FEDERAL RESERVE BANK OF PHILADELPHIA

SRC INSIGHTS

A newsletter published by the Supervision, Regulation & Credit Department for the institutions that it supervises.

Volume 3, Issue 3 First Quarter 1999

IN THIS ISSUE

SVP Commentary 1

Asset/Liability Management at Community Banks 2

Federal Reserve Adopts New Interagency Fair Lending Procedures 4

Liquidity and Funding Planning for the Century Date Change and the Discount Window ... 6

Contingency Planning for Y2K 8

Please Route To:

☐ ____________________________

☐ ____________________________

☐ ____________________________

☐ ____________________________

SVP Commentary on
Earnings Management

by Michael E. Collins

In the last half of 1998 and into the first quarter of this year, discussions regarding "earnings management" have been prominent. Expanded oversight by the Securities and Exchange Commission (SEC) in this area has been spurred by questionable financial reporting at companies like Cendant Corporation and Sunbeam Corporation, coupled with the increasing pressures to satisfy investors and maintain high stock prices. In the banking industry, this scrutiny has resulted in the restatement of prior year financial reports by SunTrust Banks Inc. of Atlanta, Ga., reversing previously established allowances for loan losses. The restatement boosted past reported earnings and resulted in a reduction of SunTrust's current allowance by $113 million, or 13%. Although the SEC has indicated that it is focusing on outliers, banking supervisors are concerned about the broader implications of SEC decisions on reserving practices for the industry.

The increased scrutiny comes at a time when indirect exposures have expanded the connectivity of loan concentrations, lending to emerging countries and to highly leveraged hedge funds is being reviewed, risk appetites are shifting, competitive pressures have impacted loan underwriting and loan structure, and corporate profit growth may be slowing. Structural weaknesses become more prominent in a downturn and the balance between incentive systems and loan growth becomes more important as banks aggressively seek top line revenue growth. In fact, a review of fourth quarter 1998 loan syndications disclosed that some borrowers are having trouble meeting loan terms. By one count, two-thirds of agreements were amended from the original terms in December 1998.

One possible outcome of the increased scrutiny of reserving practices may be that institutions become excessively cautious in determining their allowances, maintaining reserves at low levels to avoid the appearance of being an outlier. Despite advances in credit risk management, a more

continued on page 7

Asset/Liability Management at Community Banks

by David F. Fomunyam, Supervising Examiner

All banks take on substantial interest rate risk in their role as financial intermediaries between depositors and borrowers. Regardless of the size of the bank, this risk must be prudently managed to ensure the safety and soundness of the institution. Effective management of interest rate risk by financial institutions has been a paramount concern of the state and federal regulatory and supervisory agencies, as evidenced by the volume of literature that these agencies have issued on the subject. Furthermore, significant examination resources are devoted to ascertain the effectiveness and adequacy of each financial institution's asset/liability management policies and practices. The objective of this article is to discuss the different asset/liability management tools and techniques that community banks in particular may use in managing their interest rate risk.

Asset/liability management is a systematic approach that provides the framework to define, measure, monitor and manage interest rate risk. The primary objectives of a sound asset/liability management (ALM) program are not only to ensure the stability of current earnings (the interest rate spread) despite fluctuations in interest rates, but also to ensure long term-profitability through effective financial planning.

> The asset/liability management process is dynamic and evolving because of many driving forces.

Financial institutions derive their long-term profitability and continued existence from being effective and efficient financial intermediaries. However, this is not a static process that, once mastered, can be set aside to work effectively on its own. The asset/liability management process is dynamic and evolving because of many driving forces, including the phenomenal growth in the size and product offerings of capital markets and advances in the theory and technology of risk analysis.

Interest Rate Risk Models Used in Community Banks

Throughout the 1970s, community banks used basic Asset/Liability management techniques to manage interest rate risk. However, volatility in interest rates in the early 1980s caused widespread changes in earnings at many banking institutions, prompting the use of more sophisticated models to measure interest rate risk. Today, community banks utilize a variety of models ranging from the gap report to duration analysis to sophisticated models such as Monte Carlo simulations and probabilistic/Stochastic modeling.

Gap Analysis. The static gap analysis is the most basic measure of interest rate risk, and is the interest rate management measure most commonly used by community banks. Gap analysis approximates the maturity of earning assets and liabilities on the balance sheet. Maturity and interim principal payments are the primary cash flows under gap analysis, as this approach ignores other important factors such as the size and frequency of income cash flows. A key premise of the gap concept is that longer-maturity obligations move more in prices in response to changes in interest rates.

The term "static gap" implies that the current balance sheet mix will remain constant with fluctuations in interest rates. This is a limitation in this model, as bank management will generally proactively manage the balance sheet with changes in the shape and level of the yield curve. Furthermore, gap analysis generally focuses on assets and liabilities maturing within six months. It does not address the rate sensitivity of longer-term fixed rate instruments, the values of which are more sensitive to interest rate movements. Another inherent weakness of gap analysis is its failure to measure basis risk. Basis risk refers to the likelihood that changing interest rates will alter the existing margin between the rates a bank pays on liabilities and earns on assets even when these items are matched as to maturity and re-pricing. This is because rate changes are not parallel on both sides of the balance sheet.

While the maturity gap report is widely used by many community banks as an indicator of interest rate risk, it is not a sufficient measure for gauging overall exposure when taken alone, as gap analysis does not accurately measure interest rate risk. Therefore, many community banks are now elaborating on the static gap framework by incorporating mathematics and simulation techniques to manage interest rate risk.

Duration Analysis. Duration analysis attempts to measure the interest rate risk contained in the size and timing of all cash flows in an obligation in one number. This number is the present value of the weighted average time of all the cash flows. In general, the duration of an instrument is shorter than its maturity; for obligations with only one cash flow, such as zero coupon bonds, the maturity and the duration are identical.

Duration analysis can be used to complement gap analysis. Using gap repricing data as well as selected interest rate data, duration provides a more accurate measure of interest rate risk. However, community banks generally do not use duration analysis to measure interest rate risk for several reasons. First, duration analysis requires detailed cash flow information, which may be costly to project. In addition, duration measures are not totally accurate because different instruments in the bank's portfolio have different duration characteristics. Finally, duration analysis becomes less accurate as the amount of interest rate change increases.

Income Simulation. Simulation analysis techniques attempt to overcome the limitations of gap and duration analysis by computer modeling a bank's interest rate sensitivity to hypothetical movements in interest rates. Modeling involves making assumptions on the course of interest rates and estimating their effect on the institution's net interest income or market value.

One of the primary advantages of computer simulation is its ability to incorporate different assumptions about each cash flow or product. For example, gap analysis assumes that all products will reprice at the same time and to the same extent. Simulation analysis allows a bank to model the repricing of each group of assets and liabilities at the time and extent that reflects the bank's actual pricing policies and practices.

Community banks that utilize simulation techniques either rely on vendor supplied software ("canned" packages) to build their models or rely on consultants to perform the modeling. The usefulness of simulation techniques depends on the validity of the underlying assumptions and the accuracy of the data being analyzed. Nowhere is the phrase "Garbage in, garbage out" more accurate than in simulation modeling. Furthermore, an institution's condition, size, complexity of activities, competition, and sophistication of the markets being served all bear on the meaningfulness of the simulation results.

The usefulness of simulation techniques depends on the validity of the underlying assumptions and the accuracy of the data being analyzed.

Economic Value of Equity

In addition to identifying, monitoring, measuring and managing an institution's net interest income to fluctuations in interest rates, the banking regulatory agencies require banks to assess the impact of interest rate movements on the economic value of their equity (EVE). Simply, EVE is the market value of assets less the market value of liabilities. The primary distinction

continued on page 10

Federal Reserve Adopts New Interagency Fair Lending Procedures

by Eddie L. Valentine, Supervising Examiner

The Federal Financial Institution Examination Council (FFIEC) approved risk-based fair lending examination procedures on December 4, 1998. These procedures provide a common platform for the federal banking regulatory agencies to examine compliance with the Fair Housing Act and the Equal Credit Opportunity Act. The new procedures reflect a determination by the agencies that fair lending examinations should be conducted on a risk-based approach. A task force from the five federal banking, thrift, and credit union agencies spent two years developing the examination guidelines.

Clear guidance is provided to financial institutions about how they will be measured for fair lending.

Top-Down Approach

The top-down, risk-focused approach to fair lending examinations is consistent with the direction the agencies are taking with all of the various types of examinations they conduct. This approach takes into consideration each institution's particular loan product mix, market demographics and past performance, as well as the nature and quality of data available from or about the institution. These procedures are designed to improve the breadth and degree of analysis that is conducted during the examination and are intended to be a basic and flexible framework to be used in the majority of fair lending examinations conducted by the FFIEC agencies. In addition, they provide extensive flexibility for examiners and managers to exercise judgement so each examination can be tailored to meet the particular circumstances encountered. Moreover, the procedures can be augmented by each agency, which can supply additional procedures and details as are necessary to implement them effectively.

Emphasis on Residential Mortgage Discrimination

The procedures emphasize racial and national origin discrimination in residential transactions, but the key principals will also be applied to other prohibited bases and to nonresidential transactions such as small business credits and consumer loans. Analyzing lender compliance with the broad, nondiscriminatory requirements of the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act is the primary focus of the new procedures. They do not address such explicit or technical compliance provisions as the signature rules or adverse action notice requirements of ECOA.

Old versus New

The new procedures are designed to permit a more sophisticated analysis than has previously been reflected in agency procedures. For example, specific underwriting guidelines, such as debt-to-income ratios, loan-to-value ratios, and acceptable number and type of credit history deragatories will be analyzed in a more in-depth manner by examiners when they compare approved applicants with declined applicants.

For the first time, some clear guidance is provided to financial institutions about how they will be measured for fair lending. The procedures represent significant improvements over the constantly shifting approach financial institutions have been subjected to over the past several years. There is also guidance on how a financial institution's examination can be streamlined if its compliance program meets certain criteria. Financial institutions determined to have a strong fair lending profile prior to the start of an examination will be subject to a significantly reduced on-site scope. The net effect will be a reduction of the regulatory burden on the financial institution in addition to freeing up examiner resources.

Components Of Procedures

The procedures are divided into four main sections: Scoping; Compliance Management Review; Examination Procedures; and Concluding the Examination.

Scoping. The Scoping section guides an examiner through a series of considerations of the lender's operations, together with various factors about those operations that suggest "risk", such as a weak compliance management program, vague underwriting criteria, high loan denial rates for minority applicants, etc. At the conclusion of the scoping process, the examiner is expected to have prioritized combinations of loan products, markets, decision centers, prohibited basis groups, and types of discrimination in the order of risk of discrimination that each presents (the examination's "Focal Points").

Selecting the focal points takes into consideration a number of factors, including the relative risks perceived from a particular focal point, as well as limited examination resources. The agencies recognize that the focus must be limited within certain constraints, since it is impossible to test for every conceivable potential discrimination risk.

Compliance Management Review. The Compliance Management Review section serves two purposes. First it allows the examiner to evaluate the quality of the lender's compliance program as a basis for establishing the "intensity" of the examination (i.e., sample sizes). Second, this section directs an examiner to determine whether a lender performs any fair lending self-evaluations and, if so, to determine whether they are sufficient in quality and scope to qualify as a substitute for some or all of the examination steps that would be performed.

The compliance management review should result in examiners having a thorough understanding of the manner in which management addresses its fair lending responsibilities with respect to lending practices and standards, training, and marketing or other promotional efforts.

Examination Procedures. The Examination Procedures section provides specific instructions on how to conduct analysis of loan files, pricing practices, marketing programs, and other aspects of a lender's operations. The principal analytical technique used in investigating loan underwriting decisions is a "benchmark/overlap" comparison. This technique requires an examiner to first determine which denied minority applicant had the least deficient credit record for a given denial reason (the "benchmark"). The examiner then compares that applicant's record against non-minority applicants whose credit records were more deficient, relative to the same denial reason, and yet were approved for a loan. Variations of this technique are employed in examining for potential discrimination in pricing, commercial loans, credit-scored products, and for redlining analysis.

Concluding The Examination. This section guides the examiner through the process of organizing findings, presenting them to management for response, evaluating those responses, and coming to a final set of conclusions regarding the institution's fair lending performance.

Financial Institution Impact

Fair lending examinations will be more uniform now than in the past, especially for diverse organizations, which own different types of financial institutions (e.g., both commercial banks and thrifts). This uniformity can result in efficiencies gained by such organizations in preparing for and coping with fair lending examinations. The uniform examination procedures should level the playing field for federally regulated financial institutions. Interagency differences in approach should largely disappear.

Lenders are also able to use the new interagency procedures as a guide for performing their own self-analysis. Now each financial institution has detailed guidance available to lead it through such a process.

Conclusion

An important element in the successful implementation of the new interagency fair lending procedures will be the manner in which they are introduced

continued on page 9

Liquidity and Funding Planning for the Century Date Change and the Discount Window

by Gail L. Todd, Credit Analysis Specialist

Dealing with the potential contingencies that might result from the century date change is a major area of focus for all institutions. The Federal Reserve's own contingency preparations have included:

- Conducting business resumption tests of our major systems
- Expanding business resumption plans to address date-related difficulties
- Providing assistance to financial institutions that are unable to access their own systems
- Planning for possible liquidity difficulties

While contingency planning for liquidity alone will not solve all the problems associated with Y2K or other business interruptions, a lack of liquidity can cause or add to the problems. The Federal Reserve recommends that all depository institutions implement a liquidity plan for Y2K sooner rather than later. In implementing such a plan, bankers should consider (1) ensuring access to normal liquidity sources, (2) arranging additional market liquidity sources, and (3) being prepared to access the Federal Reserve's Discount Window, if necessary.

> The Federal Reserve is willing to lend Discount Window credit as the result of problems relating to Y2K.

The Discount Window and Liquidity Planning

The Discount Window's role in liquidity planning is two-fold. First, it supports monetary policy implementation by relieving unexpected pressures in reserve markets that affect all institutions. Second, the Discount Window may assist individual institutions with unexpected liquidity needs when their normal funding sources are unavailable.

The Federal Reserve has made several public statements that it is willing to lend Discount Window credit, if necessary, to depository institutions as the result of problems relating to the century date change. However, standard Discount Window lending policies will apply to Y2K, particularly the expectation that institutions should first use normal funding sources, if reasonably available. If normal sources are not reasonably available, Discount Window credit may be requested.

Federal Reserve staff is working to ensure that depository institutions are ready well in advance of year-end. We recently sent letters to Third District depository institutions requesting them to include the Discount Window in their funding and liquidity contingency plans.

Are You Prepared?

Now it is up to each depository institution to make sure that they have completed all of the steps required to access the Discount Window. Are the required legal documents on file at the Federal Reserve? Has collateral been identified and pledged? Are procedures in place to request an advance from the Discount Window?

Documentation. Borrowing from the Discount Window is governed by Federal Reserve Operating Circular 10, Lending. To borrow from the Discount Window, the following documents must be on file with the Federal Reserve:

- Letter of Agreement (Operating Circular 10 – Exhibit 1), prepared on the institution's letter-head

- Authorizing Resolutions for Borrowers (Operating Circular 10 – Exhibit 2)

- A certified copy of the minutes documenting the approval of the board resolution

Collateral. By regulation, Discount Window loans must be fully secured. Depository institutions should assess their potential liquidity needs, and identify and pledge a sufficient level of collateral to meet this potential need. The Federal Reserve is flexible as to the types of collateral it will accept as well the pledging arrangements. For example, certain types of securities or instruments may be held at the Reserve Bank, at an approved third-party custodian, or on the pledging institution's premises. To allow the Reserve Bank to respond quickly to any borrowing request, institutions are strongly encouraged to pledge collateral well in advance of a borrowing need. However, it is important to keep in mind that, even though collateral may be pledged, the Reserve Bank's Discount Window is not a committed line of credit.

Procedures. Each institution needs to have procedures in place to request an advance from the Discount Window. Only an individual authorized and listed on the borrowing resolution can request credit. The individual requesting credit needs to be able to state the amount needed, and discuss collateral levels and the reasons for the borrowing. The Credit and Risk Management Unit at the Federal Reserve Bank of Philadelphia should be contacted as soon as an institution perceives that its needs cannot be met through normal funding sources.

To get more information about the discount window, acceptable collateral, and the mechanics of borrowing, you can call Bernie Beck at (215) 574-6467 or Gail Todd at (215) 574-3886. Alternatively, you can visit the Federal Reserve's website for the Discount Window at 'www.frbchi.org/loans/loans.html'. ■

SVP Commentary on Earnings Management

continued from page 1

competitive, more risky year lies ahead for lenders, necessitating a broad assessment of the allowance for loan losses.

Adequate management of the allowance is an integral part of managing credit risk. The methodology should include periodic assessments of the level of risk in the loan portfolio, and an analysis to ensure that the allowance is adequate to absorb inherent losses. This assessment should include elements such as the overall risk to which firms are exposed, practices and reserve levels that have been condoned or encouraged by accountants and regulators, and the current levels of volatility and risk that banks face.

While financial transparency and greater precision in loan loss reserve accounting has many obvious and well sought after benefits, history has shown that volatility and financial stress can wreak havoc on collateral and asset values at lending institutions. Consequently, being overly cautious in determining allowances can undermine financial stability and prove costly to investors, depositors, and potentially, to insurers.

It is important to note that both the banking agencies and the SEC support accurate financial statements and full investor disclosure. Moreover, it appears that banking organizations are acting in good faith to comply with accounting and regulatory guidance.

Supervisory guidance, however, does suggest that management's analysis of the adequacy of the allowance for loan and lease losses should be conservative so that the overall allowance reflects a margin for the imperfection inherent in most estimates of expected credit losses. Given the significance of this subject, you can expect to see additional, enhanced guidance in this area designed to achieve the mutual objectives of accountants and bank supervisors. The ultimate goal is to convey useful information to investors and promote safety and soundness while protecting the public's interest. ■

Contingency Planning for Y2K

by Olaf G. Schweidler, Senior Examiner

As we approach March 31, 1999, many financial institutions will have completed the majority of their testing of mission critical systems, which will free up resources to develop Year 2000 Business Resumption Plans. This article will briefly review the steps proposed in the May 13, 1998 Interagency Statement —*Guidance Concerning Contingency Planning in Connection With Year 2000 Readiness*—and what examiners will expect to see during Y2K reviews of institutions conducted in 1999.

As outlined in the May 13, 1998 interagency statement, the business resumption contingency planning process can be broken down into four phases.

I. Organizational Planning
II. Business Impact Analysis
III. Contingency Planning
IV. Validation

Organizational Planning Phase

Within the *Organizational Planning Phase,* an institution should assign responsibilities for the development of business resumption contingency plans, identify core business processes, establish event timelines, develop management and reporting systems, and review existing contingency plans for applicability during a Y2K event. Given the overall importance of these plans, it is import that the board of directors and senior management are directly involved in this process. One way of ensuring that this participation occurs is through the establishment of a Y2K Contingency Planning Committee, which should be responsible for overseeing the process and assisting in any decisions that would adversely impact the level of risk facing the institution.

Business Impact Analysis Phase

In the *Business Impact Analysis Phase,* financial institutions will need to assess the potential impact of mission critical system failures on core business processes, define and document Year 2000 failure scenarios, and determine the minimal acceptable level of outputs and service. During this phase, it will be important for management to consider internal as well as external infrastructure failures. Management should also consider the potential impact that a Y2K event would have on other functional areas of an institution. For example, management needs to determine whether failures could result in increased staffing needs for a core business area, and, if so, which other business areas within the organization could be tapped to effectively meet these resources needs.

Management should consider what actions could be taken prior to the century date change to mitigate the risks associated with a Y2K event. For example, if management determines that a disruption in its correspondent banking relationship would have a significant impact on its funding process, management may want to establish an account relationship with the Federal Reserve's Discount Window and ensure that sufficient collateral is pledged for borrowings. Other preemptive measures could include obtaining documents needed for lending purposes or ensuring that hard copies of financial statements and trial balances are prepared just prior to the century date change.

> Management must consider internal as well as external infrastructure failures.

Developing Y2K Business Resumption Contingency Plans

Once the institution has performed its impact analysis, it can begin the process of *Developing Y2K Business Resumption Contingency Plans.* During this phase, management will select the most reasonable contingency strategy and identify specific recovery plans and implementation modes that take into account minimum acceptable levels of performance for core business processes and the different Y2K scenarios identified in the Impact Analysis Phase. Other import activities in this phase are establishing event management procedures, assigning individuals responsible for initiating contingency plans, and implementing an independent review of the feasibility of these plans. Finally, management must ensure that staffing resources will be adequate to implement these plans, including assurance that enough sufficiently trained staffing resources will be available during critical dates.

Validation of Business Resumption Contingency Plans

Once Y2K business resumption plans have been developed and personnel have been trained to implement the plans, it is very important that the plans be tested for their effectiveness and viability. While an institution may not be able to test all aspects of their Y2K business resumption plans, management should ensure that all areas that can be tested are, and that any modifications or corrections needed are made in a timely manner.

Examiners' Expectations

One of the areas which will experience increased regulatory scrutiny during 1999 will be the sufficiency of an institution's business resumption contingency plans. During these reviews examiners will ensure:

1) that institution management has developed, tested, and implemented contingency plans by June 30, 1999;

2) whether contingency plans focus on core business functions that pose the greatest risk if lost or seriously compromised by Year 2000 related system failures;

3) that business resumption contingency plans contain viable timelines; and

4) that business resumption plans have been sufficiently communicated throughout the organization.

For more information on specific examination procedures related to Y2K Business Resumption Contingency Planning please refer to the section on Contingency Planning contained within the Federal Financial Institutions Examination Council's *Year 2000 Phase II Workprogram* at 'www.ffiec.gov/y2k'. ■

Federal Reserve Adopts New Interagency Fair Lending Procedures

continued from page 5

to each financial institution that is examined for fair lending. Outreach activities planned by this Reserve Bank include presentations on fair lending at our periodic Banker's Forums and advisory visits to state member banks to hold informal discussions on this topic.

In addition to these outreach activities, you can learn more about the new fair lending examination procedures on the FFIEC website. The procedures and an appendix are attached to the January 5, 1999 press release, and can be viewed at 'www.ffiec.gov/pr010599.htm'.

Please contact Connie Wallgren, Consumer Compliance Examinations Manager at (215) 574-6217 or Eddie Valentine, Supervising Examiner at (215) 574-3436 if you have any questions regarding the implementation of these new procedures. ■

Asset/Liability Management at Community Banks

continued from page 3

between the two measurements is that interest rate risk is an accounting measure while EVE is an economic measure. When properly simulated, the two approaches are not redundant. In conjunction, these approaches provide different insights, which are helpful in the overall management of interest rate risk.

Conclusion

Interest rate risk is an integral part of banking that has become increasingly important in today's deregulated environment. For community banks to continue to maintain profitability, safety, and soundness, they must comprehend the risk their institution faces with changing levels in interest rates. In this regard, the institution's management and board of directors have important responsibilities for establishing adequate policies, procedures, and management information systems for the identification, measurement, control, monitoring, and reporting of interest rate risk.

While simulation may provide the most accurate projections, it may not be warranted for every community bank. In fact, the Federal Reserve does not require community banks to perform simulation analysis; they are required, however, to effectively manage their interest rate risk. Ultimately, management and the board of directors must decide what method or methods of measuring interest rate risk are appropriate for their institution, based on its condition, size, and complexity of activities.

If you have any questions on the Federal Reserve Bank of Philadelphia's view on interest rate risk management, you can contact David F. Fomunyam at (215) 574-4128, Perry D. Mehta at (215) 574-6130, or Eric A.Sonnheim at (215) 574-4116.

Do You Know...

The Board of Governors' web site and the Federal Reserve Bank of Philadelphia's web site can provide valuable and timely information for your institution. In addition to the web sites mentioned in the articles in this edition of *SRC Insights*, visit the following sites for late breaking news as well as core supervisory guidance.

- FRB Philadelphia publications from Research, Community Affairs, & SRC
  www.phil.frb.org/pubs/index.html

- Financial Services at FRB Philadelphia
  www.phil.frb.org/banks/index.html

- Economic, social, demographic, and social data on the Tri-State Area
  www.phil.frb.org/regdata/index.html

- Year 2000 guidance and initiatives
  www.bog.frb.fed.us/Y2K

- Board Actions, including proposed and new regulations
  www.bog.frb.fed.us/boarddocs/press/BoardActs

- Supervision and Regulation Letters
  www.bog.frb.fed.us/boarddocs/SRLetters/

- Applications and Reports Received
  www.bog.frb.fed.us/releases/h2/

- Supervision Manuals
  www.bog.frb.fed.us/boarddocs/SupManual/

- Reporting forms (downloadable)
  www.bog.frb.fed.us/boarddocs/reportforms/

Whom To Call?

Officers & Managers

Domestic Safety and Soundness
Louis N. Sanfelice, VP 574-6470
Dianne Lee Houck 574-4138
Bernard M. Wennemer, AVP 574-6485
Douglas A. Skinner 574-4310
Eric A. Sonnheim 574-4116
Michael P. Zamulinsky, AVP 574-4136
James D. DePowell 574-4153

Enforcement & Off-Site Integration
Eileen P. Adezio, AVP 574-6045
Mary G. Sacchetti 574-3848
Frank J. Doto 574-4304

Consumer Compliance & CRA
A. Reed Raymond, AVP 574-6483
Constance H. Wallgren 574-6217

Specialty Examinations
John J. Deibel, VP 574-4141
John V. Mendell 574-4139

International Examinations
John J. Deibel, VP 574-4141
Elisabeth C. Videira-Dzeng, International Examinations Officer 574-3438

Applications
William L. Gaunt, AVP 574-6167

Capital Markets & Payment Cards
Joanna H. Frodin, VP 574-6419
Perry D. Mehta 574-6130
Scott A. Weihrauch 574-4389

Discount Window and Reserve Analysis
Gerard A. Callanan, VP 574-6133
Bernard E. Beck 574-6467
Dennis S. Chapman 574-3848

NEXT ISSUE

Bankruptcy Derivatives:
The Latest and Greatest?

More on Interest Rate Risk Management

Consumer Compliance Corner

Editor................Cynthia L. Course

SRC Insights is published quarterly and is distributed to institutions supervised by the Federal Reserve Bank of Philadelphia. The current issue and immediately prior issue of SRC Insights are available at the Federal Reserve Bank of Philadelphia's web site at www.phil.frb.org. Suggestions, comments, and requests for back issues are welcome in writing, by telephone ((215) 574-3760), or by e-mail (Cynthia.Course@phil.frb.org). Please address all correspondence to: Cynthia L. Course, Federal Reserve Bank of Philadelphia, SRC - 7th Floor, Ten Independence Mall, Philadelphia, PA 19106-1574.

FEDERAL
RESERVE BANK OF
PHILADELPHIA