73.7	Foreign
29 Moderate risk	9.16	1,613	288	58	89.0	4.2	.6	25.8	Prime
30 Other	9.49	291	277	63	62.9	3.9	20.9	79.3	Other
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN (thousands of dollars)									
31 1–99	10.36	2,474	3.3	169	83.4	29.0	2.9	76.2	Prime
32 100–999	9.67	10,471	3.3	95	74.0	20.7	6.6	84.1	Prime
33 1,000–9,999	8.56	36,737	3.2	52	46.9	11.0	20.2	77.6	Foreign
34 10,000 or more	7.82	64,589	2.8	57	31.7	9.5	31.4	67.5	Fed funds
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	10.12	21,915	3.3	111	71.9	23.9	1.0	69.7	232
36 Fed funds	7.43	31,455	2.8	5	35.3	9.1	13.6	54.0	8,338
37 Other domestic	7.54	14,579	2.4	18	10.8	19.6	71.5	65.9	3,262
38 Foreign	8.19	28,969	3.0	50	33.4	4.2	42.5	88.3	2,787
39 Other	8.29	17,354	3.1	159	54.2	5.2	7.1	88.5	455

Footnotes appear at end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, August 7–11, 2000

B. Commercial and industrial loans made by all domestic banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent)				Most common base pricing rate[4]
				Days	Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	
LOAN RISK[5]									
1 All commercial and industrial loans	8.60	74,661	522	564	45.4	16.0	25.5	76.2	Prime
2 Minimal risk	7.44	6,804	992	464	53.2	12.8	53.0	90.0	Fed funds
3 Low risk	7.65	10,723	837	521	20.0	20.0	45.4	88.2	Domestic
4 Moderate risk	8.62	29,481	535	575	40.5	11.7	30.8	82.2	Foreign
5 Other	9.77	13,006	343	722	67.7	18.5	10.6	89.1	Prime
By maturity/repricing interval[6]									
6 Zero interval	9.46	21,209	431	437	54.2	14.8	3.3	58.4	Prime
7 Minimal risk	8.49	598	293	508	35.7	30.1	7.1	97.1	Other
8 Low risk	8.44	1,480	458	484	33.0	35.4	15.6	96.6	Prime
9 Moderate risk	9.38	7,155	365	378	53.1	12.2	4.8	79.6	Prime
10 Other	10.32	4,488	259	604	85.1	32.7	1.5	88.7	Prime
11 Daily	7.95	23,606	647	410	40.3	22.5	39.9	77.9	Domestic
12 Minimal risk	7.16	3,109	7,831	246	71.9	9.5	89.8	99.7	Fed funds
13 Low risk	7.36	5,002	2,655	458	10.3	13.8	64.8	85.6	Domestic
14 Moderate risk	8.11	8,192	670	413	28.1	17.2	39.8	75.3	Domestic
15 Other	9.25	2,714	252	344	51.4	15.2	4.6	74.4	Prime
16 2 to 30 days	8.49	10,886	738	506	39.5	18.5	20.1	91.1	Foreign
17 Minimal risk	7.05	1,073	1,676	245	10.9	16.3	10.9	83.9	Fed funds
18 Low risk	7.70	2,286	1,887	475	29.0	29.2	20.3	91.7	Fed funds
19 Moderate risk	8.52	4,344	647	555	36.2	17.4	34.6	94.9	Foreign
20 Other	10.14	2,275	462	602	67.7	5.0	4.8	98.2	Foreign
21 31 to 365 days	8.38	15,713	601	774	38.1	5.5	42.3	91.6	Foreign
22 Minimal risk	7.62	1,835	708	857	50.5	7.9	35.8	76.8	Foreign
23 Low risk	7.68	1,768	341	655	22.6	11.9	52.1	86.5	Foreign
24 Moderate risk	8.39	7,759	787	665	32.5	1.6	51.0	95.7	Foreign
25 Other	9.17	3,089	1,004	1,132	54.8	10.9	34.0	96.5	Foreign
				Months					
26 More than 365 days	9.18	2,454	175	56	81.1	6.7	2.9	40.6	Prime
27 Minimal risk	9.23	179	157	43	66.7	34.3	.5	68.5	Prime
28 Low risk	8.50	151	127	64	44.7	9.9	10.9	55.8	Other
29 Moderate risk	9.16	1,613	288	58	89.0	4.2	.6	25.8	Prime
30 Other	9.84	258	248	60	68.3	4.4	10.8	76.6	Other
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN (thousands of dollars)									
31 1–99	10.38	2,433	3.2	171	83.8	29.3	2.8	76.1	Prime
32 100–999	9.82	9,300	3.2	101	77.1	21.6	5.0	83.5	Prime
33 1,000–9,999	8.94	24,429	3.2	54	50.1	14.4	16.7	76.0	Prime
34 10,000 or more	7.98	38,499	2.6	64	32.4	14.8	37.4	74.5	Foreign
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	10.14	20,303	3.3	116	72.8	20.6	1.0	68.0	219
36 Fed funds	7.31	11,292	2.2	6	50.5	25.4	26.1	57.9	7,242
37 Other domestic	7.45	11,206	2.4	21	14.0	25.5	63.1	84.7	2,739
38 Foreign	8.46	19,638	3.0	43	37.3	5.8	38.7	84.1	2,435
39 Other	8.51	12,223	3.0	137	37.1	7.3	10.1	85.9	334

Footnotes appear at end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, August 7–11, 2000

C. Commercial and industrial loans made by large domestic banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent): Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	Most common base pricing rate[4]
				Days					
LOAN RISK[5]									
1 All commercial and industrial loans	8.43	64,598	945	559	41.3	12.5	28.6	76.0	Foreign
2 Minimal risk	7.30	6,388	5,396	450	51.5	12.9	56.5	92.6	Fed funds
3 Low risk	7.44	8,885	2,580	501	12.0	13.2	54.0	88.6	Domestic
4 Moderate risk	8.43	25,873	1,010	566	37.1	9.0	33.9	85.2	Foreign
5 Other	9.67	10,215	443	731	60.6	8.6	11.8	88.5	Prime
By maturity/repricing interval[6]									
6 Zero interval	9.28	16,190	775	447	51.0	5.7	2.5	52.9	Prime
7 Minimal risk	8.51	505	2,120	463	35.2	28.7	8.3	100.0	Other
8 Low risk	8.44	731	818	527	30.7	3.3	25.9	99.6	Prime
9 Moderate risk	9.09	5,251	619	374	56.6	8.7	2.7	90.1	Prime
10 Other	10.04	2,841	337	660	79.3	10.5	1.3	86.9	Prime
11 Daily	7.89	22,694	736	399	39.2	22.6	41.5	77.6	Domestic
12 Minimal risk	7.16	3,105	8,387	245	71.9	9.5	89.9	99.8	Fed funds
13 Low risk	7.28	4,681	3,803	432	8.3	14.5	69.2	85.7	Domestic
14 Moderate risk	8.03	7,882	817	411	25.9	16.5	41.3	74.7	Domestic
15 Other	9.14	2,525	283	317	48.1	15.2	4.9	74.1	Prime
16 2 to 30 days	8.36	9,258	1,115	519	31.5	11.9	22.5	90.4	Foreign
17 Minimal risk	7.00	1,036	8,626	247	7.7	16.9	11.3	83.3	Fed funds
18 Low risk	7.39	1,859	2,853	429	13.5	15.5	24.9	91.4	Fed funds
19 Moderate risk	8.30	3,754	1.000	553	27.7	7.3	39.0	94.9	Foreign
20 Other	10.45	1,892	585	674	61.9	4.4	2.1	98.6	Foreign
21 31 to 365 days	8.27	13,928	3,020	802	33.6	2.8	46.8	94.4	Foreign
22 Minimal risk	7.34	1,665	5,969	928	46.9	8.4	39.5	82.5	Foreign
23 Low risk	7.45	1,484	3,104	695	11.3	9.7	60.1	90.2	Foreign
24 Moderate risk	8.31	7,323	3,514	676	29.4	.9	53.4	98.8	Foreign
25 Other	9.21	2,586	1,948	1,133	48.8	1.2	38.3	96.2	Foreign
				Months					
26 More than 365 days	9.00	1,758	1,111	52	75.7	4.7	2.2	38.0	Prime
27 Minimal risk	8.23	67	502	30	11.2	87.1	1.2	97.6	Domestic
28 Low risk	8.03	95	966	60	20.4	4.5	10.3	68.9	Other
29 Moderate risk	9.10	1,249	1,991	54	86.8	.8	.6	18.3	Prime
30 Other	9.83	195	476	55	60.7	4.9	7.9	86.4	Other
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN (thousands of dollars)									
31 1–99	10.21	1,209	3.5	43	84.1	33.2	3.1	85.9	Prime
32 100–999	9.74	6,259	3.3	50	72.0	17.7	5.2	86.0	Prime
33 1,000–9,999	8.76	19,893	3.1	52	46.5	7.9	19.8	76.5	Foreign
34 10,000 or more	7.97	37,238	2.6	64	32.0	13.4	38.0	73.8	Foreign
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	10.00	14,604	3.3	132	71.0	13.1	.9	67.3	289
36 Fed funds	7.23	10,346	2.2	5	50.0	19.0	28.4	54.2	9,554
37 Other domestic	7.42	10,988	2.4	16	12.4	25.9	64.3	85.1	8,988
38 Foreign	8.47	18,253	3.0	38	35.6	5.4	40.1	82.9	2,761
39 Other	8.41	10,407	3.0	95	31.6	3.4	9.8	88.3	1,165

Footnotes appear at end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, August 7–11, 2000

D. Commercial and industrial loans made by small domestic banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent)				Most common base pricing rate[4]
				Days	Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	
LOAN RISK[5]									
1 All commercial and industrial loans	9.69	10,063	135	599	71.9	38.6	5.6	77.0	Prime
2 Minimal risk	9.63	416	73	678	79.8	11.1	.1	50.0	Prime
3 Low risk	8.68	1,838	196	626	58.9	52.7	4.2	86.0	Fed funds
4 Moderate risk	9.98	3,608	122	657	65.0	31.3	8.1	60.6	Prime
5 Other	10.14	2,791	188	676	93.5	55.1	6.2	91.6	Prime
By maturity/repricing interval[6]									
6 Zero interval	10.03	5,020	178	393	64.5	44.2	5.7	76.1	Prime
7 Minimal risk	8.43	94	52	800	38.5	38.2	.3	81.2	Prime
8 Low risk	8.43	748	320	430	35.3	66.8	5.5	93.6	Fed funds
9 Moderate risk	10.19	1,904	171	391	43.4	21.7	10.8	50.5	Prime
10 Other	10.79	1,648	185	398	95.1	71.0	1.9	92.0	Prime
11 Daily	9.58	912	161	660	68.8	19.6	.2	86.4	Prime
12 Minimal risk	9.46	4	156	700	44.3	33.4	*	81.9	Prime
13 Low risk	8.45	321	492	836	39.4	3.8	*	85.2	Prime
14 Moderate risk	10.04	310	120	475	83.0	35.9	*	90.3	Prime
15 Other	10.75	190	102	682	95.2	15.8	1.0	78.2	Prime
16 2 to 30 days	9.17	1,628	252	409	84.7	55.5	6.7	95.3	Foreign
17 Minimal risk	8.60	36	70	190	100.0	.9	*	100.0	Other
18 Low risk	9.09	427	763	666	96.5	89.0	*	92.8	Fed funds
19 Moderate risk	9.88	590	199	602	90.6	81.8	6.5	95.5	Prime
20 Other	8.64	383	226	263	96.7	7.8	18.0	96.0	Foreign
21 31 to 365 days	9.26	1,785	83	551	73.4	26.7	7.7	69.7	Other
22 Minimal risk	10.39	170	73	154	85.9	3.2	*	20.6	Prime
23 Low risk	8.87	284	60	419	81.2	23.1	10.7	67.1	Other
24 Moderate risk	9.65	436	56	487	85.6	14.6	10.9	44.0	Prime
25 Other	8.96	503	287	1,128	85.4	60.7	11.7	97.9	Other
				Months					
26 More than 365 days	9.62	697	56	66	94.7	11.7	4.9	47.1	Other
27 Minimal risk	9.83	112	111	51	99.9	2.7	*	51.2	Prime
28 Low risk	9.31	56	51	71	86.2	19.0	11.8	33.4	Prime
29 Moderate risk	9.35	364	73	73	96.5	15.5	.5	51.7	Other
30 Other	9.86	63	100	75	92.0	2.9	19.8	46.6	Other
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN (thousands of dollars)									
31 1–99	10.55	1,225	3.0	293	83.5	25.4	2.5	66.4	Prime
32 100–999	10.00	3,042	3.0	204	87.5	29.6	4.7	78.3	Prime
33 1,000–9,999	9.70	4,536	3.4	62	66.2	43.0	3.1	73.5	Prime
34 10,000 or more	8.03	1,261	2.3	70	43.2	56.9	20.0	97.0	Fed funds
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	10.50	5,699	3.3	76	77.6	39.9	1.2	70.0	135
36 Fed funds	8.20	945	2.2	23	56.1	95.4	.7	98.8	1,985
37 Other domestic	9.07	218	2.4	268	94.6	5.6	1.7	64.7	76
38 Foreign	8.26	1,385	3.4	115	59.8	10.3	20.3	99.7	952
39 Other	9.08	1,816	3.0	372	68.6	30.1	11.4	71.9	66

Footnotes appear at end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, August 7–11, 2000

E. Commercial and industrial loans made by U.S. branches and agencies of foreign banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent)				Most common base pricing rate[4]
				Days	Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	
LOAN RISK[5]									
1 All commercial and industrial loans	7.69	39,610	4,838	100	34.4	2.8	23.8	65.4	Fed funds
2 Minimal risk	7.27	650	3,143	182	12.5	*	45.6	73.0	Foreign
3 Low risk	7.37	5,858	6,844	131	6.0	1.1	26.1	67.4	Fed funds
4 Moderate risk	7.59	7,642	4,122	74	22.1	2.9	31.3	69.4	Fed funds
5 Other	7.98	11,065	4,000	96	6.4	3.0	14.2	45.8	Fed funds
By maturity/repricing interval[6]									
6 Zero interval	9.83	439	600	567	53.0	.4	13.7	66.7	Prime
7 Minimal risk	*	*		*		*	*	*	*
8 Low risk	*	*		*		*	*	*	*
9 Moderate risk	9.88	88	323	721	88.7	.4	*	99.6	Prime
10 Other	10.34	292	694	624	52.3	*	3.1	50.5	Prime
11 Daily	7.49	19,000	9,461	38	29.2	1.9	14.8	56.3	Fed funds
12 Minimal risk	7.44	238	3,150	2	*	*	73.8	26.2	Fed funds
13 Low risk	7.33	3,358	15,075	95	*	.2	8.1	60.9	Fed funds
14 Moderate risk	7.57	3,362	6,725	2	4.3	5.1	2.6	48.0	Fed funds
15 Other	7.70	4,479	8,427	85	2.6	3.9	.3	35.6	Fed funds
16 2 to 30 days	7.76	8,108	5,617	54	14.6	.0	32.3	39.3	Fed funds
17 Minimal risk	*	*		*		*	*	*	*
18 Low risk	7.45	901	4,892	143	.9	*	24.5	41.5	Fed funds
19 Moderate risk	7.48	1,662	4,211	58	5.0	.2	26.9	66.5	Foreign
20 Other	7.94	3,302	6,515	49	1.3	*	25.6	14.0	Fed funds
21 31 to 365 days	7.77	10,536	2,832	114	48.7	2.4	36.0	97.0	Foreign
22 Minimal risk	7.14	274	3,254	365	12.5	*	26.9	100.0	Foreign
23 Low risk	7.44	1,439	3,535	161	16.9	3.8	61.5	95.0	Foreign
24 Moderate risk	7.62	2,529	3,716	156	54.7	1.8	73.5	98.7	Foreign
25 Other	8.24	2,959	2,283	87	13.0	5.2	22.9	95.7	Foreign
				Months					
26 More than 365 days	8.03	1,013	11,321	43	97.4	*	13.4	100.0	Other
27 Minimal risk	*	*		*		*	*	*	*
28 Low risk	*	*		*		*	*	*	*
29 Moderate risk	*	*		*		*	*	*	*
30 Other	*	*		*		*	*	*	*
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN (thousands of dollars)									
31 1–99	8.91	41	3.5	27	59.6	12.5	7.9	85.1	Prime
32 100–999	8.43	1,171	3.4	40	49.5	13.0	18.8	88.9	Foreign
33 1,000–9,999	7.80	12,308	3.2	47	40.5	4.3	26.9	80.8	Fed funds
34 10,000 or more	7.60	26,090	3.1	46	30.7	1.7	22.6	57.1	Fed funds
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	9.92	1,612	3.6	16	60.8	64.4	1.6	90.9	954
36 Fed funds	7.49	20,164	3.2	5	26.8	*	6.5	51.7	9,109
37 Other domestic	7.83	3,373	2.7	7	.0	*	99.7	3.3	8,902
38 Foreign	7.63	9,331	3.1	65	25.1	.9	50.6	97.0	4,009
39 Other	7.76	5,131	4.2	208	95.0	*	.0	94.7	3,250

Footnotes appear at end of table.

NOTES TO TABLE 4.23

NOTE. The Survey of Terms of Business Lending collects data on gross loan extensions made during the first full business week in the mid-month of each quarter. The authorized panel size for the survey is 348 domestically chartered commercial banks and 50 U.S. branches and agencies of foreign banks. The sample data are used to estimate the terms of loans extended during that week at all domestic commercial banks and all U.S. branches and agencies of foreign banks. Note that the terms on loans extended during the survey week may differ from those extended during other weeks of the quarter. The estimates reported here are not intended to measure the average terms on all business loans in bank portfolios.

1. As of December 31, 1996, assets of most of the large banks were at least $7.0 billion. Median total assets for all insured banks were roughly $62 million. Assets at all U.S. branches and agencies averaged 1.3 billion.

2. Effective (compounded) annual interest rates are calculated from the stated rate and other terms of the loans and weighted by loan amount. The standard error of the loan rate for all commercial and industrial loans in the current survey (line 1, column 1) is 0.17 percentage point. The chances are about two out of three that the average rate shown would differ by less than this amount from the average rate that would be found by a complete survey of the universe of all banks.

3. Average maturities are weighted by loan amount and exclude loans with no stated maturities.

4. The most common base pricing rate is that used to price the largest dollar volume of loans. Base pricing rates include the prime rate (sometimes referred to as a bank's "base" or "reference" rate); the federal funds rate; domestic money market rates other than the prime rate and the federal funds rate; foreign money market rates; and other base rates not included in the foregoing classifications.

5. A complete description of these risk categories is available from the Banking Analysis Section, Mail Stop 81, Board of Governors of the Federal Reserve System, Washington, DC 20551. The category "Moderate risk" includes the average loan, under average economic conditions, at the typical lender. The category "Other" includes loans rated "acceptable" as well as special mention or classified loans. The weighted-average risk ratings published for loans in rows 31–39 are calculated by assigning a value of "1" to minimal risk loans; "2" to low risk loans; "3" to moderate risk loans, "4" to acceptable risk loans; and "5" to special mention and classified loans. These values are weighted by loan amount and exclude loans with no risk rating. Some of the loans in lines 1, 6, 11, 16, 21, 26, and 31–39 are not rated for risk.

6. The maturity/repricing interval measures the period from the date the loan is made until it first may reprice or it matures. For floating-rate loans that are subject to repricing at any time—such as many prime-based loans—the maturity/repricing interval is zero. For floating-rate loans that have a scheduled repricing interval, the maturity/repricing interval measures the number of days between the date the loan is made and the date on which it is next scheduled to reprice. For loans having rates that remain fixed until the loan matures (fixed-rate loans), the maturity/repricing interval measures the number of days between the date the loan is made and the date on which it matures. Loans that reprice daily mature or reprice on the business day after they are made. Owing to weekends and holidays, such loans may have maturity/repricing intervals in excess of one day; such loans are not included in the "2 to 30 day" category.

7. For the current survey, the average reported prime rate, weighted by the amount of loans priced relative to a prime base rate, was 9.55 percent for all banks; 9.50 percent for large domestic banks, 9.68 percent for small domestic banks; and 9.50 percent for U.S. branches and agencies of foreign banks.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, June 30, 2000[1]

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
1 **Total assets**[4]	**919,627**	**188,018**	**754,378**	**160,840**	**27,334**	**6,655**	**46,937**	**5,243**
2 Claims on nonrelated parties	735,402	79,285	594,089	69,244	26,634	1,920	45,858	2,032
3 Cash and balances due from depository institutions	83,073	38,780	78,236	36,355	732	321	2,700	1,890
4 Cash items in process of collection and unposted debits	2,324	0	2,277	0	2	0	25	0
5 Currency and coin (U.S. and foreign)	16	n.a.	11	n.a.	1	n.a	0	n.a.
6 Balances with depository institutions in United States	55,146	17,418	52,308	16,448	548	163	1,110	623
7 U.S. branches and agencies of other foreign banks (including IBFs)	48,438	16,578	46,027	15,633	345	163	1,076	623
8 Other depository institutions in United States (including IBFs)	6,707	839	6,281	814	204	0	34	0
9 Balances with banks in foreign countries and with foreign central banks	25,105	21,362	23,266	19,907	161	158	1,552	1,267
10 Foreign branches of U.S. banks	730	633	717	630	0	0	0	0
11 Banks in home country and home-country central banks	7,524	6,715	7,393	6,603	106	106	0	0
12 All other banks in foreign countries and foreign central banks	16,851	14,015	15,156	12,674	55	52	1,552	1,267
13 Balances with Federal Reserve Banks	482	n.a.	374	n.a.	19	n.a.	13	n.a.
14 **Total securities and loans**	**438,391**	**33,653**	**340,867**	**26,910**	**25,052**	**1,545**	**33,101**	**110**
15 Total securities, book value	111,277	3,977	103,207	3,452	1,204	488	5,703	12
16 U.S. Treasury	16,552	n.a.	15,692	n.a.	53	n.a.	792	n.a.
17 Obligations of U.S. government agencies and corporations	47,756	n.a.	45,343	n.a.	179	n.a.	2,022	n.a.
18 Other bonds, notes, debentures, and corporate stock (including state and local securities)	46,968	3,977	42,172	3,452	971	488	2,888	12
19 Securities of foreign governmental units	9,698	1,972	9,449	1,844	218	115	12	12
20 All Other	37,270	2,005	32,724	1,609	753	373	2,876	0
21 Federal funds sold and securities purchased under agreements to resell	92,308	4,348	89,671	4,309	343	13	1,575	0
22 U.S. branches and agencies of other foreign banks	12,219	2,487	11,657	2,450	156	13	4	0
23 Commercial banks in United States	9,270	120	8,870	118	161	0	3	0
24 Other	70,819	1,741	69,144	1,741	27	0	1,568	0
25 Total loans, gross	327,471	29,717	237,919	23,495	23,888	1,058	27,418	98
26 LESS Unearned income on loans	356	41	259	37	39	1	20	0
27 EQUALS: Loans, net	327,115	29,676	237,660	23,457	23,848	1,057	27,398	98
Total loans, gross, by category								
28 Real estate loans	17,622	94	12,143	94	3,157	0	345	0
29 Loans to depository institutions	25,694	13,439	18,225	9,200	1,462	848	300	93
30 Commercial banks in United States (including IBFs)	8,914	2,350	7,051	1,680	1,138	553	20	5
31 U.S. branches and agencies of other foreign banks	5,957	2,156	4,511	1,492	1,039	547	20	5
32 Other commercial banks in United States	2,957	194	2,540	188	98	6	0	0
33 Other depository institutions in United States (including IBFs)	18	0	3	0	0	0	0	0
34 Banks in foreign countries	16,762	11,089	11,171	7,520	324	295	281	88
35 Foreign branches of U.S. banks	1,126	550	1,102	528	0	0	2	0
36 Other banks in foreign countries	15,636	10,539	10,069	6,992	324	295	278	88
37 Loans to other financial institutions	50,325	1,838	38,468	1,589	1,141	0	3,976	0
38 Commercial and industrial loans	210,765	12,088	149,402	10,500	17,605	187	21,054	2
39 U.S. addressees (domicile)	173,411	31	122,304	30	16,119	0	19,216	0
40 Non-U.S. addressees (domicile)	37,355	12,057	27,098	10,469	1,485	187	1,838	2
41 Acceptances of other banks	780	9	145	9	14	0	619	0
42 U.S. banks	6	0	3	0	1	0	0	0
43 Foreign banks	774	9	142	9	13	0	619	0
44 Loans to foreign governments and official institutions (including foreign central banks)	3,535	2,123	3,077	2,006	143	23	171	3
45 Loans for purchasing or carrying securities (secured and unsecured)	11,043	21	10,485	20	0	0	0	0
46 All other loans	6,758	105	5,732	76	366	0	247	0
47 Lease financing receivables (net of unearned income)	948	0	240	0	0	0	707	0
48 U.S. addressees (domicile)	948	0	240	0	0	0	707	0
49 Non-U.S. addressees (domicile)	0	0	0	0	0	0	0	0
50 Trading assets	87,191	650	55,365	650	57	0	6,569	0
51 All other assets	34,438	1,854	29,950	1,021	450	40	1,913	32
52 Customers' liabilities on acceptances outstanding	1,520	n.a.	1,048	n.a.	143	n.a.	292	n.a.
53 U.S. addressees (domicile)	725	n.a.	574	n.a.	140	n.a.	11	n.a.
54 Non-U.S. addressees (domicile)	795	n.a.	475	n.a.	3	n.a.	281	n.a.
55 Other assets including other claims on nonrelated parties	32,918	1,854	28,902	1,021	307	40	1,621	32
56 Net due from related depository institutions[5]	184,225	108,733	160,289	91,596	700	4,735	1,079	3,211
57 Net due from head office and other related depository institutions[5]	184,225	n.a.	160,289	n.a.	700	n.a.	1,079	n.a.
58 Net due from establishing entity, head office, and other related depository institutions[5]	n.a.	108,733	n.a.	91,596	n.a.	4,735	n.a.	3,211
59 **Total liabilities**[4]	**919,627**	**188,018**	**754,378**	**160,840**	**27,334**	**6,655**	**46,937**	**5,243**
60 Liabilities to nonrelated parties	806,465	170,549	685,762	144,884	11,948	6,527	35,411	5,129

Footnotes appear at end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, June 30, 2000[1]—Continued

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs[3]	IBFs only[3]	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only
61 Total deposits and credit balances	369,024	127,424	308,461	111,976	3,280	1,236	14,410	4,120
62 Individuals, partnerships, and corporations	274,472	12,060	222,552	6,691	2,679	218	12,324	16
63 U.S. addressees (domicile)	257,070	0	211,851	0	1,059	0	12,194	0
64 Non-U.S. addressees (domicile)	17,402	12,059	10,701	6,691	1,621	218	130	16
65 Commercial banks in United States (including IBFs)	45,798	16,524	40,374	16,176	353	83	973	130
66 U.S. branches and agencies of other foreign banks	20,319	15,529	16,133	15,279	0	83	325	45
67 Other commercial banks in United States	25,479	994	24,241	897	353	0	648	85
68 Banks in foreign countries	8,469	68,664	8,108	65,494	7	164	150	1,198
69 Foreign branches of U.S. banks	1,222	4,914	1,222	4,708	0	0	0	206
70 Other banks in foreign countries	7,246	63,750	6,886	60,786	7	164	150	992
71 Foreign governments and official institutions (including foreign central banks)	19,975	30,176	18,620	23,615	9	771	961	2,776
72 All other deposits and credit balances	20,106	0	18,622	0	228	0	1	0
73 Certified and official checks	204		186		5		1	
74 Transaction accounts and credit balances (excluding IBFs)	9,191		7,268		254		443	
75 Individuals, partnerships, and corporations	7,310		5,614		240		440	
76 U.S. addressees (domicile)	5,105		4,268		132		436	
77 Non-U.S. addressees (domicile)	2,205		1,346		107		3	
78 Commercial banks in United States (including IBFs)	68		53		1		0	
79 U.S. branches and agencies of other foreign banks	10		9		0		0	
80 Other commercial banks in United States	58		44		1		0	
81 Banks in foreign countries	1,029		886		7		0	
82 Foreign branches of U.S. banks	1		1		0		0	
83 Other banks in foreign countries	1,028		886		7		0	
84 Foreign governments and official institutions (including foreign central banks)	405		365		1		2	
85 All other deposits and credit balances	175		165		1		0	
86 Certified and official checks	204		186		5		1	
87 Demand deposits (included in transaction accounts and credit balances)	8,372		6,703		184		440	
88 Individuals, partnerships, and corporations	6,664		5,221		170		436	
89 U.S. addressees (domicile)	4,770		4,011		109		433	
90 Non-U.S. addressees (domicile)	1,895		1,209		61		3	
91 Commercial banks in United States (including IBFs)	65	n.a.	49	n.a.	1	n.a.	0	n.a.
92 U.S. branches and agencies of other foreign banks	10		9		0		0	
93 Other commercial banks in United States	55		40		1		0	
94 Banks in foreign countries	985		843		7		0	
95 Foreign branches of U.S. banks	1		1		0		0	
96 Other banks in foreign countries	983		842		7		0	
97 Foreign governments and official institutions (including foreign central banks)	398		359		1		2	
98 All other deposits and credit balances	56		46		0		0	
99 Certified and official checks	204		186		5		1	
100 Nontransaction accounts (including MMDAs, excluding IBFs)	359,833		301,193		3,026		13,967	
101 Individuals, partnerships, and corporations	267,162		216,938		2,440		11,884	
102 U.S. addressees (domicile)	251,965		207,583		926		11,757	
103 Non-U.S. addressees (domicile)	15,197		9,355		1,514		127	
104 Commercial banks in United States (including IBFs)	45,730		40,321		352		973	
105 U.S. branches and agencies of other foreign banks	20,310		16,124		0		325	
106 Other commercial banks in United States	25,420		24,197		352		648	
107 Banks in foreign countries	7,439		7,222		0		150	
108 Foreign branches of U.S. banks	1,221		1,221		0		0	
109 Other banks in foreign countries	6,218		6,001		0		150	
110 Foreign governments and official institutions (including foreign central banks)	19,571		18,255		7		959	
111 All other deposits and credit balances	19,930		18,457		227		1	
112 IBF deposit liabilities		127,424		111,976		1,236		4,120
113 Individuals, partnerships, and corporations		12,060		6,691		218		16
114 U.S. addressees (domicile)		0		0		0		0
115 Non-U.S. addressees (domicile)		12,059		6,691		218		16
116 Commercial banks in United States (including IBFs)		16,524		16,176		83		130
117 U.S. branches and agencies of other foreign banks		15,529		15,279		83		45
118 Other commercial banks in United States	n.a.	994	n.a.	897	n.a.	0	n.a.	85
119 Banks in foreign countries		68,664		65,494		164		1,198
120 Foreign branches of U.S. banks		4,914		4,708		0		206
121 Other banks in foreign countries		63,750		60,786		164		992
122 Foreign governments and official institutions (including foreign central banks)		30,176		23,615		771		2,776
123 All other deposits and credit balances		0		0		0		0

Footnotes appear at end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, June 30, 2000[1]—Continued

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
124 Federal funds purchased and securities sold under agreements to repurchase	140,033	16,159	130,716	12,455	1,094	366	4,519	534
125 U.S. branches and agencies of other foreign banks	12,338	2,814	10,233	2,365	418	164	1,323	70
126 Other commercial banks in United States	9,658	228	8,329	200	334	28	361	0
127 Other	118,037	13,117	112,154	9,889	342	174	2,835	464
128 Other borrowed money	78,632	25,476	59,903	19,089	5,986	4,885	5,557	458
129 Owed to nonrelated commercial banks in United States (including IBFs)	13,154	5,126	11,022	4,149	1,070	821	522	75
130 Owed to U.S. offices of nonrelated U.S. banks	5,861	972	5,411	849	135	117	62	0
131 Owed to U.S. branches and agencies of nonrelated foreign banks	7,293	4,154	5,611	3,299	936	704	460	75
132 Owed to nonrelated banks in foreign countries	17,291	15,572	12,966	11,334	3,334	3,333	183	168
133 Owed to foreign branches of nonrelated U.S. banks	1,774	1,652	1,381	1,280	351	351	0	0
134 Owed to foreign offices of nonrelated foreign banks	15,517	13,920	11,584	10,054	2,984	2,982	183	168
135 Owed to others	48,187	4,779	35,915	3,606	1,582	731	4,852	214
136 All other liabilities	91,352	1,490	74,706	1,364	352	40	6,805	18
137 Branch or agency liability on acceptances executed and outstanding	1,840	n.a.	1,217	n.a.	143	n.a.	436	n.a.
138 Trading liabilities	62,682	41	50,413	41	44	0	5,304	0
139 Other liabilities to nonrelated parties	26,830	1,450	23,076	1,324	165	40	1,065	18
140 Net due to related depository institutions[5]	113,161	17,468	68,616	15,956	15,386	127	11,526	113
141 Net due to head office and other related depository institutions[5]	113,161	n.a.	68,616	n.a.	15,386	n.a.	11,526	n.a.
142 Net due to establishing entity, head office, and other related depository institutions[5]	n.a.	17,468	n.a.	15,956	n.a.	127	n.a.	113
MEMO								
143 Non-interest-bearing balances with commercial banks in United States	2,225	0	2,092	0	43	0	23	0
144 Holding of own acceptances included in commercial and industrial loans	1,957		1,483		162		216	
145 Commercial and industrial loans with remaining maturity of one year or less (excluding those in nonaccrual status)	103,704		64,130		8,958		16,544	
146 Predetermined interest rates	60,184	n.a.	33,599	n.a.	4,256	n.a.	13,830	n.a.
147 Floating interest rates	43,520		30,531		4,702		2,715	
148 Commercial and industrial loans with remaining maturity of more than one year (excluding those in nonaccrual status)	104,699		83,382		8,570		4,429	
149 Predetermined interest rates	22,103		18,557		1,010		594	
150 Floating interest rates	82,596		64,825		7,559		3,835	

Footnotes appear at end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, June 30, 2000[1]—Continued

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs[3]	IBFs only[3]	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only
151 Components of total nontransaction accounts, included in total deposits and credit balances (excluding IBFs)	361,218	n.a.	304,249	n.a.	2,868	n.a.	13,710	n.a.
152 Time deposits of $100,000 or more	354,969	n.a.	298,063	n.a.	2,830	n.a.	13,709	n.a.
153 Time CDs in denominations of $100,000 or more with remaining maturity of more than 12 months	6,249	n.a.	6,186	n.a.	39	n.a.	1	n.a.
	All states[2]		**New York**		**California**		**Illinois**	
	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
154 Immediately available funds with a maturity greater than one day included in other borrowed money	28,359	n.a.	23,995	n.a.	2,971	n.a.	835	n.a.
155 Number of reports filed[6]	349	0	182	0	70	0	29	0

1. Data are aggregates of categories reported on the quarterly form FFIEC 002, "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks." The form was first used for reporting data as of June 30, 1980, and was revised as of December 31, 1985. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve monthly statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items.

2. Includes the District of Columbia.

3. Effective December 1981, the Federal Reserve Board amended Regulations D and Q to permit banking offices located in the United States to operate international banking facilities (IBFs). Since December 31, 1985, data for IBFs have been reported in a separate column. These data are either included in or excluded from the total columns as indicated in the headings. The notation "n.a." indicates that no IBF data have been reported for that item, either because the item is not an eligible IBF asset or liability or because that level of detail is not reported for IBFs. From December 1981 through September 1985, IBF data were included in all applicable items reported.

4. Total assets and total liabilities include *net* balances, if any, due from or owed to related banking institutions in the United States and in foreign countries (see note 5). On the former monthly branch and agency report, available through the G.11 monthly statistical release, *gross* balances were included in total assets and total liabilities. Therefore, total asset and total liability figures in this table are not comparable to those in the G.11 tables.

5. Related depository institutions includes the foreign head office and other U.S. and foreign branches and agencies of a bank, a bank's parent holding company, and majority-owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly).

6. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

4.31 PRO FORMA FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

A. Pro forma balance sheet

Millions of dollars

Item	June 30, 2000		June 30, 1999	
Short-term assets (Note 1)				
Imputed reserve requirement on clearing balances	610.7		665.3	
Investment in marketable securities	5,496.2		5,987.7	
Receivables	76.4		72.0	
Materials and supplies	3.3		4.4	
Prepaid expenses	28.5		29.3	
Items in process of collection	3,234.3		4,560.5	
Total short-term assets		9,449.4		11,319.1
Long-term assets (Note 2)				
Premises	450.6		411.6	
Furniture and equipment	165.0		144.1	
Leases and leasehold improvements	48.9		35.0	
Prepaid pension costs	600.5		491.5	
Total long-term assets		1,265.0		1,082.3
Total assets		**10,714.4**		**12,401.4**
Short-term liabilities				
Clearing balances and balances arising from early credit of uncollected items	5,893.3		7,242.6	
Deferred-availability items	3,448.0		3,970.9	
Short-term debt	108.2		105.6	
Total short-term liabilities		9,449.4		11,319.1
Long-term liabilities				
Obligations under capital leases	.0		.0	
Long-term debt	405.4		219.8	
Postretirement/postemployment benefits obligation	236.0		222.1	
Total long-term liabilities		641.4		441.9
Total liabilities		**10,090.8**		**11,761.1**
Equity		623.6		640.4
Total liabilities and equity (Note 3)		**10,714.4**		**12,401.4**

NOTE. Components may not sum to totals because of rounding. The priced services financial statements consist of these tables and the accompanying notes.

(1) SHORT-TERM ASSETS

The imputed reserve requirement on clearing balances held at Reserve Banks by depository institutions reflects a treatment comparable to that of compensating balances held at correspondent banks by respondent institutions. The reserve requirement imposed on respondent balances must be held as vault cash or as nonearning balances maintained at a Reserve Bank; thus, a portion of priced services clearing balances held with the Federal Reserve is shown as required reserves on the asset side of the balance sheet. The remainder of clearing balances is assumed to be invested in three-month Treasury bills, shown as investment in marketable securities.

Receivables are (1) amounts due the Reserve Banks for priced services and (2) the share of suspense-account and difference-account balances related to priced services.

Materials and supplies are the inventory value of short-term assets.

Prepaid expenses include salary advances and travel advances for priced-service personnel.

Items in process of collection is gross Federal Reserve cash items in process of collection (CIPC) stated on a basis comparable to that of a commercial bank. It reflects adjustments for intra-System items that would otherwise be double-counted on a consolidated Federal Reserve balance sheet; adjustments for items associated with non-priced items, such as those collected for government agencies; and adjustments for items associated with providing fixed availability or credit before items are received and processed. Among the costs to be recovered under the Monetary Control Act is the cost of float, or net CIPC during the period (the difference between gross CIPC and deferred-availability items which is the portion of gross CIPC that involves a financing cost), valued at the federal funds rate.

(2) LONG-TERM ASSETS

Consists of long-term assets used solely in priced services, the priced-services portion of long-term assets shared with nonpriced services, and an estimate of the assets of the Board of Governors used in the development of priced services. Effective Jan. 1, 1987, the Reserve Banks implemented the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 87, *Employers' Accounting for Pensions* (SFAS 87). Accordingly, the Federal Reserve Banks recognized credits to expenses of \$54.2 million in the second quarter of 1999, \$21.9 million in the first quarter of 1999, \$57.7 million in second quarter 2000 and \$28.9 million in first quarter 2000, and corresponding increases in this asset account.

(3) LIABILITIES AND EQUITY

Under the matched-book capital structure for assets that are not "self-financing," short-term assets are financed with short-term debt. Long-term assets are financed with long-term debt and equity in a proportion equal to the ratio of long-term debt to equity for the fifty largest bank holding companies, which are used in the model for the private-sector adjustment factor (PSAF). The PSAF consists of the taxes that would have been paid and the return on capital that would have been provided had priced services been furnished by a private-sector firm. Other short-term liabilities include clearing balances maintained at Reserve Banks and deposit balances arising from float. Other long-term liabilities consist of obligations on capital leases.

4.31 PRO FORMA FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

B. Pro forma income statement

Millions of dollars

Item	Quarter ending June 30, 2000		Quarter ending June 30, 1999	
Revenue from services provided to depository institutions (Note 4)		221.9		205.3
Operating expenses (Note 5)		173.6		164.5
Income from operations		48.3		40.7
Imputed costs (Note 6)				
Interest on float	.4		.3	
Interest on debt	7.9		4.6	
Sales taxes	1.9		2.4	
FDIC insurance	0.0	10.2	.8	8.3
Income from operations after imputed costs		38.1		32.4
Other income and expenses (Note 7)				
Investment income on clearing balances	98.9		77.3	
Earnings credits	93.4	5.5	70.5	6.8
Income before income taxes		43.6		39.3
Inputed income taxes (Note 8)		13.7		12.5
Net income		**29.9**		**26.7**
MEMO				
Targeted return on equity (Note 9)		24.6		14.2
	Six months ending June 30, 2000		Six months ending June 30, 1999	
Revenue from services provided to depository institutions (Note 4)		433 4		408.4
Operating expenses (Note 5)		346.4		334.9
Income from operations		87.0		73.5
Imputed costs (Note 6)				
Interest on float	3.2		5.9	
Interest on debt	15.8		9.2	
Sales taxes	4.2		4.6	
FDIC insurance	0.0	23.2	1.6	21.4
Income from operations after imputed costs		63.8		52.1
Other income and expenses (Note 7)				
Investment income on clearing balances	203.7		159.2	
Earnings credits	−181.8	22.0	141.0	18.3
Income before income taxes		85.7		70.4
Imputed income taxes (Note 8)		27.0		22.5
Net income		**58.7**		**47.9**
MEMO				
Targeted return on equity (Note 9)		49.2		31.5

NOTE. Components may not sum to totals because of rounding. The priced services financial statements consist of these tables and the accompanying notes.

(4) REVENUE

Revenue represents charges to depository institutions for priced services and is realized from each institution through one of two methods: direct charges to an institution's account or charges against its accumulated earnings credits.

(5) OPERATING EXPENSES

Operating expenses consist of the direct, indirect, and other general administrative expenses of the Reserve Banks for priced services plus the expenses for staff members of the Board of Governors working directly on the development of priced services. The expenses for Board staff members were $2.1 million in the first and second quarters of 2000 and $1.7 million in the first and second quarters of 1999. The credit to expenses under SFAS 87 (see note 2) is reflected in operating expenses.

(6) IMPUTED COSTS

Imputed costs consist of interest on float, interest on debt, sales taxes, and the FDIC assessment. Interest on float is derived from the value of float to be recovered, either explicitly or through per-item fees, during the period. Float costs include costs for checks, book-entry securities, noncash collection, ACH, and funds transfers.

Interest is imputed on the debt assumed necessary to finance priced-service assets. The sales taxes and FDIC assessment that the Federal Reserve would have paid had it been a private-sector firm are among the components of the PSAF (see note 3)

Float costs are based on the actual float incurred for each priced service, multiplied by the appropriate federal funds rate. Other imputed costs are allocated among priced services according to the ratio of operating expenses less shipping expenses for each service to the total expenses for all services less the total shipping expenses for all services.

The following list shows the daily average recovery of float (before converting to float costs) by the Reserve Banks for the third quarter of 2000 and 1999 in millions of dollars:

	2000	1999
Total float	466.4	394.7
Unrecovered float	8.0	(49.6)
Float subject to recovery	458.4	444.2
Sources of float recovery		
Income on clearing balances	46.4	33.5
As-of adjustments	438.8	318.8
Direct charges	279.9	41.6
Per-item fees	(306.8)	50.4

Unrecovered float includes float generated by services to government agencies and by other central bank services. Float recovered through income on clearing balances is the result of the increase in investable clearing balances; the increase is produced by a deduction for float for cash items in process of collection, which reduces imputed reserve requirements. The income on clearing balances reduces the float to be recovered through other means. As-of adjustments are memorandum adjustments to an institution's reserve or clearing position to recover float incurred by the institution. Direct charges are billed to the institution for float incurred when an institution chooses to close on a normal business day and for float incurred on interterritory check transportation. Float recovered through direct charges is valued at cost using the federal funds rate and charged directly to an institution's account. Float recovered through per-item fees is valued at the federal funds rate and has been added to the cost base subject to recovery in the second quarters of 2000 and 1999.

(7) OTHER INCOME AND EXPENSES

Consists of imputed investment income on clearing balances and the actual cost of earnings credits. Investment income on clearing balances represents the average coupon-equivalent yield on three-month Treasury bills applied to the *total* clearing balance maintained, adjusted for the effect of reserve requirements on clearing balances. Expenses for earnings credits granted to depository institutions on their clearing balances are derived by applying the average federal funds rate to the *required* portion of the clearing balances, adjusted for the net effect of reserve requirements on clearing balances.

(8) INCOME TAXES

Imputed income taxes are calculated at the effective tax rate derived from the PSAF model (see note 3)

(9) RETURN ON EQUITY

Represents the after-tax rate of return on equity that the Federal Reserve would have earned had it been a private business firm, as derived from the PSAF model (see note 3). This amount is adjusted to reflect the recovery of automation consolidation costs of $0.0 million for the first and second quarters of 2000, $3.5 million for the second quarter of 1999, and $3.3 million for the first quarter of 1999. The Reserve Banks recovered these amounts, along with a finance charge, by the end of 1999.

Index to Statistical Tables

References are to pages A3–A77, although the prefix "A" is omitted in this index.

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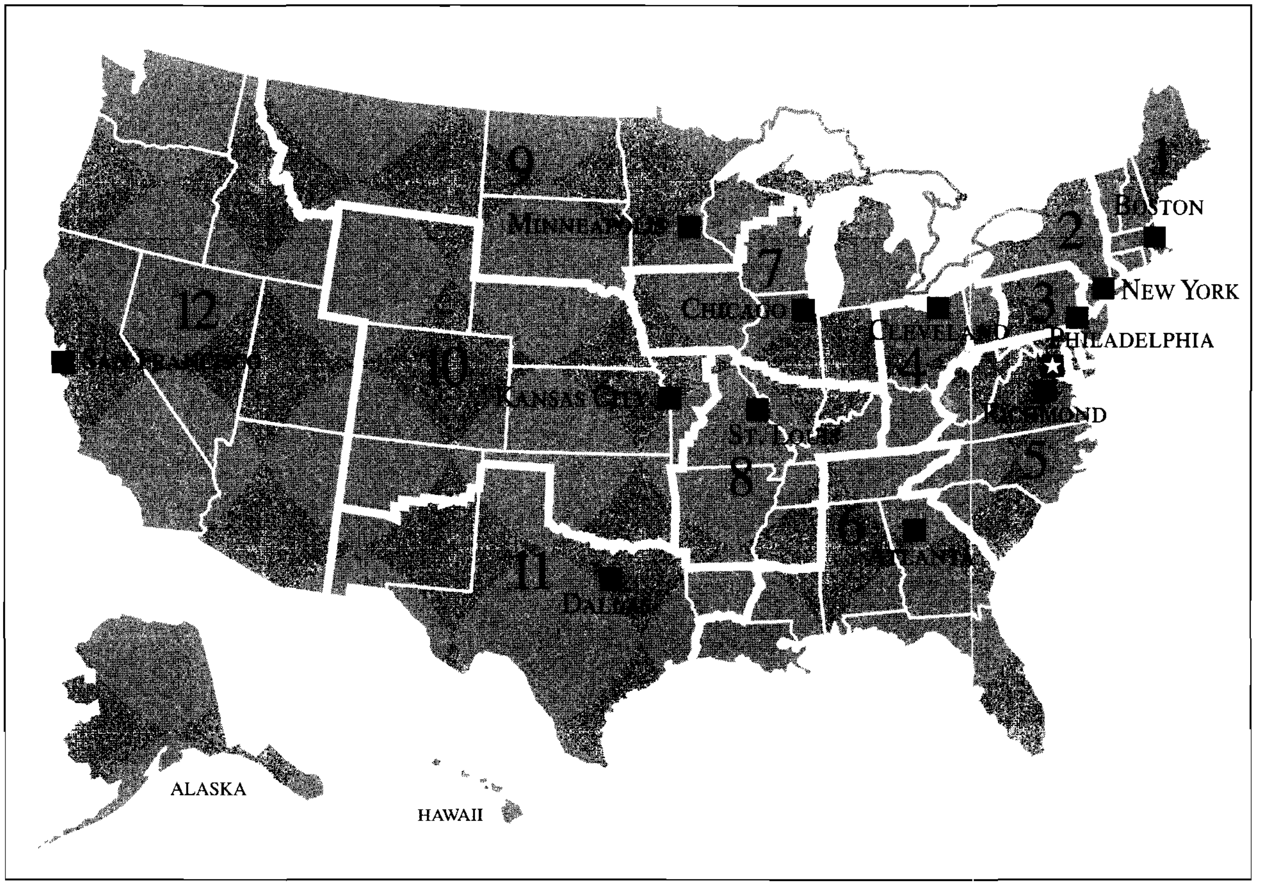


NOTE

LEGEND

Both pages

- ■ Federal Reserve Bank city
- ☒ Board of Governors of the Federal Reserve System, Washington, D.C.

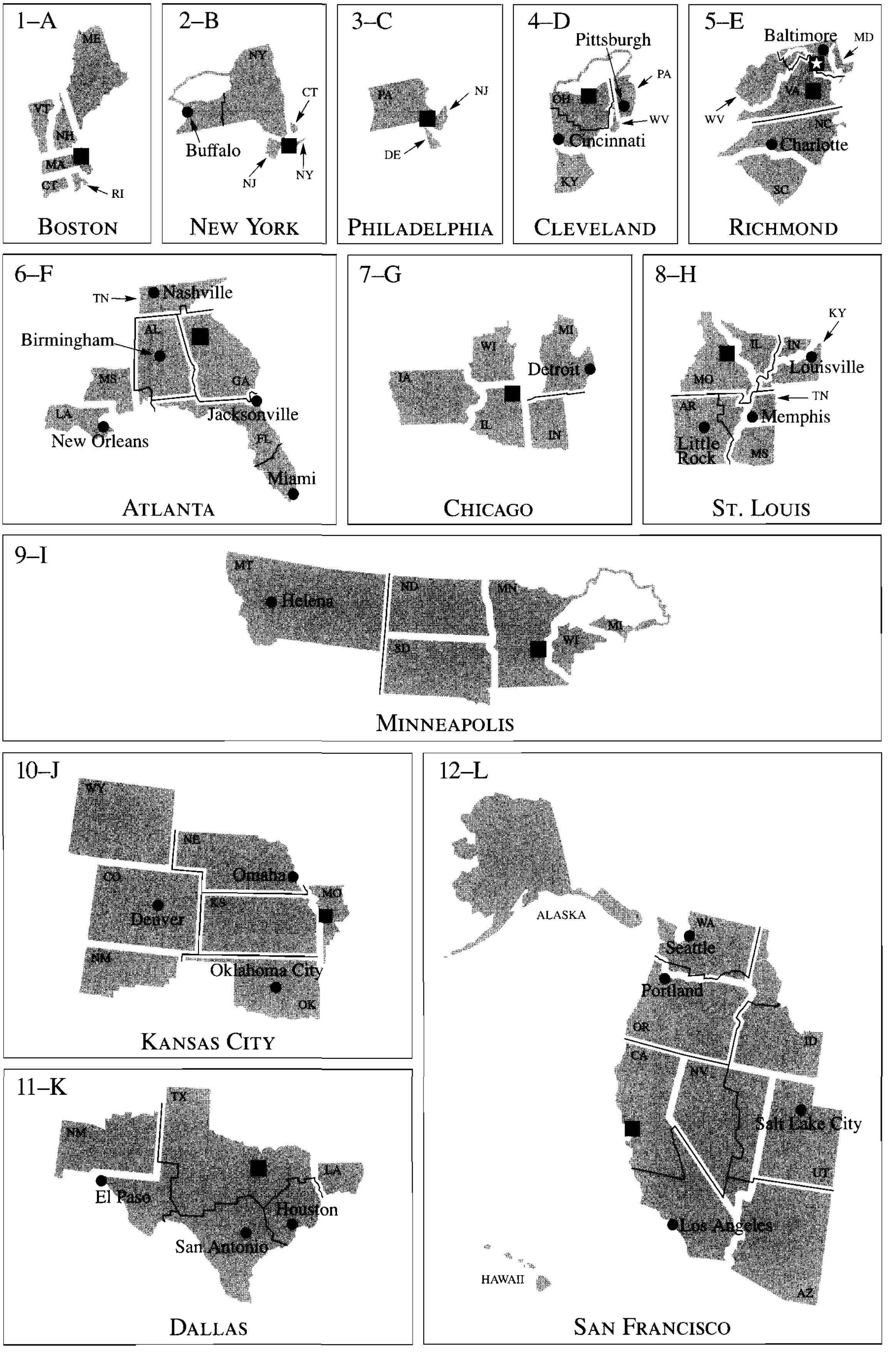
Facing page

- • Federal Reserve Branch city
- — Branch boundary

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 February 1996.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