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Financial Services Used by Small Businesses: Evidence from the 1998 Survey of Small Business Finances

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Small businesses—firms having fewer than 500 employees—are an integral part of the U.S. economy. They account for about half of private-sector output, employ more than half of private-sector workers, and provide about three-fourths of net new jobs each year.[1]

Newly available data from the Survey of Small Business Finances provide a detailed look at these firms—their characteristics and their use of credit and other financial services. The survey is the most comprehensive source of such information; no other source provides the breadth and detail of information for a nationally representative sample of small businesses.

Since the first small business survey in 1987, the financial landscape in which these firms operate has changed markedly. Restrictions on interstate branching and banking have been relaxed, and certain financial institutions are now permitted to offer a wider range of financial services. Technological innovations (such as the use of small-business credit-scoring models) and structural changes in the financial services industry (such as consolidation of banking and thrift institutions) have also contributed to the alteration. By comparing the newest survey data with results from earlier surveys in 1987 and 1993, policymakers and researchers will be able to assess the effects these marketwide changes may have had on the use of financial services by small businesses and on the competitive financial environment in which they operate.[2]

The latest survey gathered data for fiscal year 1998 from 3,561 firms selected to be representative of small businesses operating in the United States in December 1998.[3] The data show that in 1998, as in 1987 and 1993, most small businesses were very small (nearly two-thirds had fewer than five employees) and most (nearly four-fifths) were located in urban areas.[4] Ownership characteristics had changed somewhat since 1993—nearly 15 percent were owned by minorities (up from nearly 12 percent in 1993), and more than 24 percent were owned by women (up from nearly 21 percent in 1993).

Commercial banks continued to be the supplier most commonly used by small businesses for financial services other than leasing, brokerage services, and trust and pension services. Finance companies and leasing companies were also important suppliers of credit and financial management services, especially for the largest firms. The likelihood of using a service increased with firm size, as did the likelihood of using each type of supplier except thrifts and family and individuals.

In the 1998 survey, 55 percent of small businesses reported outstanding loans, capital leases, or lines of credit at year-end, compared with 59 percent in the 1993 survey. Credit use increased strongly with firm size: About 33 percent of the smallest firms had outstanding loans, capital leases, or lines of credit, compared with about 92 percent of the largest firms.

1. U.S. Small Business Administration, Office of Advocacy, *Small Business FAQ*, December 2000. For more information on small businesses' role in the economy, see U.S. Small Business Administration, Office of Advocacy, *1998 State of Small Business*, chap. 2 (http://www.sba.gov/advo/stats/).

2. The earlier surveys were called National Surveys of Small Business Finances. For more information about the 1987 survey, see Gregory E. Elliehausen and John D. Wolken, "Banking Markets and the Use of Financial Services by Small and Medium-Sized Businesses," *Federal Reserve Bulletin*, vol. 76 (October 1990), pp. 801–17. For more information about the 1993 survey, see Rebel A. Cole and John D. Wolken, "Financial Services Used by Small Businesses: Evidence from the 1993 National Survey of Small Business Finances," *Federal Reserve Bulletin*, vol. 81 (July 1995), pp. 629–67. For more information on the earlier surveys, see the Board's public web site (http://www.federalreserve.gov/pubs/oss/oss3/nssbftoc.htm).

3. Firms whose fiscal years ended between July 1 and December 31, 1998, reported data for fiscal year 1998; otherwise, firms reported data for fiscal year 1999. For simplicity, results from the 1998 survey are referred to in this article as 1998 data.

4. The data cited in this article are weighted to adjust for differences in sampling and response rates. They reflect population rather than sample measures. For further information on the survey process, see the appendix.

Although the percentage of small businesses with outstanding loans, capital leases, or lines of credit was about the same in 1998 as in 1993, the types of credit used changed somewhat over the intervening period: The percentage that had outstanding vehicle loans, equipment loans, trade credit, and other loans declined somewhat, whereas the percentage that had outstanding mortgages or used personal and business credit cards for business purposes increased.

The 1998 data are still being edited and are therefore subject to revision. However, the descriptive findings reported here are likely to be robust.[5] Once the data are final, the database will allow for rigorous analysis that takes into account characteristics of the businesses, their owners, and existing markets. Researchers will be able to study many aspects of small business finance, including, for example, how the proximity of financial institutions affects the mix of financial products the firm uses, which firm and owner characteristics affect the ability of small businesses to obtain credit, and how lending patterns vary with these characteristics.[6]

ECONOMIC AND FINANCIAL SERVICES ENVIRONMENT

The financial services industry and the economic climate were considerably different in 1998 than in 1993. Over the period between the surveys, the intense consolidation activity that had begun early in the decade reduced the number of financial institutions operating in the United States more than 20 percent.[7] Indeed, three of the largest bank consolidations to that point—BankAmerica and NationsBank, Wells Fargo and Norwest, and Banc One and First Chicago NBD—occurred in 1998. Cross-industry merger activity was also strong over the period as the traditional boundaries between three important types of firms that make up the financial services industry—depository institutions, securities firms, and insurance companies—continued to erode. A notable example was the 1998 merger between Citicorp, a bank holding company, and Travelers, an insurance and securities firm.[8]

1. Most important problem facing small businesses in 1998, distributed by size of business

Percent

Problem	Number of employees[1]		
	9 or fewer	10–49	50–499
Competition (from larger, international, or Internet companies)	11.0	12.5	12.3
Quality of labor	10.1	24.3	25.2
Cost or availability of labor	3.2	6.5	12.6
Poor sales	7.6	6.4	7.3
Financing and interest rates	6.9	6.4	3.7
Government regulations and red tape	6.9	5.9	8.0
Taxes	7.2	5.8	3.3
Other	47.1	32.2	27.6

NOTE. In this and subsequent tables, unless otherwise noted, the data are weighted to adjust for differences in sampling and response rates; the weighted data reflect population rather than sample measures. See the appendix for more information.

Also in this and subsequent tables, distributions may not sum to 100 percent because of rounding or because, in a few cases, values for some variables are missing.

1. Sum of number of owners working in the business and number of employees (full- and part-time) working in the business.

In 1998, the economy was in the seventh year of a sustained economic expansion. Unemployment was just under 5 percent, the consumer price index (CPI) rose 1.6 percent, the gross domestic product (GDP) grew 4.4 percent, and productivity in the business sector increased 2.7 percent. In 1993, the economy was in the early stages of an expansion following two years of recession; unemployment was nearly 7 percent, the CPI and GDP each increased 2.7 percent, and business-sector productivity grew just one-half of 1 percent.[9]

According to the 1998 survey, labor issues (the quality, cost, and availability of labor) were the greatest concern for small businesses, particularly among the largest firms (table 1). Another commonly mentioned concern was competition from larger, international, or Internet firms. Other important problems—although mentioned less often—were financing and

5. The remaining data editing work primarily involves imputing missing values. Because the discussion in this article is based on questions that were answered by the vast majority of respondents, the statistics presented here, although based on preliminary data, will not differ much from those based on final data. The differences reported in this article are based only on the descriptive statistics presented. Standard errors for the differences have not yet been calculated, so it is uncertain whether the differences are statistically significant.

6. A final data set will be available to the public through the Board's public web site by summer 2001 (http://www.federalreserve.gov/pubs/oss/oss3/nssbftoc.htm).

7. The number of commercial banks and thrifts operating in the United States declined from 13,090 in 1993 to 10,305 in 1998.

8. The diminishing separation among these three types of firms culminated in passage in 1999 of the Financial Services Modernization Act, which removed most of the remaining barriers. See Group of Ten, "Report on Consolidation in the Financial Sector" (Paris: Organisation for Economic Co-operation and Development, January 2001) (http://www.oecd.org/eco/Group-of-Ten/report-on-consolidation.htm).

9. Economic conditions in 1998 were much more similar to those faced by the businesses surveyed in 1987, when the economy was well into the 1982–90 expansion. Council of Economic Advisors, *Economic Report of the President*, January 2001 (http://w3.access.gpo.gov/eop).

interest rates, government regulations, taxes, and poor sales.

The primary concerns of small businesses were markedly different in 1993.[10] In that survey, health care and health insurance were cited most often, followed by general U.S. business conditions—two issues that received much less attention in 1998. The other problems mentioned most frequently in 1993 were financing and interest rates; profits, cash flow, expansion, and sales; and taxes.

CHARACTERISTICS OF SMALL BUSINESSES

Along with information on the availability and use of credit and other financial services by small businesses, the 1998 Survey of Small Business Finances collected information on firm characteristics, including number of employees; number of owners; organizational form; location; use of computers; standard industrial classification; credit history; sex, race, and ethnicity of the owner(s) with the majority share of the firm; and income and balance sheet data.[11] Also collected was information on each firm's primary owner (defined as the owner with the largest ownership share if the firm had more than one owner), including age, education, experience in business, ownership share, credit history, personal net worth, home ownership, and home equity.

Business size is measured in three ways: number of employees, fiscal year sales, and year-end assets. In terms of employment, most small businesses in 1998 were very small: About 64 percent had fewer than five employees, and just over 83 percent had fewer than ten employees (table 2).[12] In terms of sales and assets, the businesses were similarly small: About 40 percent had fiscal year sales of less than $100,000, and just over 61 percent had year-end assets of less than $100,000. This general pattern is similar to findings from the 1993 survey.

A business may organize as a corporation (S–type or C–type), a partnership, or a sole proprietorship.[13] In 1998, the most common organizational form for small businesses was the sole proprietorship, accounting for nearly 50 percent of the firms. About 24 percent were organized as S corporations, about 20 percent as C corporations, and only 7 percent as partnerships.

The primary activity of 43 percent of the businesses (as classified according to the standard industrial classification (SIC) system used by the U.S. government) was business or professional services. An additional 19 percent were in retail trade.

Just over 22 percent of the firms had been in business under at least one of the current owners for less than five years (firm age less than five years), and another 23 percent had been in business five to nine years. More than 22 percent had been in business twenty years or more. Average firm age (not shown in the table) was 13.3 years, slightly less than the average firm age in 1993 of 14.5 years.

The firms were dispersed across the country, with nearly 19 percent located in the Northeast, about 27 percent in the West, almost 22 percent in the Midwest, and nearly 33 percent in the South. The vast majority (nearly 80 percent) had their main offices in urban areas, and the primary sales area for nearly all firms (more than 95 percent) was the United States.

Race, Ethnicity, and Sex of Majority Owners

A firm was classified as being owned by individuals of a specific race, ethnic group, or sex if more than

10. The questions were worded slightly differently. The 1998 survey asked, "What is the single most important problem facing your business today?" and the 1993 survey asked, "What do you think will be the most important issue affecting your firm over the next twelve months?"

11. An important objective of the survey was to provide data to examine credit access by different firm and owner characteristics, including race and ethnicity. Because minority-owned businesses constitute a small proportion of the population of small businesses, the sample was designed to overrepresent minority-owned firms. As a result, the sample included sufficient numbers of observations to permit comparisons between minority-owned and other types of small businesses. For details, see the appendix.

12. Number of employees includes owners working in the business and both full- and part-time employees.

13. The organizational forms have different rules about liability and taxes. Sole proprietors receive all the income from the business and bear full liability for its obligations. Partnerships have more than one owner; like sole proprietors, the owners receive all the income from the business and, in general, are fully liable for its obligations. Corporations are separate legal entities, and the owners' liability is limited to the amount of their original equity investment. The primary difference between the two types of corporations is how they are taxed: S corporations are not subject to corporate income tax, whereas C corporations are. S corporations are legally constrained to have more than seventy-five shareholders, are restricted to one class of stock, and must pass all firm income to the owners at the end of each fiscal year. During the 1990s, two other organizational forms gained legal status in many states: the limited liability corporation (LLC) and the limited liability partnership (LLP). LLCs have many characteristics of partnerships but have the limited liability of corporations; LLPs are partnerships in which an investor's liability is limited to his or her initial investment. LLCs may file taxes as a partnership, a corporation, or a sole proprietorship; LLPs may file taxes as a partnership or a corporation. For this survey, LLCs and LLPs were classified according to how they chose to file their taxes. The 1998 data imply that in the survey universe, 0.2 percent of the firms were LLCs and 1.8 percent were LLPs at year-end 1998.

2. Number and proportion of population of small businesses in survey sample, distributed by selected category of firm, 1998

Category	Number in sample[1]	Percentage of population	MEMO: 1993 percentage of population[2]
All firms	**3,561**	**100.00**	**100.00**
Number of employees[3]			
0–1	607	21.86	18.18
2–4	1,173	41.78	38.75
5–9	584	19.78	22.89
10–19	281	8.39	10.74
20–49	366	5.47	6.16
50–99	284	1.55	2.14
100–499	261	1.17	1.14
Fiscal year sales (thousands of dollars)			
Less than 25	478	16.34	10.94
25–49	271	9.48	8.50
50–99	419	14.22	12.52
100–249	598	21.72	24.68
250–499	399	13.29	15.72
500–999	329	10.27	11.85
1,000–2,499	361	7.83	8.36
2,500–4,999	232	3.28	3.56
5,000–9,999	175	1.56	1.96
10,000 or more	292	1.79	1.91
End-of-year assets (thousands of dollars)			
Less than 25	1,007	34.72	29.24
25–49	360	12.57	13.96
50–99	413	13.94	14.30
100–249	498	15.86	17.63
250–499	302	8.74	10.45
500–999	253	5.99	6.35
1,000–2,499	279	4.22	4.61
2,500–4,999	159	1.54	1.80
5,000 or more	257	1.51	1.66
Organizational form			
Proprietorship	1,429	49.35	43.22
Partnership	226	6.95	8.01
S corporation	1,019	23.87	20.33
C corporation	887	19.83	28.44
Standard industrial classification			
Construction and mining (10–19)	376	11.87	14.18
Primary manufacturing (20–29)	172	3.66	3.90
Other manufacturing (30–39)	217	4.68	4.16
Transportation (40–49)	144	3.72	2.77
Wholesale trade (50–51)	247	7.15	8.46
Retail trade (52–59)	704	18.95	21.70
Insurance agents and real estate (60–69)	213	6.48	7.09
Business services (70–79)	832	24.83	21.15
Professional services (80–89)	650	18.46	16.59
Years under current ownership			
0–4	730	22.37	14.74
5–9	745	22.79	28.46
10–14	683	19.14	19.16
15–19	486	13.05	14.40
20–24	331	8.72	8.68
25 or more	579	13.75	14.55

2.—Continued

Category	Number in sample[1]	Percentage of population	MEMO: 1993 percentage of population[2]
Census region of main office			
Northeast	595	18.90	22.31
New England	155	5.21	6.94
Middle Atlantic	440	13.69	15.37
Midwest	770	21.80	24.13
East North Central	485	14.56	15.96
West North Central	285	7.24	8.17
South	1,225	32.71	29.48
South Atlantic	641	16.88	14.84
East South Central	202	5.47	4.55
West South Central	382	10.35	10.09
West	971	26.59	24.08
Mountain	238	6.63	5.81
Pacific	733	19.96	18.27
Urbanization at main office			
Urban	2,782	79.91	78.88
Rural	779	20.09	21.12
Number of offices			
One	2,839	87.75	84.35
Two	379	8.55	10.73
Three or more	341	3.63	4.92
Sales area			
Primarily within U.S.	3,355	95.43	...
International or global	204	4.51	...
Owners' participation			
Owner management	3,188	92.33	86.00
Hired management	369	7.52	14.00
Race, ethnicity, and sex of majority owners			
Nonwhite or Hispanic	756	14.60	11.62
Non-Hispanic white	2,790	84.88	88.38
White	3,033	90.12	92.52
Black	273	4.12	2.91
Asian or Pacific Islander	214	4.38	3.44
American Indian or Alaska Native	24	0.81	1.13
Hispanic	260	5.59	4.27
Non-Hispanic	3,292	94.10	95.73
Female	796	24.32	20.61
Male	2,609	71.88	73.92
Ownership equally divided by sex	147	3.67	5.47

1. Numbers are unweighted. For some categories, numbers in sample do not sum to the sample total because some firms responded "Do not know" or declined to respond.

2. The percentages reported here are final data and may differ slightly from the preliminary data for 1993 reported in Cole and Wolken, "Financial Services Used by Small Businesses," 1995.

3. Number of owners working in the business plus number of full- and part-time employees. For the 1993 and 1987 surveys, the number of employees was calculated as the sum of owners working in the business plus full-time employees plus one-half of part-time employees; in the 1998 survey, no differentiation was made between full- and part-time employees. To make the data for 1998 and 1993 comparable, the 1993 numbers have been recalculated as the sum of owners working in the business, full-time employees, and part-time employees; therefore, the numbers presented here differ from those reported in Cole and Wolken, "Financial Services Used by Small Businesses," 1995.

... Question not asked in 1993.

50 percent of the firm was owned by such individuals. About 15 percent of small businesses in 1998 were minority-owned (that is, owned by nonwhite or Hispanic individuals), compared with about 12 percent in 1993. Between 1993 and 1998, the proportion of black-owned firms increased from about 3 percent to about 4 percent. Over the same period, the proportion of Hispanic-owned firms increased from 4 percent to 6 percent and the proportion of Asian-owned firms, from 3 percent to 4 percent. Ownership by

3. Percentage of small businesses that used computers, by selected category of firm, 1998

Category	Used computers	Used computers for specific tasks[2]		
		Internet/WWW access	Banking	Administration
All firms	**76.3**	**59.0**	**15.2**	**73.9**
Number of employees[1]				
0–4	70.8	53.8	13.6	68.0
5 or more	88.5	70.6	18.8	86.8
Fiscal year sales (thousands of dollars)				
Less than 100	62.7	48.1	11.6	60.3
100 or more	85.6	66.6	17.7	83.2
End-of-year assets (thousands of dollars)				
Less than 100	70.6	54.0	12.7	68.0
100 or more	85.6	67.2	19.2	83.7
Years under current ownership				
0–4	78.4	62.7	16.7	75.9
5–9	78.6	64.1	16.6	75.7
10 or more	74.4	55.6	14.1	72.2

1. See table 1, note 1.

2. Firms were given a list of tasks and asked to check all that applied.

American Indians or Alaska Natives remained at about 1 percent.[14]

The proportion of firms that were more than 50 percent owned by men declined somewhat, from about 74 percent in 1993 to about 72 percent in 1998, and the proportion that were more than 50 percent owned by women rose from about 21 percent to about 24 percent. The proportion equally owned by men and women fell nearly 2 percentage points, to 4 percent.

The survey data suggest that female- and minority-owned firms share some characteristics that distinguish them from male- and white-owned firms (table A.1). By all three measures of size, female- and minority-owned firms appear to be smaller than male- and white-owned firms. They also appear to be younger, more likely to be sole proprietorships, and less likely to be corporations. These differences are similar to the findings in 1993. The differences in organizational type may simply reflect that minority-owned and female-owned firms tend to be younger and smaller than non-minority-owned and male-owned firms—and younger and smaller firms are more likely to organize as sole proprietorships or partnerships rather than as corporations.

Computer Use within the Firm

More than three-fourths of the firms used computers in their businesses in 1998 (table 3) (this question was not asked in the earlier surveys). Use varied somewhat by size, with larger firms being more likely than smaller firms to use computers. For example, 89 percent of firms with more than four employees used computers for business purposes, compared with 71 percent of firms with four or fewer employees. Similarly, 86 percent of firms with sales of $100,000 or more used computers, compared with 63 percent with sales of less than $100,000. Firms used computers for a variety of purposes: 59 percent used them to access the Internet; about 15 percent for banking; and about 74 percent for inventory management or bookkeeping.

Types of Financial Services Used by Small Businesses

Businesses were asked which of thirteen financial services they used at up to twenty different institutions.[15] The services can be grouped into several categories: liquid asset services (business checking

14. By U.S. government convention, race and ethnicity are separate categories. Thus, firm owners can be Hispanic (or non-Hispanic) and of any race. The 1998 survey asked about Hispanic ethnicity and race in two separate questions. Firms were asked if the owner (for single-owner firms) or owners of more than 50 percent of the firm (for multi-owner firms) were of Hispanic, Latino, or Spanish descent. Firms answering "yes" were classified as Hispanic-owned. Firms were then asked to specify the race of the owner (for single-owner firms) or the races(s) of the owner(s) of more than 50 percent of the firm (for multi-owner firms) from the following list: white; black; Asian, including Native Hawaiian or other Pacific Islander; and American Indian or Alaska Native. In this article, the category *minority-owned* indicates ownership by individuals who are nonwhite or Hispanic or both. The few firms reporting that their ownership shares were equally split between minority and non-minority individuals were classified as non-minority-owned.

15. For this article, use of a financial service was measured by the percentage of small businesses that used a specific type or source of service. Data on use based on dollar amounts or numbers of accounts will be available at a later date. However, previous analysis has shown that conclusions based on dollar amounts, or on number of accounts, are usually qualitatively very similar to conclusions based on the

or savings accounts); credit lines, loans, and capital leases (lines of credit, mortgages, motor vehicle loans, equipment loans, capital leases, and "other" loans); and financial management services (transaction, cash-management, credit-related, brokerage, and trust and pension services). Owner loans, credit cards, and trade credit are discussed separately and are not included in the tabulations for "any financial service," as no information was collected about the providers of these financial services.

Any Financial Service

Nearly all small businesses (about 96 percent) used at least one financial service in 1998, essentially the same finding (97 percent) as in 1993 (table 4). In general, use increased with firm size, and almost all firms with five or more employees, or with sales or assets of at least $250,000, used some financial service during the year. About 9 percent of firms with fewer than two employees used no financial service in 1998.

Proprietorships and partnerships were less likely than corporations to use a financial service. The difference may be due to the tendency of many proprietorships and some partnerships to commingle business and personal finances; for example, the owners may use personal savings and checking accounts for business purposes.[16] Also, young firms (less than five years old), firms with single offices, and black-, Hispanic-, and female-owned firms were less likely than other firms to use a financial service.

Checking and Savings

Most small businesses (94 percent) had a checking account at the end of 1998, the same percentage as used any liquid asset account (checking or savings).[17] Because a checking account, including a share draft account, is a vehicle for paying suppliers and depositing sales receipts, it is not surprising that the reported use of "any service" (96 percent) nearly matches the reported use of "any liquid asset account." The data on business savings accounts, however, reveal some interesting differences across firms. Having such an account was highly correlated with firm size. For example, about one-fifth of firms with fewer than ten employees had a business savings account at the end of 1998, compared with more than one-third of firms with ten or more employees. White-owned firms were the most likely to have a business savings account, followed by Hispanic- and Asian-owned firms; black-owned firms were the least likely to have a business savings account. Female-owned firms were more likely than male-owned firms to have such an account. Having such an account varied little by industry.

Credit Lines, Loans, and Capital Leases

Overall, the incidence of credit lines, outstanding loans, and outstanding capital leases declined between year-end 1993 and year-end 1998 (from 59 percent of firms to 55 percent). Declines were recorded for vehicle loans (which fell from 25 percent to 21 percent), equipment loans (15 percent to 10 percent), and "other" loans (13 percent to 10 percent).[18] Capital leases were about as common in 1998 as in 1993, and the incidence of credit lines and mortgages increased.

The slight increase in the percentage of firms with lines of credit (28 percent in 1998 compared with 26 percent in 1993) may have been the result of an increase in commercial banks' use of credit-scoring models. Alternatively, the increase may have been due to differences in the economic environment; as noted earlier, in 1993 the economy was in the early stages of an expansion following a period during

percentages of firms using one or more service or source. See Rebel A. Cole, John D. Wolken, and R. Louise Woodburn, "Bank and Nonbank Competition for Small Business Credit: Evidence from the 1987 and 1993 National Surveys of Small Business Finances," *Federal Reserve Bulletin*, vol. 82 (November 1996), pp. 983–95.

16. Respondents were asked to count as a business service any personal account that was used at least 50 percent of the time for business purposes. Most of the firms that reported using no financial service were extremely small, and it is possible that those firms' owners used personal accounts for business purposes, but did so less than 50 percent of the time.

17. Checking accounts were defined as accounts with unlimited check-writing privileges, including share draft accounts; money market accounts, including money market deposit accounts, were considered checking accounts only if they offered unlimited check-writing privileges. Savings accounts were defined as passbook savings, credit union share accounts, certificates of deposits, and other time deposits; also considered savings accounts were money market accounts that were limited in either the number or the amount of checks that could be written. In comparison with small businesses, 91.5 percent of households had some type of transaction account (checking account, saving account, money market deposit account, money market mutual fund, or call account at a brokerage) in 1998, according to the 1998 Survey of Consumer Finances. For more information, see Arthur B. Kennickell, Martha Starr-McCluer, and Brian J. Surette, "Recent Changes in U.S. Family Finances: Results from the 1998 Survey of Consumer Finances," *Federal Reserve Bulletin*, vol. 86 (January 2000), pp. 1–29.

18. "Other" loans are any loans that could not be classified as credit lines, capital leases, mortgages used for commercial purposes, motor vehicle loans, or equipment loans (generally, unsecured term loans).

which a drop in commercial real estate values erased equity against which many firms might have borrowed. The greater reliance on mortgages in 1998 (13 percent compared with 8 percent in 1993) may reflect recovery of the commercial real estate market.

As with checking and savings accounts, the incidence of credit lines, loans, and capital leases increased with firm size: More than 90 percent of the largest firms (100–499 employees) had one of these types of credit at the end of 1998, compared with fewer than 50 percent of very small firms (fewer than five employees). Corporations were more likely than other types of firms to have credit lines, loans, and capital leases. Firms in the services industries (business and professional) were generally less likely than firms in other industries to have these types of credit, perhaps because they require less inventory and equipment.

The incidence of credit also varied somewhat with firm age. The percentage of firms that had credit lines, loans, or leases was smallest for those that were less than five years old (51 percent), followed by those that were more than twenty-five years old (53 percent). The finding for the youngest firms is consistent with the observation that depository institutions typically require that borrowers have several years of financial history to qualify for credit.

The incidence of credit lines, loans, and capital leases also varied somewhat with owner characteristics. At year-end 1998, fewer than 50 percent of female-, black-, and Asian-owned firms had one of these forms of credit, compared with roughly 55 percent of male- and white-owned firms. By specific loan type, white-owned firms were generally more likely than nonwhite-, Hispanic-, or female-owned firms to have lines of credit, mortgages, vehicle loans, and equipment loans. Black-owned firms were the most likely to have capital leases and "other" loans. Some of the differences by owner race, ethnicity, and sex may be attributable to differences in firm characteristics, such as size. Attribution of these univariate differences to owner race, firm size or age, or other variables is a topic for additional research.[19]

Financial Management Services

Financial management services include transaction services, cash-management services, credit-related services, trust and pension services, and brokerage services.[20] Fifty percent of small businesses used at least one financial management service in 1998, compared with 37 percent in 1993. They were more likely to use transaction and trust services in 1998, compared with 1993, and equally likely to use cash-management and brokerage services. The incidence of credit-related services fell from about 5 percent of firms in 1993 to only 3 percent in 1998, a decline consistent with the overall decline in the incidence of credit lines, loans, and capital leases described earlier.

The most widely used financial management service in 1998, reported by about two-fifths of all firms, was transaction services. Trust and pension services were used by only about one in eight firms, and cash-management services by only one in twenty. As was the case for other financial services, the use of financial management services increased with firm size. For the smallest firms (as measured by number of employees), only 34 percent used at least one financial management service, and only a very small percentage used any financial management service other than transaction services. In contrast, about 85 percent of the largest firms used at least one financial management service; the most commonly used was transaction services, followed by cash-management services and trust and pension services. Brokerage services were used mainly by the larger firms, but by only about one in twelve.

A smaller proportion of proprietorships used financial management services relative to firms with other organizational forms; they may have less need for these services because they tend to be small and more likely than other types of firms to commingle personal and business accounts.

Firms differed in their use of financial management services by the minority status of and, to a somewhat lesser extent, by the sex of the majority owners. Black-, Hispanic-, and female-owned firms were less likely than white-, non-Hispanic-, and male-owned firms to use such services. Asian-owned firms were the most likely to do so (more than two-thirds used at least one financial management service in 1998). The differences were due largely to differences in the use

19. For research on this topic using multivariate analysis, see, for example, Ken S. Cavalluzzo, Linda C. Cavalluzzo, and John D. Wolken, "Competition, Small Business Financing, and Discrimination: Evidence from a New Survey," *Journal of Business* (forthcoming).

20. *Transaction services* cover the provision of paper money and coins, the processing of credit card receipts, the collection of night deposits, and wire transfers. *Cash-management services* include the provision of sweep accounts, zero-balance accounts, lockbox services, and other services designed to automatically invest liquid funds in liquid, interest-bearing assets. *Credit-related services* are the provision of bankers acceptances, letters of credit, sales finance, and factoring. *Trust and pension services* consist of the provision of 401(k) plans, pension funds, business trusts, and securities safekeeping.

4. Percentage of small businesses using selected financial services, by selected category of firm, 1998

A. Any service; liquid asset accounts; and credit lines, loans, and capital leases

Category	Any service[1]	Liquid asset accounts[2]			Credit lines, loans, and capital leases						
		Any	Checking	Savings	Any	Credit line	Mortgage	Vehicle	Equipment	Capital lease	Other[3]
All firms, 1998	**96.18**	**94.43**	**94.04**	**22.20**	**55.09**	**27.71**	**13.29**	**20.55**	**10.18**	**10.59**	**9.92**
All firms, 1993	**97.03**	**96.21**	**95.81**	**24.35**	**59.13**	**25.71**	**7.83**	**25.28**	**14.84**	**10.25**	**12.74**
Number of employees[4]											
0–1	91.02	86.41	85.33	16.37	32.79	13.42	6.55	12.80	3.77	3.29	5.82
2–4	95.86	94.34	94.10	19.45	49.80	20.83	12.45	16.89	8.25	7.42	9.35
5–9	99.37	99.05	98.79	23.38	68.53	34.08	16.21	26.92	14.52	14.26	9.19
10–19	100.00	99.86	99.86	35.86	78.01	50.59	19.89	32.63	13.97	23.19	14.67
20–49	100.00	100.00	100.00	36.01	83.84	59.07	21.10	31.98	22.96	21.71	20.14
50–99	100.00	97.77	97.77	30.07	86.87	62.67	26.25	34.47	20.25	31.75	20.86
100–499	100.00	100.00	100.00	36.87	92.04	74.81	18.84	29.85	24.69	27.71	22.81
Fiscal year sales (thousands of dollars)											
Less than 25	82.99	76.62	74.96	11.84	26.76	9.11	7.93	5.80	2.37*	2.82*	6.41
25–49	94.77	91.64	91.12	17.12	33.47	11.25	7.65	14.92	3.70*	2.36*	3.36*
50–99	97.97	97.07	96.96	18.10	45.94	15.20	9.69	14.02	5.76	7.73	8.96
100–249	99.34	98.29	98.29	19.06	56.25	22.48	14.70	19.98	11.50	11.31	10.29
250–499	99.82	99.75	99.75	23.36	67.09	36.82	13.04	25.89	12.00	11.29	11.31
500–999	99.57	99.57	99.07	30.26	74.02	41.74	18.64	30.49	16.45	19.81	10.44
1,000–2,499	100.00	100.00	100.00	37.58	78.34	51.48	21.15	37.15	16.30	17.81	17.79
2,500–4,999	100.00	99.03	99.03	45.48	94.59	68.80	22.65	37.26	23.68	18.60	12.40
5,000–9,999	100.00	99.09	99.09	37.56	88.68	75.74	16.52	37.91	20.26	24.77	22.35
10,000 or more	100.00	100.00	100.00	36.71	88.95	81.36	18.87	30.22	25.40	23.67	17.62
End-of-year assets (thousands of dollars)											
Less than 25	89.87	86.55	85.77	12.24	32.64	11.35	6.28	10.47	4.77	5.23	5.00
25–49	98.65	96.81	96.69	19.57	49.60	22.83	6.79	19.63	6.27	8.21	6.43
50–99	99.68	99.31	98.96	20.53	60.06	25.25	10.05	21.80	9.70	10.30	12.26
100–249	99.46	98.40	98.40	28.81	67.85	34.61	17.46	26.42	15.55	12.67	13.50
250–499	100.00	100.00	99.41	33.64	71.65	40.97	22.65	28.90	12.41	13.97	11.57
500–999	100.00	99.40	99.40	36.44	88.54	56.01	33.86	33.70	18.32	21.23	19.72
1,000–2,499	100.00	98.79	98.79	36.02	81.15	55.84	25.03	33.48	20.69	18.87	13.65
2,500–4,999	100.00	100.00	100.00	37.45	93.09	81.32	26.18	31.71	20.78	34.42	17.00
5,000 or more	100.00	100.00	100.00	45.29	95.66	76.01	31.16	38.77	30.75	22.26	17.22
Organizational form											
Proprietorship	93.16	89.94	89.16	18.23	45.66	18.51	12.44	16.11	7.13	6.52	8.20
Partnership	95.37	95.24	95.24	18.75	61.18	27.69	19.07	19.43	13.10	12.92	9.54
S corporation	99.85	99.56	99.56	24.68	65.00	37.89	13.91	25.32	12.41	14.75	11.53
C corporation	99.58	99.15	99.15	30.33	64.50	38.35	12.65	26.23	14.05	14.90	12.38
Standard industrial classification											
Construction and mining (10–19)	97.11	96.13	96.04	20.63	66.76	31.98	12.07	38.15	11.93	8.27	10.52
Primary manufacturing (20–29)	95.49	92.87	92.87	19.79	56.49	32.10	8.66	16.31	19.82	20.05	17.36
Other manufacturing (30–39)	94.15	91.98	91.98	23.79	60.15	35.87	6.85	19.47	15.30	14.08	17.10
Transportation (40–49)	98.60	98.23	98.23	23.56	62.13	29.70	10.85	28.82	14.16	14.92	12.61
Wholesale trade (50–51)	99.12	96.71	96.71	21.36	64.28	47.26	12.15	27.85	9.81	10.47	10.47
Retail trade (52–59)	96.84	95.85	95.75	18.45	54.11	25.19	17.45	17.87	7.66	6.39	10.26
Insurance agents and real estate (60–69)	96.61	96.13	96.13	25.40	59.77	26.90	24.81	16.63	11.53	9.97	8.94
Business services (70–79)	94.48	92.41	91.18	22.82	49.53	22.41	12.12	18.16	8.85	10.60	7.73
Professional services (80–89)	96.04	93.23	92.95	25.47	47.99	23.86	10.97	13.39	9.16	13.13	8.51
Years under current ownership											
0–4	94.50	93.25	92.85	15.38	51.14	19.63	11.95	18.51	10.62	8.90	11.18
5–9	96.05	93.61	93.34	20.87	55.79	26.87	10.91	18.08	10.48	11.95	11.14
10–14	96.59	94.75	93.93	25.74	56.18	30.88	14.01	23.87	9.32	12.10	7.02
15–19	98.45	96.76	96.61	26.31	58.90	33.24	16.06	22.00	12.12	11.32	12.50
20–24	98.03	97.23	97.23	23.07	57.86	29.51	17.43	23.73	8.95	10.93	11.33
25 or more	95.19	93.22	92.79	26.06	53.09	31.37	13.02	19.46	9.23	7.85	6.61

For notes, see end of table.

of transaction and trust and pension services, which in turn were probably related to firm size and industrial classification.

Loans from Owners, Credit Cards, and Trade Credit

In addition to using credit lines, loans, and leases, many small businesses obtain financing by borrowing from the firm's owners (owner loans), borrowing via credit cards, or borrowing from suppliers of goods and services (trade credit).

These alternative forms of credit are different from credit lines, loans, and leases in a number of ways. For example, owner loans are not arm's-length transactions, as are institutional loans, because the lender owns some portion of the borrowing firm. The interest rates charged for credit card credit often exceed the interest rates for other types of loans; moreover,

4.—Continued

A.—Continued

Category	Any service[1]	Liquid asset accounts[2]			Credit lines, loans, and capital leases						
		Any	Checking	Savings	Any	Credit line	Mortgage	Vehicle	Equipment	Capital lease	Other[3]
Census region of main office											
Northeast	95.81	92.85	92.22	20.36	52.57	26.10	12.90	18.21	8.39	10.99	10.42
New England	94.67	92.95	92.11	23.59	54.33	22.14	12.33	20.97	7.70	11.88	12.58
Middle Atlantic	96.24	92.82	92.26	19.13	51.90	27.60	13.12	17.16	8.65	10.66	9.60
Midwest	96.48	95.04	94.64	23.47	59.19	29.19	15.48	21.74	11.52	9.45	10.70
East North Central	96.54	95.58	94.98	22.88	57.45	28.15	14.53	22.22	10.99	10.99	10.74
West North Central	96.36	93.96	93.96	24.66	62.70	31.29	17.38	20.77	12.58	6.37	10.62
South	96.05	94.24	94.02	16.10	54.56	28.82	12.50	21.66	10.59	10.58	8.65
South Atlantic	96.43	94.12	94.03	14.26	53.90	29.49	11.71	21.69	10.36	10.81	9.13
East South Central	96.51	95.54	95.54	16.69	61.63	34.63	18.09	19.35	15.00	16.31	7.75
West South Central	95.18	93.74	93.19	18.78	51.89	24.64	10.84	22.83	8.61	7.17	8.35
West	96.37	95.29	94.88	29.98	54.16	26.27	12.75	19.86	9.85	11.25	10.47
Mountain	97.25	96.82	96.82	22.42	55.43	22.44	17.90	24.84	11.59	14.44	15.80
Pacific	96.08	94.79	94.24	32.50	53.74	27.54	11.04	18.21	9.27	10.19	8.70
Urbanization at main office											
Urban	96.45	94.76	94.34	22.30	54.00	27.81	11.16	20.41	9.57	10.97	8.97
Rural	95.12	93.13	92.86	21.82	59.42	27.28	21.76	21.09	12.61	9.07	13.67
Number of offices											
One	95.68	93.75	93.37	21.10	52.74	25.43	12.65	19.74	9.09	9.78	9.28
Two	100.00	99.37	98.77	30.89	67.60	41.08	16.42	24.23	19.22	14.79	12.17
Three or more	99.13	99.13	99.13	28.76	81.61	51.22	21.75	30.36	15.30	19.20	20.26
Sales area											
Primarily within U.S.	96.10	94.42	94.01	22.19	55.13	27.29	13.60	20.66	10.30	10.45	9.90
International or global	97.81	94.60	94.60	22.88	53.46	36.65	6.92	17.09	7.29	12.67	10.04
Owners' participation											
Owner management	95.93	94.10	93.68	22.16	53.75	26.87	12.72	19.90	9.91	10.24	9.79
Hired management	99.16	98.40	98.40	22.74	70.60	37.78	20.02	27.81	13.71	14.12	11.59
Race, ethnicity, and sex of majority owners											
Nonwhite or Hispanic	93.86	92.02	91.61	16.83	49.45	20.43	12.67	16.83	7.52	10.48	9.23
Non-Hispanic white	96.56	94.86	94.48	23.14	56.11	28.96	13.36	21.25	10.69	10.60	10.02
White	96.37	94.67	94.31	22.95	55.92	28.49	13.34	20.99	10.71	10.52	9.93
Black	91.33	88.39	87.24	13.22	48.24	18.64	11.61	14.56	6.49	13.77	11.45
Asian or Pacific Islander	97.50	96.20	95.92	17.90	46.41	22.54	11.84	16.35	5.01	8.39	9.12
American Indian or Alaska Native	92.67	92.67	92.67	10.71*	51.04*	16.83*	18.89*	32.78*	4.31*	11.89*	3.98*
Hispanic	92.95	91.33	91.33	19.58	52.74	20.98	13.53	16.30	10.31	8.92	8.82
Non-Hispanic	96.36	94.64	94.23	22.37	55.18	28.02	13.26	20.82	10.20	10.66	9.95
Female	91.85	90.32	89.92	23.57	46.13	18.42	12.76	13.56	6.41	8.07	9.72
Male	97.53	95.63	95.23	21.68	57.39	30.33	12.94	22.61	11.40	11.43	9.84
Ownership equally divided by sex	98.34	98.02	98.02	23.15	68.42	38.40	22.63	25.90	10.37	11.16	12.99

credit cards, unlike typical loans, provide a convenient means of paying bills and tracking expenses. Trade credit is generally used in connection with the purchase of goods and services from a specific supplier, whereas funds from credit lines, loans, and leases are often available for general purposes and are not restricted to purchases from a single supplier. Also, when outstanding trade credit balances are not repaid in a relatively short period, the finance charges generally exceed those on other loans.

Loans from Owners

Of the small businesses that could have received loans from owners (that is, those that were organized as corporations or partnerships), 28 percent had such loans in 1998, a slightly smaller percentage than in 1993.

Because they generally have fewer credit options, smaller firms might seem more likely than larger firms to borrow from their owners. This was not the case in 1998. The incidence of owner loans did not generally vary with firm size. For every size group except firms with fewer than two employees, sales of less than $50,000, or assets of less than $25,000, more than 25 percent of firms had owner loans at year-end 1998. For the smallest firms (by number of employees), fewer than 18 percent had owner loans. The information gathered by the survey regarding size, capitalization, equity injections, and owner loans will enable researchers to examine why the smallest firms had the lowest incidence of this type of loan.

4. Percentage of small businesses using selected financial services, by selected category of firm, 1998—Continued

B. Financial management services

Category	Financial management services[5]						Memo: Other credit			
	Any	Trans-action	Cash manage-ment	Credit-related	Brokerage	Trust and pension	Loan from owner[6]	Credit card: Personal	Credit card: Business	Trade credit
All firms, 1998	**49.81**	**41.07**	**5.21**	**3.09**	**4.34**	**12.62**	**28.12**	**45.18**	**33.31**	**60.33**
All firms, 1993	**36.54**	**24.16**	**5.13**	**4.62**	**4.37**	**10.52**	**30.91**	**40.72**	**28.83**	**63.81**
Number of employees[4]										
0–1	34.49	28.07	1.57*	1.42*	2.67	5.60	17.49	44.91	19.19	42.69
2–4	43.81	35.73	2.75	1.45	3.21	9.01	26.25	46.75	28.46	56.86
5–9	60.54	53.18	4.00	3.66	4.90	12.49	27.47	44.00	41.93	71.14
10–19	68.69	54.29	11.94	7.93	8.63	24.78	34.24	50.38	51.39	77.90
20–49	73.98	58.99	16.61	7.23	8.94	32.81	33.69	39.51	55.61	80.67
50–99	76.83	56.79	26.95	13.21	8.80	45.08	36.02	30.29	56.52	80.67
100–499	84.75	70.21	50.83	15.37	7.95	50.51	28.76	23.00	59.67	83.37
Fiscal year sales (thousands of dollars)										
Less than 25	29.31	25.71	2.42*	.95*	1.11*	1.81*	21.36	41.10	11.14	30.34
25–49	36.67	31.24	.95*	.72*	2.84*	5.57	17.77	45.71*	20.75	46.78
50–99	37.64	32.24	.95*	.91*	1.21*	6.13	26.19	47.83	27.11	54.30
100–249	49.67	39.90	2.23*	1.22*	4.41	10.81	29.12	51.84	31.90	63.01
250–499	58.64	46.64	5.04	4.57	5.16	15.18	30.08	47.59	43.06	75.85
500–999	63.58	59.04	5.39	4.98*	4.62	12.82	31.86	41.50	44.04	77.27
1,000–2,499	71.11	51.88	12.63	6.36	11.19	27.49	26.82	45.37	54.45	80.15
2,500–4,999	78.64	63.69	18.42	6.19	9.69	37.70	25.74	33.21	62.68	79.86
5,000–9,999	83.30	64.74	29.95	14.21	11.74	45.43	34.98	24.79	67.66	72.10
10,000 or more	89.97	67.33	45.77	23.83	12.23	62.83	29.26	22.39	62.09	76.58
End-of-year assets (thousands of dollars)										
Less than 25	33.96	29.33	1.31*	.69*	1.33*	5.00	20.55	45.52	21.35	43.22
25–49	45.40	36.85	.98*	.46*	4.00*	9.08	26.00	49.80	29.22	59.78
50–99	52.66	43.07	3.65	2.75*	4.04	11.98	33.22	46.71	33.85	67.46
100–249	58.29	49.52	5.96	3.96	5.05	14.55	31.08	48.10	36.54	70.57
250–499	64.83	53.17	6.75	2.83*	5.74	14.75	29.37	41.78	49.33	73.82
500–999	64.31	49.92	7.69	6.64	9.75	23.13	30.03	43.95	42.97	75.30
1,000–2,499	74.13	56.43	16.89	11.88	11.23	34.67	32.35	35.25	57.48	78.88
2,500–4,999	85.79	69.11	37.03	15.40	13.69	42.24	31.72	25.38	65.31	80.00
5,000 or more	87.93	62.25	52.27	17.27	14.53	59.16	27.30	26.53	68.11	80.59
Organizational form										
Proprietorship	39.78	33.24	1.94	1.48	2.78	7.63	...	49.04	21.63	50.85
Partnership	46.44	43.02	3.83	5.78	2.90*	8.90	13.10	36.92	28.45	57.82
S corporation	59.93	48.89	9.31	4.47	5.73	15.68	30.45	43.24	46.55	71.74
C corporation	63.79	50.46	8.89	4.48	7.03	22.69	30.57	40.79	48.12	71.08
Standard industrial classification										
Construction and mining (10–19)	35.71	27.49	6.42	5.39	5.40	8.36	27.61	39.97	33.35	77.29
Primary manufacturing (20–29)	52.83	44.70	6.90	5.77	4.20*	11.96	45.49	48.91	43.18	73.23
Other manufacturing (30–39)	53.83	42.92	8.39	8.43	6.36*	19.23	34.53	45.89	36.00	78.19
Transportation (40–49)	50.14	43.90	5.04	3.26*	3.57*	8.42	25.74	44.10	45.39	44.15
Wholesale trade (50–51)	58.53	46.60	6.01	10.42	4.13	18.76	29.66	45.14	43.56	68.46
Retail trade (52–59)	57.92	55.63	3.65	1.69	2.15	5.63	28.36	40.46	29.15	63.64
Insurance agents and real estate (60–69)	38.45	26.03	7.93	2.56*	3.23*	11.32	24.13	39.68	32.68	34.62
Business services (70–79)	47.19	40.75	4.25	1.45	3.50	9.29	26.91	46.01	28.25	59.14
Professional services (80–89)	53.07	36.64	4.97	.68*	7.19	24.54	24.76	53.39	35.40	49.57
Years under current ownership										
0–4	46.59	40.22	4.13	2.71	2.17	5.76	31.66	45.64	28.14	54.11
5–9	48.75	40.71	4.27	2.37	2.92	11.92	31.64	47.75	37.79	59.74
10–14	53.22	44.02	6.06	3.03	4.62	14.17	23.54	46.30	33.09	62.04
15–19	51.42	40.79	5.67	3.99	6.95	18.44	29.47	41.86	36.52	63.94
20–24	52.05	43.90	6.24	2.60	4.72	14.40	22.44	45.07	33.65	67.56
25 or more	49.03	37.20	6.30	4.41	7.14	16.27	25.40	41.52	31.15	60.91

Credit Cards

Small businesses were somewhat more likely to use credit cards in 1998 compared with 1993. The percentage using personal credit cards for business purposes increased from 41 percent to 45 percent, and the percentage using business credit cards increased from 29 percent to 33 percent.

Credit cards are a convenient means of making payments and tracking expenses. Anecdotal evidence suggests that many smaller and newer businesses also use credit cards as a source of credit, even though it is likely to be more costly than other forms of credit. Lenders sometimes ration credit to high-risk firms. Thus, firms just starting out and those having little credit history may be perceived as high risk and may

4.—Continued

B.—Continued

Category	Financial management services[5]						MEMO: Other credit			
	Any	Transaction	Cash management	Credit-related	Brokerage	Trust and pension	Loan from owner[6]	Credit card: Personal	Credit card: Business	Trade credit
Census region of main office										
Northeast	48.22	36.52	3.92	2.21	5.77	14.89	28.12	48.87	33.51	60.41
New England	53.59	42.04	4.43	2.36*	7.86	13.57	31.90	50.65	40.82	63.33
Middle Atlantic	46.18	34.42	3.73	2.16	4.98	15.39	26.77	48.19	30.73	59.30
Midwest	52.95	42.63	6.86	3.77	4.44	16.42	28.38	42.20	30.86	64.27
East North Central	54.38	45.10	7.07	2.63	4.40	17.01	29.80	41.04	32.57	65.82
West North Central	50.07	37.66	6.42	6.04	4.51	15.25	25.10	44.52	27.43	61.16
South	48.22	40.56	5.86	3.59	3.93	10.38	25.73	41.15	34.36	58.77
South Atlantic	50.82	41.61	6.28	3.60	4.87	10.81	28.32	42.10	35.89	60.13
East South Central	48.32	38.78	6.13	5.97*	3.83*	11.23	22.54	41.95	34.29	65.81
West South Central	43.93	39.79	5.05	2.30	2.44*	9.24	22.12	39.18	31.90	52.82
West	50.33	43.64	3.96	2.53	3.73	10.66	31.32	49.95	33.87	58.97
Mountain	50.31	45.03	5.10	3.21*	1.87*	8.99	30.55	52.05	34.77	61.68
Pacific	50.34	43.18	3.58	2.31	4.35	11.21	31.67	49.26	33.57	58.06
Urbanization at main office										
Urban	50.80	41.81	5.41	2.76	4.64	13.49	28.58	46.00	34.05	59.81
Rural	45.89	38.11	4.40	4.39	3.12	9.20	25.74	41.90	30.35	62.39
Number of offices										
One	47.34	39.08	4.17	2.45	3.87	11.62	27.61	45.20	31.35	58.60
Two	67.01	53.96	9.66	8.14	7.68	19.17	31.20	45.58	45.70	72.60
Three or more	70.10	59.67	19.83	6.69	7.78	21.83	28.28	44.71	51.53	73.75
Sales area										
Primarily within U.S.	49.15	40.30	5.13	2.74	4.33	12.38	28.39	44.82	32.53	60.04
International or global	64.24	57.58	6.84	10.36	4.49	17.95	22.70	53.32	49.89	67.33
Owners' participation										
Owner management	48.59	40.17	4.79	3.00	4.36	11.72	28.02	46.03	32.92	59.45
Hired management	64.41	51.98	10.47	4.22	4.09	23.20	28.74	35.05	37.96	71.05
Race, ethnicity, and sex of majority owners										
Nonwhite or Hispanic	46.84	41.04	2.75	3.07	2.54	8.65	27.64	45.17	28.20	50.98
Non-Hispanic white	50.30	41.04	5.66	3.10	4.62	13.38	28.24	45.16	34.21	62.16
White	49.41	40.36	5.54	3.08	4.49	12.97	28.02	44.85	33.97	61.19
Black	42.23	36.70	2.01*	1.86*	1.92*	8.75	28.05	44.05	28.78	46.20
Asian or Pacific Islander	67.92	62.83	2.86*	4.03*	2.83	10.33	34.22	52.81	26.94	56.83
American Indian or Alaska Native	37.86*	25.97*	.32*	6.11*	5.78*	15.16*	10.84	45.19*	19.97*	75.93*
Hispanic	35.66	29.54	3.40*	2.60*	2.15*	6.66	22.80	41.75	28.95	46.37
Non-Hispanic	50.68	41.75	5.33	3.12	4.48	13.02	28.46	45.39	33.57	61.24
Female	46.98	39.91	3.00	1.64	4.60	9.75	30.39	46.71	28.21	51.81
Male	50.37	41.17	5.67	3.52	4.38	13.68	27.41	44.77	34.64	63.07
Ownership equally divided by sex	55.88	44.91	10.58	4.04*	1.96*	10.97	28.69	42.21	41.12	61.97

1. Excludes owner loans, credit cards, and trade credit.

2. *Checking accounts:* Accounts with unlimited check-writing privileges, including share draft accounts used for business purposes and owners' personal checking accounts if used primarily for business purposes. *Savings accounts:* Passbook savings accounts, credit union share accounts, certificates of deposit, other time deposits, and money market accounts if they were limited in either the number or the amount of checks that could be written.

3. Includes any loans that could not be classified as credit lines, capital leases, mortgages used for commercial purposes, motor vehicle loans, or equipment loans (in general, any unsecured term loan).

4. See table 1, note 1.

5. *Transaction services:* The provision of paper money and coins, the processing of credit card receipts, the collection of night deposits, and wire transfers. *Cash-management services:* The provision of sweep accounts, zero-balance accounts, lockbox services, and other services designed to automatically invest liquid funds in liquid, interest-bearing assets. *Credit-related services:* The provision of bankers acceptances, letters of credit, sales finance, and factoring. *Trust and pension services:* The provision of 401(k) plans, pension funds, business trusts, and securities safekeeping.

6. Percentage of partnerships and corporations using owner loans (excludes proprietorships).

* Fewer than fifteen firms in this category reported using this service, too small a nunber on which to base a reliable statistic.

therefore rely on credit cards as a substitute for other types of loans.

The descriptive results are not entirely consistent with these a priori expectations. The use of business credit cards in 1998 did increase with firm size, but the use of personal credit cards varied little with size, except that the largest firms (those with more than fifty employees or with sales or assets greater than $2.5 million) were less likely than others to use personal credit cards.[21] Likewise, credit card use did not vary systematically with firm age. Further

21. The amount charged in a typical month and the amount repaid in the same month were also asked in the survey.

research is needed to determine the extent to which, and the types of firms for which, credit card balances may be a substitute for other types of credit.

Proprietorships were the most likely to use personal credit cards and the least likely to use business credit cards. Insurance and real estate firms were the least likely to use personal credit cards and, along with firms in business services and retail trade, the least likely to use business credit cards.

Trade Credit

Trade credit is extended when a supplier provides goods and services at one point in time and collects the charges at a later point. If the bills are not paid promptly, trade credit becomes a form of financing. Businesses use trade credit for both transaction and financing purposes. Trade credit reduces the transactions costs that businesses would incur if they had to make payment at the time of delivery, for example, by making funds available for other uses. However, most trade credit is extended for a very short period (thirty or sixty days) and is always granted in connection with specific purchases. The interest rates charged on overdue balances generally are quite high; 2 percent a month is not uncommon. Thus, it is reasonable to expect that the firms using trade credit for longer-term financing purposes are firms that would have difficulty obtaining credit from other sources.

Trade credit was used by 60 percent of small businesses in 1998, an incidence of use that exceeds that for all other financial services except checking. In 1993, 64 percent of small businesses used the service. Use generally increased with firm size; except for the smallest firms, more than half the firms in each size category used trade credit in 1998. Black-, Hispanic-, and female-owned firms were less likely than others to use the service; the differences in use between these groups of firms and others were similar to the differences in use between smaller and larger firms.

The use of trade credit was most common among firms in manufacturing, construction, and wholesale and retail trade—industries for which nonlabor costs, such as the costs of equipment and inventory, are large relative to labor costs. Among industries for which labor's share of costs is high, such as business and professional services, trade credit use was somewhat less common, but it was still used by at least half the firms. The firms least likely to use trade credit were those whose principal activity involved insurance and real estate or transportation.

The survey findings seem to suggest that trade credit was used mainly for transactions purposes. However, some firms undoubtedly used it for financing purposes; further research may help to determine the characteristics of these firms.

SUPPLIERS OF FINANCIAL SERVICES USED BY SMALL BUSINESSES

The suppliers of financial services to small businesses include financial institutions—depository institutions (commercial banks and thrift institutions, including savings associations, savings banks, and credit unions) as well as nondepository institutions (finance, leasing, mortgage, brokerage, and insurance companies)—and nonfinancial sources (such as individuals, family members, other businesses, and government entities). The survey collected information on the sources of checking and saving services; credit lines, loans, and capital leases; and financial management services.[22]

In 1998, depository institutions and nonfinancial sources were used by a slightly smaller share of the small business population, and nondepository financial institutions by a slightly larger share, than in 1993 (table 5). Among depository institutions, commercial bank use was about the same, but thrift use—despite the deregulation of thrift lending to businesses—was somewhat lower, possibly reflecting the decline in the number of thrift institutions nationwide. The decline in the use of thrifts was due to a decline in the use of savings institutions; the use of credit unions increased over the period, from 4 percent to 6 percent of firms.

Among nondepository financial institutions, the use of leasing companies was somewhat less common and the use of finance companies and "other" nondepository financial institutions (including mortgage banking and insurance companies) was somewhat more common relative to 1993. These changes are consistent with the finding that the percentage of small businesses that had outstanding mortgages increased over the period between surveys.

Depository Financial Institutions

Depository institutions provided at least one financial service to about 95 percent of small businesses in 1998 (roughly the same percentage of small busi-

22. Information on the sources of trade credit, credit cards, and owner loans was not collected.

nesses that had a business checking or savings account in 1998). Commercial banks were used by a far larger percentage of firms (89 percent) than were thrift institutions (savings institutions and credit unions) (12 percent).[23] In general, the percentage of firms using commercial banks increased with firm size; in contrast, the percentage using thrifts generally declined with firm size. Proprietorships, which are generally the smallest firms, were less likely than firms with other organizational forms to use commercial banks but were about twice as likely as corporations to use thrifts.

The use of thrift institutions declined between 1993 and 1998, from 15 percent to 12 percent of firms. As in 1993, small businesses in New England were more likely to use thrifts than were those in other parts of the country, probably because of the relatively large number of savings banks in New England.

Black-, Hispanic-, and female-owned firms were less likely than non-Hispanic- and white-owned firms to use commercial banks. Black- and female-owned firms were more likely to use thrifts than were white- and male-owned businesses. Asian-owned firms were the most likely to use commercial banks and the least likely to use thrifts compared with other ownership groups.

Nondepository Financial Institutions

Nondepository financial institutions were a source of financial services for about one-third of small businesses in 1998, somewhat more than the fraction in 1993. The most commonly used source was finance companies, followed by brokerage companies.

The use of each type of nondepository financial supplier increased with firm size. About 72 percent of small businesses with more than 100 employees used at least one of these sources; about 30 percent used finance companies and brokerage companies. Use of nondepository financial institutions also differed by organizational form and ranged from 24 percent of proprietorships to 47 percent of C corporations. Proprietorships and partnerships were half as likely as corporations to use brokerage companies.

The use of nondepository financial institutions varied with the race, ethnicity, and sex of a firm's owners. Female- and black-owned firms were the least likely to use these sources. The differences among groups were greatest in the use of brokerage companies; for example, 11 percent of white-owned businesses used brokerages, compared with 6 percent of black-owned and Hispanic-owned firms. Female-owned firms were less likely than male-owned firms to use finance companies, brokerages, and leasing companies.

Nonfinancial Suppliers

About 12 percent of the small businesses used nonfinancial sources for financial services in 1998. About 6 percent used family and individuals and other businesses, and 1 percent used government sources.[24]

The use of nonfinancial sources did not consistently increase with firm size. For example, the percentage of firms using such sources increased with employment for groups of firms with up to forty-nine employees and with 1998 sales of up to $2,500,000. For larger firms, the percentage using such sources generally remained at the higher levels.

Individuals and family were used almost exclusively for credit lines, loans, and leases (table 6). It was expected that the use of individuals or family members as a source of financial services would be most important for younger firms. These firms sometimes have difficulty borrowing from financial institutions, in part because financial institutions often require that prospective borrowers provide several years of financial statements with their loan applications. Nonfinancial sources, especially family members or other individuals familiar with prospective borrowers, may be better positioned to evaluate creditworthiness and to monitor the financial condition of younger firms. Alternatively, nonfinancial sources may have lower credit standards than financial institutions. The survey results show that in 1998 the use of family or individuals was most common among firms younger than five years and among those that had been operating for fifteen to nineteen years; it was least common among firms that had been operating for more than twenty-five years. Thus, the expectation regarding firm age and the use of nonfinancial sources is not entirely consistent with the descriptive data from the survey. However, further analysis that statistically controls for factors besides age could lead to a different conclusion.

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23. The percentage of firms that obtained financial services from commercial banks might have been larger had the suppliers of credit cards been included in the calculations, as many business and personal credit cards are issued by commercial banks.

24. This figure may understate the true role of government in providing financial services to small businesses. Many entities, such as the U.S. Small Business Administration, provide credit guarantees, which ensure repayment of small business loans made by institutional lenders such as commercial banks and thrift institutions.

5. Percentage of small businesses using selected suppliers of financial services, by selected category of firm, 1998

A. Any supplier, any financial institution, and depository institutions

Category	Any supplier	Financial institution					
		Any	Depository				
			Any	Commercial bank	Thrift		
					Any	Savings institution	Credit union
All firms, 1998	**96.18**	**95.74**	**94.98**	**88.86**	**12.06**	**6.29**	**5.90**
All firms, 1993	**97.03**	**96.84**	**96.48**	**89.72**	**15.37**	**11.80**	**4.04**
Number of employees[1]							
0–1	91.02	89.85	88.67	79.40	13.46	5.07	8.40
2–4	95.86	95.50	94.77	88.09	11.93	6.20	5.96
5–9	99.37	99.37	98.50	93.90	13.29	8.57	4.89
10–19	100.00	100.00	99.79	97.33	10.57	4.60*	5.98
20–49	100.00	100.00	100.00	98.06	7.33	5.65	1.68*
50–99	100.00	97.94	97.42	93.23	9.38	8.79	.90*
100–499	100.00	100.00	100.00	98.20	6.39	6.14*	.38*
Fiscal year sales (thousands of dollars)							
Less than 25	82.99	81.52	80.64	68.32	14.75	4.33	10.43
25–49	94.77	94.77	93.67	85.80	13.08	5.80	7.27
50–99	97.97	97.58	96.85	88.47	11.81	6.34	5.47
100–249	99.34	98.83	97.59	92.58	12.60	7.64	5.16
250–499	99.82	99.82	99.47	96.40	9.72	4.62	5.11
500–999	99.57	99.57	99.44	96.16	12.47	8.70	4.39
1,000–2,499	100.00	100.00	99.09	96.89	11.00	6.99	4.26*
2,500–4,999	100.00	99.03	98.89	97.43	9.30	8.43*	1.06*
5,000–9,999	100.00	100.00	100.00	100.00	5.78*	3.29*	2.48*
10,000 or more	100.00	100.00	99.80	97.23	5.16*	5.16*	.00*
End-of-year assets (thousands of dollars)							
Less than 25	89.87	89.12	88.35	78.96	13.33	5.55	8.01
25–49	98.65	98.65	97.00	91.48	11.75	5.87	5.88
50–99	99.68	98.93	98.29	92.67	11.94	5.84	6.09
100–249	99.46	99.20	98.80	94.71	11.74	7.84	3.91
250–499	100.00	100.00	99.34	96.29	10.56	5.41	5.38
500–999	100.00	100.00	100.00	95.38	13.47	10.29	3.77*
1,000–2,499	100.00	99.24	98.48	96.18	10.11	7.39	2.72*
2,500–4,999	100.00	100.00	99.93	99.93	7.26*	7.06*	.20*
5,000 or more	100.00	100.00	99.84	99.84	3.58*	3.58*	.00*
Organizational form							
Proprietorship	93.16	92.33	91.41	82.24	15.42	7.12	8.53
Partnership	95.37	95.37	95.14	89.50	12.24	6.67*	5.58*
S corporation	99.85	99.72	98.88	96.06	9.70	6.05	3.71
C corporation	99.58	99.58	99.13	96.42	6.49	4.39	2.14
Standard industrial classification							
Construction and mining (10–19)	97.11	96.91	96.51	88.07	15.26	8.56	6.70
Primary manufacturing (20–29)	95.49	94.14	94.11	89.50	12.27	7.74*	4.54*
Other manufacturing (30–39)	94.15	94.15	93.47	89.90	4.11*	2.72*	1.39*
Transportation (40–49)	98.60	98.60	98.60	93.85	10.41	5.10*	5.31*
Wholesale trade (50–51)	99.12	98.88	98.51	95.72	9.92	5.98*	3.94*
Retail trade (52–59)	96.84	96.34	95.92	92.64	8.61	5.38	3.63
Insurance agents and real estate (60–69)	96.61	96.02	96.02	93.79	11.49	7.06	4.67*
Business services (70–79)	94.48	94.13	92.44	83.16	13.83	5.94	7.90
Professional services (80–89)	96.04	95.33	94.51	87.24	14.64	7.01	7.82
Years under current ownership							
0–4	94.50	93.73	93.22	85.83	12.14	4.27	8.15
5–9	96.05	95.97	94.94	89.50	11.18	5.47	5.88
10–14	96.59	96.19	95.22	88.48	12.58	7.85	4.72
15–19	98.45	98.45	97.87	93.01	11.96	6.63	5.44
20–24	98.03	97.52	96.35	89.00	11.60	5.17	6.43
25 or more	95.19	94.27	93.92	89.06	13.23	9.25	4.13

For notes, see end of table.

Use of Financial Services Suppliers, by Service

The data reviewed thus far have examined separately the use of financial services by firm characteristics and the sources of financial services by firm type. This section reports on the types of financial services provided to small businesses by each type of financial service supplier.

Suppliers of Checking and Savings Services

As in 1993, commercial banks dominated the provision of checking services to small businesses in 1998,

5.—Continued

A.—Continued

Category	Any supplier	Financial institution					
		Any	Depository				
			Any	Commercial bank	Thrift		
					Any	Savings institution	Credit union
Census region of main office							
Northeast	95.81	95.40	93.75	86.04	14.40	11.38	3.10
New England	94.67	94.67	93.18	78.74	24.42	17.77	6.68*
Middle Atlantic	96.24	95.68	93.97	88.83	10.58	8.94	1.74*
Midwest	96.48	96.23	95.71	88.01	13.62	7.41	6.20
East North Central	96.54	96.54	95.76	86.18	15.96	9.72	6.24
West North Central	96.36	95.62	95.62	91.67	8.91	2.78*	6.13
South	96.05	95.43	94.93	90.62	7.77	3.17	4.65
South Atlantic	96.43	95.80	95.10	90.93	7.29	3.67	3.72
East South Central	96.51	95.49	95.49	91.69	6.44*	4.83*	1.61*
West South Central	95.18	94.80	94.36	89.55	9.26	1.49*	7.77
West	96.37	95.97	95.33	89.38	14.41	5.60	9.20
Mountain	97.25	97.25	97.21	91.53	15.39	2.59*	12.80
Pacific	96.08	95.54	94.71	88.66	14.09	6.60	8.00
Urbanization at main office							
Urban	96.45	96.09	95.29	89.35	11.74	5.95	5.93
Rural	95.12	94.37	93.77	86.91	13.34	7.67	5.82
Number of offices							
One	95.68	95.22	94.42	87.91	12.01	6.00	6.13
Two	100.00	99.63	99.37	94.53	14.17	9.33	5.08
Three or more	99.13	99.13	98.14	98.14	8.61	6.43	2.61*
Sales area							
Primarily within U.S.	96.10	95.70	94.97	88.98	12.08	6.26	5.97
International or global	97.81	96.54	95.13	86.08	11.80	7.14*	4.66*
Owners' participation							
Owner management	95.93	95.46	94.66	88.11	12.34	6.23	6.24
Hired management	99.16	99.16	98.85	97.80	8.87	7.13	1.93*
Race, ethnicity, and sex of majority owners							
Nonwhite or Hispanic	93.86	93.45	92.96	87.61	11.13	4.84	6.54
Non-Hispanic white	96.56	96.11	95.35	89.05	12.28	6.57	5.83
White	96.37	95.88	95.14	88.85	12.24	6.40	5.94
Black	91.33	91.33	90.74	85.41	13.99	7.03	7.83
Asian or Pacific Islander	97.50	97.50	96.93	94.36	7.30	4.35*	2.95*
American Indian or Alaska Native	92.67	92.67	92.67	77.48	15.19*	3.98*	11.21*
Hispanic	92.95	91.88	91.05	85.23	11.25	3.47*	7.77
Non-Hispanic	96.36	95.96	95.25	89.08	12.14	6.47	5.81
Female	91.85	91.34	90.72	82.00	13.67	5.78	8.15
Male	97.53	97.09	96.31	90.99	11.44	6.34	5.20
Ownership equally divided by sex	98.34	98.34	97.00	92.11	13.91	8.82*	5.10*

supplying these services to 86 percent of all firms surveyed (table 6). Savings institutions and credit unions were sources for fewer than 5 percent of firms. No other single type of supplier provided more than a trivial share of checking services. Commercial banks were also the dominant supplier of savings services, far outpacing the next most common providers (thrift institutions and brokerage firms).

Suppliers of Lines of Credit, Loans, and Capital Leases

Commercial banks were also the most common supplier of lines of credit, loans, and capital leases in 1998; about 39 percent of small businesses had a credit line, loan, or capital lease from a commercial bank at the end of 1998 (compared with 41 percent of firms at the end of 1993). Nondepository financial institutions and family and individuals were also important suppliers; in 1998, as in 1993, about 20 percent of firms obtained credit lines from or had outstanding loan or capital lease balances with nondepository financial institutions (specifically, finance companies and leasing companies); 6 percent had loans from family and individuals (compared with 9 percent in 1993). Although suppliers other than commercial banks were important sources of credit, commercial banks were three times more

5. Percentage of small businesses using selected suppliers of financial services, by selected category of firm, 1998—Continued

B. Nondepository financial institutions and nonfinancial suppliers

Category	Nondepository financial institution					Nonfinancial supplier			
	Any	Finance company	Brokerage	Leasing company	Other	Any [2]	Family and individuals	Other businesses	Government
All firms, 1998	**32.65**	**14.47**	**10.88**	**7.48**	**7.17**	**12.46**	**6.14**	**5.95**	**1.04**
All firms, 1993	**30.80**	**13.82**	**10.20**	**8.56**	**3.59**	**15.61**	**8.90**	**7.43**	**.64**
Number of employees [1]									
0–1	17.28	6.78	5.84	3.37	3.95	9.04	3.95	4.82	.45*
2–4	28.37	13.54	8.75	4.64	5.81	10.02	5.90	4.12	.62*
5–9	38.53	17.02	12.44	10.22	8.91	13.59	6.15	6.88	1.29*
10–19	53.46	21.41	17.43	17.80	11.02	20.40	8.66	10.46	2.05*
20–49	57.69	25.59	23.94	12.12	13.28	25.45	12.93	11.82	3.20*
50–99	60.01	27.29	21.45	23.02	17.00	18.85	6.88	9.28	3.29*
100–499	71.66	30.38	32.58	23.42	17.32	18.50	4.63	12.87	2.75*
Fiscal year sales (thousands of dollars)									
Less than 25	11.65	4.90	2.27*	1.44*	3.26	9.46	5.19	3.87	.54*
25–49	20.55	8.41	6.23*	1.93*	5.40	6.21	2.92*	3.03*	.26*
50–99	22.73	10.08	4.76	5.29	4.33	9.36	4.78	4.84	.51*
100–249	32.48	15.81	11.33	7.41	6.13	13.36	7.52	5.57	.91*
250–499	39.53	14.93	14.49	7.93	8.97	12.52	7.32	4.70	1.32*
500–999	42.86	19.99	11.26	14.84	11.33	16.84	6.29	10.56	.82*
1,000–2,499	57.28	25.47	23.14	12.77	9.82	19.68	8.35	9.86	3.34*
2,500–4,999	60.07	30.76	20.85	18.26	11.96	17.17	7.41	8.81	1.55*
5,000–9,999	70.25	25.66	28.05	13.49	18.63	20.13	6.20*	11.17	3.72*
10,000 or more	70.95	30.84	41.20	17.49	19.34	15.94	4.82	10.73	1.69*
End-of-year assets (thousands of dollars)									
Less than 25	17.02	7.90	4.45	3.61	4.07	7.93	4.06	3.57	.37*
25–49	25.51	12.29	9.69	4.25	4.01	7.40	3.71	3.57*	.10*
50–99	36.14	16.23	11.23	7.98	7.27	12.68	6.29	6.51	.21*
100–249	41.55	18.09	12.11	9.45	10.46	17.06	8.85	8.18	1.42*
250–499	43.99	18.16	15.22	10.89	8.97	14.39	7.71	6.48	1.89*
500–999	54.74	23.15	21.25	16.26	10.43	19.11	9.85	7.74	2.47*
1,000–2,499	57.01	23.82	22.76	10.48	16.00	25.80	9.87	13.90	3.47*
2,500–4,999	64.62	25.90	36.86	26.98	10.44	14.03	4.00*	6.88	3.47*
5,000 or more	68.01	30.11	29.87	16.14	17.28	27.33	5.80	20.93	2.46*
Organizational form									
Proprietorship	23.90	10.75	7.61	3.58	5.06	10.86	5.68	5.13	.57*
Partnership	29.60	15.53	6.55	9.42	5.16*	9.00	2.74*	4.27*	1.98*
S corporation	39.70	16.84	13.79	11.73	7.65	13.98	6.37	7.43	.93
C corporation	47.03	20.54	17.02	11.39	12.56	15.85	8.18	6.82	2.03
Standard industrial classification									
Construction and mining (10–19)	31.12	18.06	10.87	3.52	4.50	7.74	3.44	4.35	.92*
Primary manufacturing (20–29)	31.79	12.04	6.93	13.00	6.54	18.87	7.81	12.14	1.30*
Other manufacturing (30–39)	37.88	11.46	15.79	9.59	8.97	16.99	10.34	5.13	1.76*
Transportation (40–49)	34.83	19.38	6.90	7.55	8.65	13.77	6.17*	7.61*	.02*
Wholesale trade (50–51)	42.10	19.18	13.24	9.66	10.87	13.09	7.19	4.43	1.77*
Retail trade (52–59)	28.71	13.15	5.50	4.21	11.44	14.82	5.53	8.18	1.93
Insurance agents and real estate (60–69)	29.88	13.90	10.79	7.43	4.68	12.63	8.33	4.98*	.00
Business services (70–79)	29.31	13.38	8.33	9.06	5.59	12.33	6.90	5.24	.74*
Professional services (80–89)	38.24	13.77	19.38	8.87	5.50	10.41	4.94	5.31	.68*
Years under current ownership									
0–4	28.33	13.72	5.78	6.64	7.70	13.55	7.84	5.33	.92*
5–9	33.84	14.55	9.00	10.44	6.34	10.63	6.44	3.74	.54*
10–14	37.13	16.37	12.97	8.43	8.56	11.53	4.95	6.51	.96*
15–19	34.33	13.50	13.65	7.29	7.65	13.67	7.19	6.83	1.38*
20–24	30.81	14.02	12.57	5.80	6.76	15.43	5.93	7.17	2.77*
25 or more	30.81	13.67	15.81	3.61	5.65	11.51	3.42	7.99	.80*

likely than finance companies, five times more likely than leasing companies, and about six times more likely than family or individuals to be the source of these services for small businesses in 1998.

Credit lines were supplied almost exclusively by commercial banks: About 25 percent of firms obtained credit lines from commercial banks, compared with about 2 percent for the next most important source, finance companies. Vehicle loans were obtained mainly from commercial banks (11 percent of firms) and finance companies (about 8 percent). Equipment loans were also obtained mainly from these sources, with finance companies used at about half the rate of commercial banks. The only type of credit service that was not provided mainly by commercial banks was capital leases, which were twice as likely to be obtained from leasing companies as from commercial banks or finance companies; however, only about 11 percent of small businesses had a capital lease in 1998. Finally, family and indi-

5.—Continued

B.—Continued

Category	Nondepository financial institution					Nonfinancial supplier			
	Any	Finance company	Brokerage	Leasing company	Other	Any[2]	Family and individuals	Other businesses	Government
Census region of main office									
Northeast	36.04	16.46	14.89	7.14	6.73	12.75	5.92	6.41	.68*
New England	35.00	16.91	15.31	6.60	6.31	13.94	7.03*	6.71	.93*
Middle Atlantic	36.44	16.29	14.74	7.34	6.89	12.29	5.50	6.29	.59*
Midwest	30.15	11.73	11.01	6.69	7.08	12.69	6.10	6.16	1.20*
East North Central	31.51	12.21	11.31	6.82	7.63	14.21	7.61	6.59	.79*
West North Central	27.41	10.76	10.41	6.44	5.97	9.65	3.08*	5.30	2.02*
South	31.16	14.59	8.27	7.95	6.85	11.70	5.18	5.90	.96
South Atlantic	34.37	16.37	8.88	9.56	6.67	14.03	6.95	6.58	.63*
East South Central	29.49	13.80	7.91	7.71	6.31	7.29	3.97*	2.49*	1.66*
West South Central	26.82	12.11	7.45	5.46	7.43	10.22	2.94	6.59	1.15*
West	34.13	15.17	11.12	7.79	7.96	13.02	7.50	5.54	1.26
Mountain	29.71	13.17	8.11	6.55	6.82	17.54	8.89	7.38	3.60*
Pacific	35.60	15.83	12.12	8.20	8.33	11.51	7.04	4.93	.49*
Urbanization at main office									
Urban	34.32	15.16	11.98	8.16	7.48	12.00	5.84	6.08	.79
Rural	26.01	11.75	6.49	4.77	5.93	14.33	7.34	5.46	2.05
Number of offices									
One	30.61	13.43	10.23	6.79	6.64	11.71	5.89	5.46	1.08
Two	45.87	21.88	14.95	10.29	10.21	16.52	6.51	9.67	.47*
Three or more	50.30	21.26	17.09	16.40	13.03	20.05	11.35	7.88	1.51*
Sales area									
Primarily within U.S.	32.19	14.21	10.82	7.31	6.76	12.35	6.16	5.81	1.05
International or global	41.47	18.94	12.31	10.13	16.04	13.56	5.29	8.10	.87*
Owners' participation									
Owner management	31.69	14.10	10.57	7.09	6.98	12.31	6.17	5.72	1.07
Hired management	43.23	18.19	14.44	11.47	9.26	13.40	5.31	8.36	.71*
Race, ethnicity, and sex of majority owners									
Nonwhite or Hispanic	30.91	14.17	7.09	7.56	9.00	13.47	8.05	5.01	1.08*
Non-Hispanic white	32.88	14.54	11.55	7.41	6.85	12.31	5.85	6.15	.99
White	32.69	14.49	11.17	7.45	6.84	12.37	5.95	6.06	1.03
Black	28.74	15.03	6.02	7.89	8.18	16.57	10.32	5.81	1.29*
Asian or Pacific Islander	32.73	12.58	9.27	6.13	13.23	12.59	7.21*	5.81*	.22*
American Indian or Alaska Native	40.50*	22.55*	14.26*	8.67*	6.37*	4.31*	3.98*	.32*	.32*
Hispanic	30.40	13.70	5.63	7.87	7.15	13.57	8.29	4.73*	1.64*
Non-Hispanic	32.74	14.51	11.23	7.39	7.20	12.39	6.03	6.05	.96
Female	29.18	12.05	9.71	6.43	7.37	12.29	6.07	5.36	1.22*
Male	33.55	15.06	11.43	7.54	7.07	12.56	6.06	6.26	1.01
Ownership equally divided by sex	36.48	18.08	8.06	12.47	7.77*	9.81	6.12*	4.07*	.56*

1. See table 1, note 1.

2. Includes a few sources for which the type could not be determined (fewer than 1 percent of the sources identified by respondents).

* Fewer than fifteen firms in this category reported using this supplier, too small a number on which to base a reliable statistic.

viduals provided "other" loans at about the same rate as did commercial banks.

Suppliers of Financial Management Services

Commercial banks were the dominant supplier of financial management services, serving about 38 percent of small businesses in 1998. Brokerages, the second most common source of these services, were used by about 10 percent of firms. Brokerages were the leading provider of both brokerage services and trust and pension services, and commercial banks were the leading provider of transaction, cash-management, and credit-related services.

SUMMARY

The 1998 Survey of Small Business Finances provides detailed information on the characteristics of small businesses and on the types and sources of credit and other financial services they use. Although the discussion in this article is based on descriptive statistics, the data suggest interesting behavior patterns and differences in the use of credit by small businesses. (Standard errors for the differences have not been calculated, so it is uncertain whether these differences are statistically significant.)

The 1998 survey is the third in a series of surveys of small businesses sponsored by the Board of Gov-

6. Percentage of small businesses using selected suppliers of financial services, by selected service, 1998

Service	Any supplier	Financial institution										
		Any	Depository					Nondepository				
			Any	Commercial bank	Thrift							
					Any	Savings institution	Credit union	Any	Finance company	Brokerage	Leasing company	Other
Any	**96.18**	**95.74**	**94.98**	**88.86**	**12.06**	**6.29**	**5.90**	**32.65**	**14.47**	**10.88**	**7.48**	**7.17**
Liquid asset account[1]	94.43	94.12	93.58	86.67	8.89	4.66	4.26	3.18	.49	2.58	.00*	.16*
Checking	94.04	93.73	93.19	86.30	8.06	4.28	3.80	1.31	.26*	.98	.00*	.07*
Savings	22.20	21.91	20.56	17.84	3.08	1.08	1.99	2.10	.28	1.73	.00*	.10*
Credit lines, loans, and capital leases	55.09	51.36	41.96	38.88	4.87	2.45	2.45	20.11	12.62	.31	7.37	1.67
Line of credit	27.71	27.04	25.61	24.70	1.15	.74	.41	2.21	1.64	.23*	.34*	.14*
Mortgage	13.29	11.68	10.16	8.82	1.42	1.18	.24*	1.85	.58	.00*	.07*	1.23
Vehicle	20.55	20.11	13.16	11.30	2.07	.48	1.59	8.59	7.91	.04*	.61	.07*
Equipment	10.18	8.89	5.91	5.36	.55	.28*	.27*	3.37	2.14	.00*	1.31	.00*
Capital lease	10.59	9.58	2.65	2.40	.25*	.16*	.10*	7.63	2.30	.05*	5.59	.02*
Other[2]	9.92	5.02	4.45	4.22	.24*	.10*	.13*	.69	.37	.04*	.05*	.24*
Financial management[3]	49.81	48.10	40.25	38.15	3.00	1.51	1.52	17.29	2.90	9.74	.42	5.68
Transaction	41.07	39.75	37.24	35.27	2.78	1.41	1.39	5.60	1.64	.49	.20*	3.62
Cash-management	5.21	5.09	4.73	4.54	.31*	.22*	.09*	.46	.06*	.40	.00*	.00*
Credit-related	3.09	3.02	2.47	2.39	.12*	.00*	.11*	.67	.51	.00*	.14*	.02*
Brokerage	4.34	4.18	.26	.25	.01*	.00*	.01*	4.05	.11*	3.84	.05*	.07*
Trust and pension	12.62	11.65	2.76	2.71	.06*	.01*	.04*	9.27	.76	6.56	.04*	2.14

For notes, see end of table.

ernors. Straightforward comparisons reveal some remarkable similarities in the findings from the 1998 and 1993 surveys. In particular, commercial banks continued in 1998 to be the dominant source of financial services for small businesses, including checking and savings accounts, loans of all types except capital leases, and all financial management services other than brokerage services and trust and pension services.

Comparisons also reveal some changes over the period between surveys. Minority- and female-owned firms accounted for a larger proportion of small businesses in 1998. The incidence of vehicle, equipment, and "other" loans declined somewhat over the period, while the incidence of lines of credit and mortgages increased. Some of the differences are undoubtedly due to differences in the economic climate in which small businesses operated during 1993 and 1998.

Explaining the differences and, more fundamentally, understanding the factors that affect small business financing require a rigorous analytical framework that accounts for the financial characteristics of borrowers and the markets in which they operate. Although such analysis is beyond the scope of this article, the final survey data will provide considerable opportunities for more formal and complete analyses.

APPENDIX: SURVEY METHODS

The 1998 Survey of Small Business Finances, conducted in 1999 and 2000 by the National Opinion Research Center (NORC) for the Board of Governors, covered a nationally representative sample of small businesses. The target population was U.S. domestic for-profit, nonfinancial, nonsubsidiary, nonagricultural, nongovernmental businesses with fewer than 500 employees that were in operation on December 31, 1998. The sample was drawn from the Dun & Bradstreet Market Identifier file.[25]

The Market Identifier file is broadly representative of all businesses in the United States (though it may underrepresent many of the newest and smallest businesses). It has been estimated that the Dun & Bradstreet database covers approximately 93 percent of full-time business activity.[26]

The 1998 Statistics of U.S. Businesses from the U.S. Small Business Administration provides a comparison population (http://www.sba.gov/advo/stats/data.html) for the population obtained from the Dun & Bradstreet file. These data are compiled by the U.S. Census Bureau and contain virtually the

25. Dun's Marketing Service, Dun & Bradstreet, Inc.

26. See Bruce Phillips and Bruce Kirchhoff, "Formation, Growth, and Survival: Small Firm Dynamics in the U.S. Economy," *Small Business Economics*, vol. 1 (1989), pp. 65–74.

6. Continued

Service	Nonfinancial supplier: Any	Family and individuals	Other businesses	Government
Any	**12.46**	**6.14**	**5.95**	**1.04**
Liquid asset account[1]	.34*	.04*	.30*	.00*
Checking	.14*	.04*	.10*	.00*
Savings	.26*	.03*	.23*	.00*
Credit lines, loans, and capital leases	9.82	6.11	3.13	1.04
Line of credit	.80	.02*	.77	.01*
Mortgage	1.82	1.29	.25*	.33
Vehicle	.45	.28*	.14*	.00*
Equipment	1.42	.43*	.88	.11*
Capital lease	1.17	.27*	.86	.03*
Other[2]	5.23	4.15	.55	.58
Financial management[3]	3.25	.31*	2.89	.09*
Transaction	2.07	.26*	1.76	.09*
Cash-management	.18*	.03*	.15*	.00*
Credit-related	.14*	.07*	.07*	.00*
Brokerage	.14*	.01*	.14*	.00*
Trust and pension	.95	.02*	.93	.00*

1. See table 4, note 2.
2. See table 4, note 3.
3. See table 4, note 5.
* Fewer than fifteen firms reported using this supplier, too small a number on which to base a reliable statistic.

entire universe of private-sector businesses with positive payroll, excluding farms (SIC 01–02), railroads (SIC 40), the Postal Service (SIC 43), private households (SIC 88), and pension, health, and welfare funds with at least 100 employees (SIC 6371). The data show that about 61 percent of firms have fewer than five employees (compared with 64 percent of the survey population), 38 percent were in business and professional services (compared with 43 percent), and 21 percent were in retail trade (compared with 19 percent). In addition, about 83 percent were located in urban areas (compared with about 80 percent) and 21 percent were in the Northeast, 23 percent in the Midwest, 32 percent in the South, and 23 percent in the West (compared with 19 percent, 22 percent, 33 percent, and 27 percent respectively).

Sampling was done according to a two-stage stratified random design. In the first stage, the sample was stratified by number of employees, Census division, and urban/rural status. Because larger small businesses (those with twenty or more employees) account for a small proportion of the target population, those firms were sampled at a rate greater than their proportion in the population to ensure a large enough sample to permit comparisons with smaller small businesses. A sample of nearly 40,000 firms was selected in this first stage, representing 7.5 million firms in the Market Identifier file; 27,000 completed the screening process, and nearly 20,000 were determined to be part of the target population, representing about 5.3 million firms.[27] Besides verifying eligibility, the screening was designed to collect information on minority ownership (where a minority-owned firm was defined as one more than 50 percent owned by individuals who are Hispanic, Latino, or of Spanish descent; Asian, Native Hawaiian, or other Pacific Islander; black; or American Indian or Alaska Native), information not reliably available in the Dun & Bradstreet file.[28]

In the second stage, the sample was stratified by number of employees, Census division, urban/rural status, and minority ownership (black, Asian, Hispanic, and "other"). Like relatively larger small businesses, minority-owned firms account for only a small percentage of the population of small businesses but are of special interest to researchers and policymakers. For these reasons, such firms were oversampled to ensure that their numbers would be sufficient to allow for statistical comparisons between them and other firms.

Of the 20,000 firms determined to be part of the target population, only 11,000 were asked to participate in the main interview (the second stage), as the screened sample contained a surplus of small, nonminority-owned firms. Of these 11,000 firms, 3,561 completed the main interview, for a response rate of 33 percent.[29] The results presented in this article have been weighted to allow for different rates of sampling and different rates of response. The estimates provided are representative of the eligible portion of the Dun & Bradstreet frame.

Before the screening, firms were mailed a brochure describing the survey. They were contacted by telephone and asked to complete a short computer-

27. Of the approximately 13,000 firms that did not complete the screening process, about 6,000 declined to participate. Of the remainder, the majority could not be contacted for various reasons.

28. John D. Wolken, Catherine Haggerty, Karen Grigorian, and Rachel Harter, "The 1998 Survey of Small Business Finances: Sampling and Level of Effort Associated with Gaining Cooperation from Minority-Owned Businesses," paper presented at the International Conference on Establishment Surveys II, June 2000, Buffalo, New York (forthcoming in ICES II conference proceedings).

29. The response rate for the 1993 survey was 47 percent. The decline in response rate is generally consistent with a decline in response rates in many recent scientific surveys, including those of the U.S. Census Bureau. There are several possible reasons for the lower rate. Interviews were conducted several months after screening, allowing time for businesses to become defunct and also requiring that businesses cooperate twice instead of once. Also, many of the main interviews were completed near January 1, 2000, when many businesses were busy and therefore less willing to participate.

A.1. Characteristics of small businesses, distributed by selected category of firm, 1998

Category	All firms	Majority owners				Number of employees[1]				
		Non-white or Hispanic	Non-Hispanic white	Male	Female	0–1	2–4	5–19	20–49	50–499
All firms	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
Number of employees[1]										
0–1	21.86	20.78	22.01	20.13	27.34	100.00	...	...	...	...
2–4	41.78	48.17	40.60	41.04	44.12	...	100.00	...	...	...
5–9	19.78	18.36	20.04	20.60	17.31	...	...	70.22	...	...
10–19	8.39	7.46	8.60	8.89	6.62	...	...	29.78	...	...
20–49	5.47	3.82	5.79	6.27	3.01	...	...	...	100.00	...
50–99	1.55	1.08	1.63	1.66	1.13	...	...	...	...	57.01
100–499	1.17	.31	1.32	1.39	.46	...	...	...	...	42.99
Fiscal year sales (thousands of dollars)										
Less than 25	16.34	20.84	15.42	12.98	26.85	39.64	16.42	2.73	.26*	.99*
25–49	9.48	10.66	9.24	8.38	12.97	18.86	11.69	1.52*	.18*	1.50*
50–99	14.22	19.19	13.46	14.16	14.40	18.51	20.53	5.46	.54*	1.15*
100–249	21.72	18.43	22.20	22.58	18.99	16.81	29.38	20.22	.94*	.66*
250–499	13.29	14.16	13.17	14.19	10.56	3.96	13.22	23.18	6.06	1.58*
500–999	10.27	8.04	10.71	11.00	8.04	1.09*	4.86	24.48	17.65	5.02*
1,000–2,499	7.83	4.98	8.37	8.83	4.74	.71*	2.68	15.16	35.21	13.38
2,500–4,999	3.28	2.00	3.52	3.77	1.62	...	.32*	4.90	22.26	20.22
5,000–9,999	1.56	.97	1.68	1.89	.55	.23*	.33*	.94*	11.36	18.03
10,000 or more	1.79	.46	2.02	2.11	.74	.02*	.20*	1.32*	5.55	37.47
End-of-year assets (thousands of dollars)										
Less than 25	34.72	41.57	33.42	30.86	46.91	62.13	40.46	13.92	3.15*	5.41*
25–49	12.57	10.79	12.95	12.86	11.64	13.01	15.77	10.51	2.66*	1.01*
50–99	13.94	16.98	13.45	14.53	12.17	10.44	15.71	16.64	7.10	.52*
100–249	15.86	13.92	16.22	16.38	14.30	8.02	16.42	22.77	12.60	5.13
250–499	8.74	7.36	8.89	9.52	6.37	3.71	5.84	16.46	12.88	5.40
500–999	5.99	3.47	6.46	6.83	3.26	1.23*	2.77	10.86	22.54	10.15
1,000–2,499	4.22	3.30	4.40	4.61	2.84	.42*	1.70	5.19	26.00	19.62
2,500–4,999	1.54	.72	1.68	1.79	.78	.08*	.36*	1.28*	8.09	20.96
5,000 or more	1.51	.30	1.73	1.85	.40	...	.07*	1.34*	4.47	31.36
Organizational form										
Proprietorship	49.35	54.63	48.27	46.80	57.53	82.72	55.08	26.98	8.55	7.07*
Partnership	6.95	7.94	6.75	7.11	6.48	1.17*	10.00	7.32	3.86	8.96
S corporation	23.87	22.42	24.26	25.15	19.75	9.85	20.50	35.08	39.58	40.77
C corporation	19.83	15.01	20.72	20.94	16.25	6.26	14.42	30.62	48.00	43.20
Standard industrial classification										
Construction and mining (10–19)	11.87	7.42	12.71	13.98	5.41	12.19	10.91	12.59	13.39	13.77
Primary manufacturing (20–29)	3.66	2.52	3.88	3.51	4.11	3.00	3.51	3.68	5.59	7.04
Other manufacturing (30–39)	4.68	3.63	4.89	5.27	2.88	3.03	4.43	4.63	10.43	10.68
Transportation (40–49)	3.72	4.03	3.69	3.80	3.47	2.98	3.13	4.89	3.98	6.13
Wholesale trade (50–51)	7.15	6.75	7.26	8.13	3.98	4.19	7.21	8.84	9.36	8.13
Retail trade (52–59)	18.95	21.23	18.65	17.51	23.40	13.89	17.42	23.93	24.73	19.77
Insurance agents and real estate (60–69)	6.48	5.00	6.77	6.78	5.57	7.28	6.54	6.76	3.69*	1.81*
Business services (70–79)	24.83	31.60	23.49	23.02	30.40	32.08	27.20	18.86	13.85	14.34
Professional services (80–89)	18.46	17.83	18.42	17.95	20.12	21.11	19.39	15.71	14.97	18.16
Years under current ownership										
0–4	22.37	29.71	21.01	20.36	28.46	27.62	24.62	17.56	14.80	10.83
5–9	22.79	24.45	22.45	21.68	26.34	24.06	24.08	21.24	19.38	15.53
10–14	19.14	20.59	18.97	19.30	18.74	17.89	19.70	20.21	15.17	17.59
15–19	13.05	10.50	13.55	13.42	11.98	10.45	11.26	16.42	18.24	16.38
20–24	8.72	6.37	9.10	9.60	5.99	7.41	7.97	9.95	13.25	8.60
25 or more	13.75	8.38	14.71	15.45	8.48	12.44	12.15	14.45	19.17	30.92

For notes, see end of table.

assisted telephone interview to verify their eligibility. The screening interview took about five minutes. The total time required by NORC to contact firms and administer all interviews, whether completed or not, averaged about thirty-nine minutes per *completed* screening interview.[30]

30. For both the screening and the main interviews, the total time per completed interview is the total number of interview hours for all cases, whether the interview was completed or not, divided by the number of completed cases.

Firms selected for the main interview were sent further information about the survey and a customized worksheet to help them consult their records before the interview. The worksheet requested financial data for the firm and information about the financial services used by the firm and the sources of those services. The worksheet differed according to the firm's legal organizational form and directed respondents to the appropriate lines on their tax forms. The main interview, also a computer assisted

A.1.—Continued

Category	All firms	Majority owners				Number of employees[1]				
		Non-white or Hispanic	Non-Hispanic white	Male	Female	0–1	2–4	5–19	20–49	50–499
Census region of main office										
Northeast	18.90	15.86	19.31	19.65	16.66	20.92	19.63	17.20	15.09	16.75
New England	5.21	.97*	5.87	5.00	5.90	5.98	5.28	4.46	6.48	3.29
Middle Atlantic	13.69	14.88	13.44	14.65	10.75	14.94	14.35	12.75	8.61	13.46
Midwest	21.80	10.44	23.77	22.28	20.37	19.51	22.00	22.36	26.61	21.42
East North Central	14.56	7.23	15.79	15.27	12.41	12.84	14.45	15.91	16.11	12.67
West North Central	7.24	3.21	7.98	7.02	7.96	6.68	7.55	6.45	10.50	8.75
South	32.71	37.01	32.07	32.69	32.59	32.36	33.50	32.31	29.37	34.26
South Atlantic	16.88	19.44	16.45	16.59	17.72	17.59	16.99	16.10	15.89	19.68
East South Central	5.47	2.43	6.03	5.76	4.46	3.70	5.41	7.08	5.35	4.43
West South Central	10.35	15.14	9.59	10.34	10.41	11.07	11.10	9.12	8.13	10.16
West	26.59	36.69	24.85	25.38	30.38	27.21	24.88	28.13	28.93	27.56
Mountain	6.63	7.05	6.54	6.88	5.88	6.56	5.62	8.05	7.87	5.55
Pacific	19.96	29.64	18.31	18.50	24.50	20.65	19.26	20.08	21.06	22.01
Urbanization at main office										
Urban	79.91	89.63	78.19	79.80	80.33	81.91	78.86	79.42	80.37	84.33
Rural	20.09	10.37	21.81	20.20	19.67	18.09	21.14	20.58	19.63	15.67
Number of offices										
One	87.75	89.18	87.51	86.47	91.87	96.58	91.10	84.40	66.67	42.52
Two	8.55	7.37	8.76	9.21	6.51	2.89	7.66	10.85	20.19	20.67
Three or more	3.63	3.45	3.64	4.22	1.62	.53*	1.24	4.50	13.14	36.81
Sales area										
Primarily within U.S.	95.43	93.63	95.76	95.20	96.13	95.76	95.31	96.17	94.11	89.69
International or global	4.51	6.37	4.16	4.71	3.87	4.24	4.69	3.66	5.58	10.31
Owners' participation										
Owner management	92.33	93.36	92.11	92.24	92.97	98.75	94.46	87.04	85.77	75.85
Hired management	7.52	6.64	7.72	7.70	6.79	1.25*	5.44	12.59	14.23	24.15
Race, ethnicity, and sex of majority owners										
Nonwhite or Hispanic	14.60	100.00	...	14.18	15.90	13.88	16.83	13.38	10.20	7.49
Non-Hispanic white	84.88	...	100.00	85.25	83.72	85.48	82.48	86.30	89.80	92.20
White	90.12	35.79	100.00	90.70	88.34	90.58	88.39	90.81	95.49	95.02
Black	4.12	28.21	...	3.77	5.21	3.88	5.34	3.40	.55*	1.87
Asian or Pacific Islander	4.38	29.97	...	4.14	5.05	3.86	4.49	4.90	3.74	2.71
American Indian or Alaska Native	.81	5.58	...	.77	.95*	1.04*	1.02*	.52*	.22*	.10*
Hispanic	5.59	38.29	...	5.78	5.03	5.27	6.47	4.78	5.68	2.88
Non-Hispanic	94.10	61.51	100.00	93.85	94.85	94.59	92.96	95.06	94.32	97.12
Female	24.32	26.48	23.98	...	100.00	30.42	25.68	20.67	13.36	14.26
Male	71.88	68.48	72.41	95.14	...	68.86	69.89	74.46	80.89	82.07
Ownership equally divided by sex	3.67	4.90	3.49	4.86	...	.73*	4.33	4.66	5.64	2.97

telephone interview, took about forty minutes. However, the total time spent by NORC, including the time spent trying to contact and convert nonrespondents, averaged nearly seven hours per *completed* case. Most of the time it took to complete the interviews was spent establishing contact, setting appointments with business owners, reestablishing contact when interviews were broken off by respondents, and trying to persuade reluctant owners to complete the interview.

The information collected from each business fits into the following categories: demographics of the firm and its primary owner; the firm's use of financial services and the sources providing the services; applications for credit by the firm in the past three years; balance sheet data; and recent credit history of the firm and its owners. A public-use version of the data set and a user's manual will be posted on the Federal Reserve Board's web site after completion of data editing and other processing steps (www.federalreserve.gov/pubs/oss/oss3/nssbftoc.htm). ☐

A.1. Characteristics of small businesses, distributed by selected category of firm, 1998—Continued

Category	Years under current ownership		Urbanizaton at main office		Organizational form	
	0–9	10 or more	Urban	Rural	Proprietorship	Other
All firms	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
Number of employees[1]						
0–1	25.02	19.27	22.40	19.69	36.64	7.46
2–4	45.06	39.04	41.23	43.98	46.63	37.06
5–9	16.97	22.08	19.53	20.77	13.12	26.26
10–19	7.23	9.37	8.46	8.08	2.27	14.34
20–49	4.14	6.59	5.51	5.35	.95	9.88
50–99	1.15	1.87	1.61	1.29	.29*	2.76
100–499	.43	1.78	1.25	.83	.09*	2.21
Fiscal year sales (thousands of dollars)						
Less than 25	22.00	11.71	15.85	18.25	26.39	6.54
25–49	10.29	8.80	9.55	9.21	15.39	3.73
50–99	15.03	13.61	14.05	14.93	19.35	9.23
100–249	20.93	22.36	21.50	22.59	21.96	21.48
250–499	12.62	13.80	13.61	12.02	9.40	17.08
500–999	9.19	11.10	10.58	9.01	5.17	15.23
1,000–2,499	6.07	9.32	7.87	7.69	1.79	13.73
2,500–4,999	1.91	4.43	3.10	4.02	.10*	6.38
5,000–9,999	.59	2.36	1.73	.91	.10*	2.99
10,000 or more	1.18	2.29	1.96	1.08	.11*	3.41
End-of-year assets (thousands of dollars)						
Less than 25	41.64	29.07	35.08	33.32	49.34	20.48
25–49	13.23	12.06	13.07	10.57	12.51	12.62
50–99	13.75	14.13	13.77	14.58	14.38	13.50
100–249	14.31	17.08	15.78	16.14	13.16	18.48
250–499	8.33	9.10	8.15	11.06	5.67	11.73
500–999	4.20	7.32	5.70	7.14	2.25	9.64
1,000–2,499	2.45	5.69	4.34	3.75	1.25	7.11
2,500–4,999	.75	2.20	1.52	1.61	.27*	2.78
5,000 or more	.73	2.16	1.73	.66	.02*	2.97
Organizational form						
Proprietorship	50.91	48.18	47.00	58.72	100.00	. . .
Partnership	7.12	6.84	6.96	6.93	. . .	13.73
S corporation	25.25	22.79	25.20	18.58	. . .	47.13
C corporation	16.73	22.19	20.85	15.77	. . .	39.15
Standard industrial classification						
Construction and mining (10–19)	10.14	13.35	11.27	14.30	12.61	11.16
Primary manufacturing (20–29)	3.40	3.88	3.57	4.00	3.18	4.12
Other manufacturing (30–39)	4.75	4.64	4.66	4.75	3.00	6.32
Transportation (40–49)	4.32	3.24	3.90	2.98	2.24	5.16
Wholesale trade (50–51)	6.67	7.47	7.53	5.62	3.92	10.30
Retail trade (52–59)	21.13	17.20	17.19	25.94	19.49	18.42
Insurance agents and real estate (60–69)	5.15	7.51	6.65	5.81	5.40	7.53
Business services (70–79)	26.97	23.08	24.90	24.57	29.48	20.31
Professional services (80–89)	17.24	19.48	20.15	11.74	20.47	16.50
Years under current ownership						
0–4	49.54	. . .	22.32	22.56	22.86	21.90
5–9	50.46	. . .	23.78	18.83	23.72	21.87
10–14	. . .	35.02	20.02	15.65	19.39	18.91
15–19	. . .	23.88	12.83	13.94	11.75	14.32
20–24	. . .	15.94	8.61	9.14	8.18	9.24
25 or more	. . .	25.16	12.26	19.67	14.04	13.47

A.1. Continued

Category	Years under current ownership		Urbanizaton at main office		Organizational form	
	0–9	10 or more	Urban	Rural	Proprietorship	Other
Census region of main office						
Northeast	16.98	20.46	21.01	10.52	18.91	18.89
New England	5.31	5.15	5.45	4.29	5.47	4.97
Middle Atlantic	11.67	15.31	15.56	6.23	13.45	13.92
Midwest	21.31	22.26	19.40	31.34	20.30	23.25
East North Central	14.35	14.77	13.92	17.09	12.82	16.25
West North Central	6.97	7.49	5.48	14.25	7.48	7.01
South	34.91	30.82	31.21	38.65	31.12	34.26
South Atlantic	19.41	14.77	17.21	15.57	14.16	19.54
East South Central	5.34	5.60	3.99	11.39	5.12	5.82
West South Central	10.16	10.44	10.01	11.69	11.84	8.90
West	26.79	26.46	28.38	19.49	29.67	23.60
Mountain	6.66	6.57	5.89	9.56	5.94	7.30
Pacific	20.13	19.88	22.49	9.93	23.72	16.30
Urbanization at main office						
Urban	81.59	78.54	100.00	...	76.10	83.63
Rural	18.41	21.46	...	100.00	23.90	16.37
Number of offices						
One	89.44	86.41	87.43	89.00	93.19	82.45
Two	7.91	9.10	8.70	7.98	5.65	11.38
Three or more	2.60	4.49	3.78	3.02	1.16	6.03
Sales area						
Primarily within U.S.	94.47	96.30	94.94	97.38	96.86	94.04
International or global	5.53	3.67	5.00	2.54	3.14	5.84
Owners' participation						
Owner management	93.10	91.84	91.95	93.83	96.15	88.60
Hired management	6.83	8.11	7.92	5.96	3.85	11.11
Race, ethnicity, and sex of majority owners						
Nonwhite or Hispanic	17.51	12.24	16.37	7.54	16.16	13.08
Non-Hispanic white	81.68	87.46	83.04	92.17	83.01	86.69
White	87.92	91.90	89.11	94.13	88.84	91.36
Black	4.96	3.44	4.53	2.47	4.88	3.38
Asian or Pacific Islander	5.25	3.66	5.05	1.70	4.54	4.21
American Indian or Alaska Native	.98*	.68*	.64	1.50*	.90*	.73*
Hispanic	6.64	4.74	6.45	2.18	6.15	5.04
Non-Hispanic	92.84	95.12	93.23	97.54	93.43	94.75
Female	29.51	20.11	24.44	23.82	28.34	20.39
Male	66.52	76.30	71.79	72.28	71.66	72.11
Ownership equally divided by sex	3.83	3.55	3.67	3.70	...	7.25

1. See text table 1, note 1.

* Fewer than fifteen firms in this category reported this characteristic, too small a number on which to base a reliable statistic.

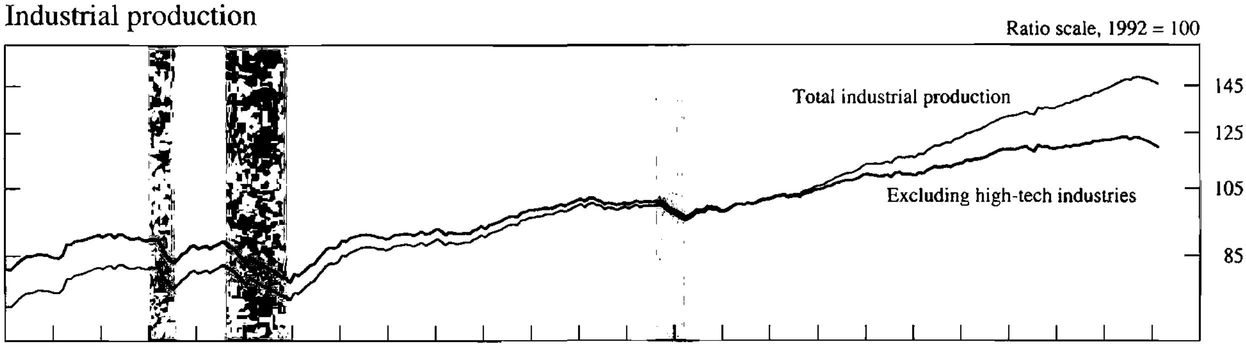
... Not applicable.

Industrial Production and Capacity Utilization for February 2001

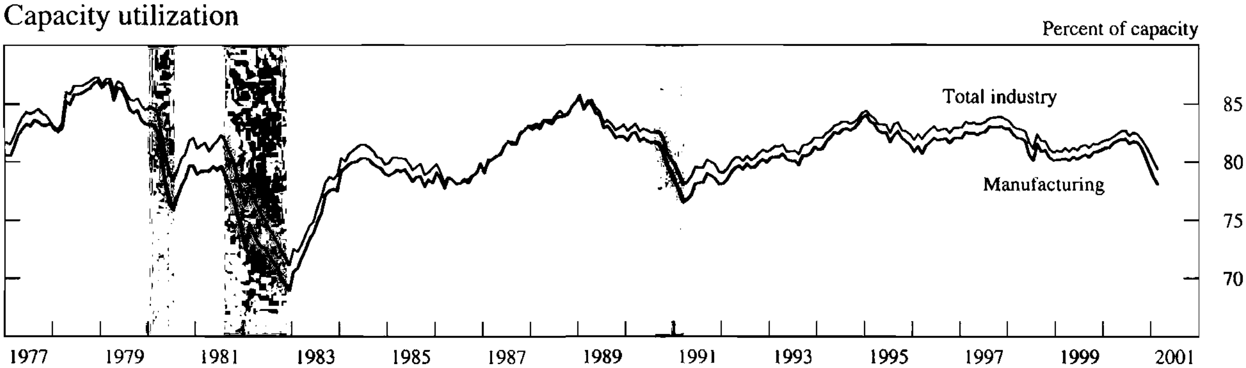
Released for publication March 16

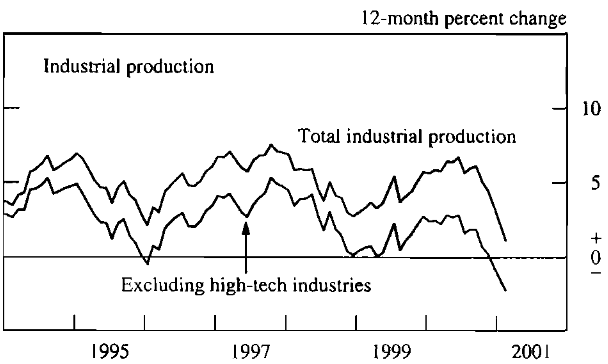
Industrial production fell 0.6 percent in February, its fifth consecutive monthly decline. Manufacturing output decreased 0.4 percent; it has fallen about 2½ percent (not at an annual rate) since September. Excluding motor vehicles and parts, manufacturing output decreased 0.5 percent in February. Output at utilities dropped back 2.3 percent, and production in mining slipped 0.5 percent. At 146.0 percent of its 1992 average, industrial production was 1.2 percent above its February 2000 level. The rate of capacity

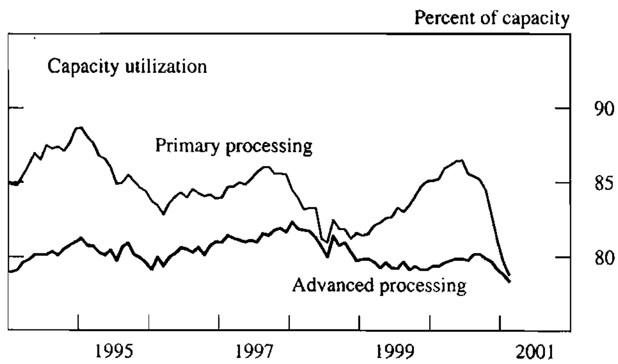
Industrial production



Capacity utilization







High-tech industries are defined as semiconductors and related electronic components (SIC 3672-9), computers (SIC 357), and communications equipment (SIC 366).

Shaded areas are periods of business recession as defined by the NBER.

Industrial production and capacity utilization, February 2001

Category	Industrial production, index, 1992=100								
	2000		2001		Percent change				
					2000[1]		2001[1]		Feb. 2000 to Feb. 2001
	Nov.[r]	Dec.[r]	Jan.[r]	Feb.[p]	Nov.[r]	Dec.[r]	Jan.[r]	Feb.[p]	
Total	**148.2**	**147.7**	**146.8**	**146.0**	**–.3**	**–.3**	**–.6**	**–.6**	**1.2**
Previous estimate	148.2	147.4	147.0	...	–.3	–.5	–.3	...	...
Major market groups									
Products, total[2]	136.3	136.3	135.6	134.9	.0	.0	–.5	–.5	.5
Consumer goods	122.4	122.8	121.7	121.2	–.3	.4	–.9	–.5	–1.3
Business equipment	200.6	199.4	198.6	198.1	.3	–.6	–.4	–.3	6.0
Construction supplies	141.6	141.5	141.6	140.3	–.5	.0	.0	–.9	–2.2
Materials	169.9	168.4	167.1	166.0	–.7	–.9	–.8	–.6	2.2
Major industry groups									
Manufacturing	154.1	152.9	152.0	151.3	–.5	–.8	–.6	–.4	.9
Durable	196.7	195.5	193.4	192.6	–.4	–.6	–1.1	–.4	3.4
Nondurable	115.5	114.4	114.4	113.9	–.7	–1.0	.0	–.5	–2.1
Mining	101.1	100.2	102.3	101.8	.9	–.8	2.1	–.5	2.7
Utilities	121.9	129.8	125.5	122.6	1.6	6.4	–3.3	–2.3	2.6

Category	Capacity utilization, percent								Memo Capacity, percent change, Feb. 2000 to Feb. 2001
	Average, 1967–00	Low, 1982	High, 1988–89	2000			2001		
				Feb.	Nov.[r]	Dec.[r]	Jan.[r]	Feb.[p]	
Total	**82.1**	**71.1**	**85.4**	**82.0**	**81.4**	**80.8**	**80.1**	**79.4**	**4.5**
Manufacturing	81.1	69.0	85.7	81.2	80.5	79.5	78.7	78.1	4.9
Advanced processing	80.6	71.0	84.2	79.4	79.7	79.2	78.8	78.4	2.6
Primary processing	82.2	65.7	88.3	85.2	82.8	81.1	79.7	78.8	8.5
Mining	87.4	80.3	88.0	84.9	87.3	86.7	88.6	88.2	–1.1
Utilities	87.6	75.9	92.6	91.1	90.7	96.3	92.8	90.4	3.4

NOTE. Data seasonally adjusted or calculated from seasonally adjusted monthly data.
1. Change from preceding month.
2. Contains components in addition to those shown.
r Revised.
p Preliminary.

utilization for total industry fell to 79.4 percent in February, its sixth consecutive monthly decline, and is 2.7 percentage points below its 1967–2000 average.

Market Groups

The index for consumer goods fell 0.5 percent in February; the production of nondurables decreased 0.7 percent, while the output of durables rose 0.5 percent. The output of nondurable consumer goods was pulled down by declines in the production of clothing, foods and tobacco, paper products, and energy products. The production of consumer durables rebounded a bit; a downturn in motor vehicle output had contributed to a sharp drop-off during the previous four months

The output of business equipment slipped 0.3 percent in February. The index for industrial and other equipment dropped 1.0 percent with declines in machinery and construction equipment more than offsetting a rise in farm equipment. The production of transit equipment, which had decreased considerably in the previous two months, fell 0.8 percent because of further cuts in the assembly of medium and heavy trucks. The output of information processing equipment posted a relatively small gain of 0.7 percent. The gains in this sector, which includes computers, have slowed, on balance, in recent months.

The output of construction supplies fell 0.9 percent in February after having been unchanged in the previous two months; the index is now 2.2 percent below its year-ago level. The output of materials dropped 0.6 percent, with similar declines posted for both durable and nondurable materials. Among durable materials industries, the output of semiconductors and related electronic components increased a modest 0.3 percent. However, the production of motor-vehicle-related parts and materials posted another large decline. Among nondurable materials, the output of textiles dropped 2.2 percent in February; declines in the output of paper and chemicals essentially reversed gains posted in January. The index for energy materials dropped 0.7 percent in February after two months of little change.

INDUSTRY GROUPS

Manufacturing output declined 0.4 percent in February, with similar decreases in the production of durable and nondurable goods; the losses were widespread. Among durable goods industries, the largest decreases came in stone, clay, and glass products, fabricated metal products, industrial machinery other than computers, and miscellaneous manufacturing. The output of motor vehicles and parts, which had fallen almost 22 percent (not at an annual rate) between September and January, was little changed in February. Among nondurables, a 1.3 percent rise in petroleum refining was the only significant increase.

The factory operating rate declined further in February, to 78.1 percent, which is 3.0 percentage points below its 1967–2000 average and the lowest level since late 1991. Capacity utilization in high-tech industries (computers, communications equipment, and semiconductors) dropped to 80.6 percent in February, or 9.4 percentage points below its July 2000 peak. The utilization rate for primary-processing industries fell 0.9 percentage point, to 78.8 percent, while that for advanced-processing industries dipped 0.4 percentage point, to 78.4 percent. The operating rate at utilities fell again, to 90.4 percent from the high rate of 96.3 percent recorded in December. The operating rate for mining declined slightly to 88.2 percent.

NEW RELEASE FORMAT

Beginning with the February 16 issue, the G.17 statistical release has been redesigned. Special aggregates have been added. Although some detailed industry data no longer appear in the regular release, these series continue to be available on the Federal Reserve Board's public web site (www.federalreserve.gov/releases/g17). □

Testimony of Federal Reserve Officials

Testimony by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, February 13, 2001

I appreciate the opportunity this morning to present the Federal Reserve's semiannual report on monetary policy.

The past decade has been extraordinary for the American economy and monetary policy. The synergies of key technologies markedly elevated prospective rates of return on high-tech investments, led to a surge in business capital spending, and significantly increased the underlying growth rate of productivity. The capitalization of those higher expected returns boosted equity prices, contributing to a substantial pickup in household spending on new homes, durable goods, and other types of consumption generally, beyond even that implied by the enhanced rise in real incomes.

When I last reported to you in July, economic growth was just exhibiting initial signs of slowing from what had been an exceptionally rapid and unsustainable rate of increase that began a year earlier.

The surge in spending had lifted the growth of the stocks of many types of consumer durable goods and business capital equipment to rates that could not be continued. The elevated level of light vehicle sales, for example, implied a rate of increase in the number of vehicles on the road hardly sustainable for a mature industry. And even though demand for a number of high-tech products was doubling or tripling annually, in many cases new supply was coming on even faster. Overall, capacity in high-tech manufacturing industries rose nearly 50 percent last year, well in excess of its rapid rate of increase over the previous three years. Hence, a temporary glut in these industries and falling prospective rates of return were inevitable at some point. Clearly, some slowing in the pace of spending was necessary and expected if the economy was to progress along a balanced and sustainable growth path.

But the adjustment has occurred much faster than most businesses anticipated, with the process likely intensified by the rise in the cost of energy that has drained business and household purchasing power. Purchases of durable goods and investment in capital equipment declined in the fourth quarter. Because the extent of the slowdown was not anticipated by businesses, it induced some backup in inventories, despite the more advanced just-in-time technologies that have in recent years enabled firms to adjust production levels more rapidly to changes in demand. Inventory–sales ratios rose only moderately; but relative to the levels of these ratios implied by their downtrend over the past decade, the emerging imbalances appeared considerably larger. Reflecting these growing imbalances, manufacturing purchasing managers reported last month that inventories in the hands of their customers had risen to excessively high levels.

As a result, a round of inventory rebalancing appears to be in progress. Accordingly, the slowdown in the economy that began in the middle of 2000 intensified, perhaps even to the point of growth stalling out around the turn of the year. As the economy slowed, equity prices fell, especially in the high-tech sector, where previous high valuations and optimistic forecasts were being reevaluated, resulting in significant losses for some investors. In addition, lenders turned more cautious. This tightening of financial conditions, itself, contributed to restraint on spending.

Against this background, the Federal Open Market Committee (FOMC) undertook a series of aggressive monetary policy steps. At its December meeting, the FOMC shifted its announced assessment of the balance of risks to express concern about economic weakness, which encouraged declines in market interest rates. Then on January 3, and again on January 31, the FOMC reduced its targeted federal funds rate ½ percentage point, to its current level of 5½ percent. An essential precondition for this type of response was that underlying cost and price pressures remained subdued, so that our front-loaded actions were unlikely to jeopardize the stable, low-inflation environment necessary to foster investment and advances in productivity.

The exceptional weakness so evident in a number of economic indicators toward the end of last year (perhaps in part the consequence of adverse weather) apparently did not continue in January. But with signs of softness still patently in evidence at the time of its January meeting, the FOMC retained its sense that the risks are weighted toward conditions that may generate economic weakness in the foreseeable future.

Crucial to the assessment of the outlook and the understanding of recent policy actions is the role of technological change and productivity in shaping near-term cyclical forces as well as long-term sustainable growth.

The prospects for sustaining strong advances in productivity in the years ahead remain favorable. As one would expect, productivity growth has slowed along with the economy. But what is notable is that, during the second half of 2000, output per hour advanced at a pace sufficiently impressive to provide strong support for the view that the rate of growth of structural productivity remains well above its pace of a decade ago.

Moreover, although recent short-term business profits have softened considerably, most corporate managers appear not to have altered to any appreciable extent their long-standing optimism about the future returns from using new technology. A recent survey of purchasing managers suggests that the wave of new on-line business-to-business activities is far from cresting. Corporate managers more generally, rightly or wrongly, appear to remain remarkably sanguine about the potential for innovations to continue to enhance productivity and profits. At least this is what is gleaned from the projections of equity analysts, who, one must presume, obtain most of their insights from corporate managers. According to one prominent survey, the three- to five-year average earnings projections of more than a thousand analysts, though exhibiting some signs of diminishing in recent months, have generally held firm at a very high level. Such expectations, should they persist, bode well for continued strength in capital accumulation and sustained elevated growth of structural productivity over the longer term.

The same forces that have been boosting growth in structural productivity seem also to have accelerated the process of cyclical adjustment. Extraordinary improvements in business-to-business communication have held unit costs in check, in part by greatly speeding up the flow of information. New technologies for supply-chain management and flexible manufacturing imply that businesses can perceive imbalances in inventories at a very early stage—virtually in real time—and can cut production promptly in response to the developing signs of unintended inventory building.

Our most recent experience with some inventory backup, of course, suggests that surprises can still occur and that this process is still evolving. Nonetheless, compared with the past, much progress is evident. A couple of decades ago, inventory data would not have been available to most firms until weeks had elapsed, delaying a response and, hence, eventually requiring even deeper cuts in production. In addition, the foreshortening of lead times on delivery of capital equipment, a result of information and other newer technologies, has engendered a more rapid adjustment of capital goods production to shifts in demand that result from changes in firms' expectations of sales and profitability. A decade ago, extended backlogs on capital equipment meant a more stretched-out process of production adjustments.

Even consumer spending decisions have become increasingly responsive to changes in the perceived profitability of firms through their effects on the value of households' holdings of equities. Stock market wealth has risen substantially relative to income in recent years—itself a reflection of the extraordinary surge of innovation. As a consequence, changes in stock market wealth have become a more important determinant of shifts in consumer spending relative to changes in current household income than was the case just five to seven years ago.

The hastening of the adjustment to emerging imbalances is generally beneficial. It means that those imbalances are not allowed to build until they require very large corrections. But the faster adjustment process does raise some warning flags. Although the newer technologies have clearly allowed firms to make more informed decisions, business managers throughout the economy also are likely responding to much of the same enhanced body of information. As a consequence, firms appear to be acting in far closer alignment with one another than in decades past. The result is not only a faster adjustment, but one that is potentially more synchronized, compressing changes into an even shorter time frame.

This very rapidity with which the current adjustment is proceeding raises another concern, of a different nature. While technology has quickened production adjustments, human nature remains unaltered. We respond to a heightened pace of change and its associated uncertainty in the same way we always have. We withdraw from action, postpone decisions, and generally hunker down until a renewed, more comprehensible basis for acting emerges. In its extreme manifestation, many economic decisionmakers not only become risk averse but attempt to disengage from all risk. This precludes taking any initiative, because risk is inherent in every action. In the fall of 1998, for example, the desire for liquidity became so intense that financial markets seized up. Indeed, investors even tended to shun risk-free, previously issued Treasury securities in favor of highly liquid, recently issued Treasury securities.

But even when decisionmakers are only somewhat more risk averse, a process of retrenchment can occur. Thus, although prospective long-term returns on new high-tech investment may change little, increased uncertainty can induce a higher discount of those returns and, hence, a reduced willingness to commit liquid resources to illiquid fixed investments.

Such a process presumably is now under way and arguably may take some time to run its course. It is not that underlying demand for Internet, networking, and communications services has become less keen. Instead, as I noted earlier, some suppliers seem to have reacted late to accelerating demand, have overcompensated in response, and then have been forced to retrench—a not-unusual occurrence in business decisionmaking.

A pace of change outstripping the ability of people to adjust is just as evident among consumers as among business decisionmakers. When consumers become less secure in their jobs and finances, they retrench as well.

It is difficult for economic policy to deal with the abruptness of a break in confidence. There may not be a seamless transition from high to moderate to low confidence on the part of businesses, investors, and consumers. Looking back at recent cyclical episodes, we see that the change in attitudes has often been sudden. In earlier testimony, I likened this process to water backing up against a dam that is finally breached. The torrent carries with it most remnants of certainty and euphoria that built up in earlier periods.

This unpredictable rending of confidence is one reason that recessions are so difficult to forecast. They may not be just changes in degree from a period of economic expansion, but a different process engendered by fear. Our economic models have never been particularly successful in capturing a process driven in large part by nonrational behavior.

Although consumer confidence has fallen, at least for now it remains at a level that in the past was consistent with economic growth. And as I pointed out earlier, expected earnings growth over the longer run continues to be elevated. If the forces contributing to long-term productivity growth remain intact, the degree of retrenchment will presumably be limited. Prospects for high productivity growth should, with time, bolster both consumption and investment demand. Before long in this scenario, excess inventories would be run off to desired levels.

Still, as the FOMC noted in its last announcement, for the period ahead, downside risks predominate. In addition to the possibility of a break in confidence, we do not know how far the adjustment of the stocks of consumer durables and business capital equipment has come. Also, foreign economies appear to be slowing, which could damp demands for exports; and although some sectors of the financial markets have improved in recent weeks, continued lender nervousness still is in evidence in other sectors.

Because the advanced supply-chain management and flexible manufacturing technologies may have quickened the pace of adjustment in production and incomes and correspondingly increased the stress on confidence, the Federal Reserve has seen the need to respond more aggressively than had been our wont in earlier decades. Economic policymaking could not, and should not, remain unaltered in the face of major changes in the speed of economic processes. Fortunately, the very advances in technology that have quickened economic adjustments have also enhanced our capacity for real-time surveillance.

As I pointed out earlier, demand has been depressed by the rise in energy prices as well as by the needed slowing in the pace of accumulation of business capital and consumer durable assets. The sharp rise in energy costs pressed down on profit margins still further in the fourth quarter. About a quarter of the rise in total unit costs of nonfinancial, non-energy corporations reflected a rise in energy costs. The 12 percent rise in natural gas prices last quarter contributed directly, and indirectly through its effects on the cost of electrical power generation, about one-fourth of the rise in overall energy costs for nonfinancial, non-energy corporations; increases in oil prices accounted for the remainder.

In addition, a significant part of the margin squeeze not directly attributable to higher energy costs probably has reflected the effects of the moderation in consumer outlays that, in turn, has been due in part to higher costs of energy, especially for natural gas. Hence, it is likely that energy cost increases contributed significantly more to the deteriorating profitability of nonfinancial, non-energy corporations in the fourth quarter than is suggested by the energy-related rise in total unit costs alone.

To be sure, the higher energy expenses of households and most businesses represent a transfer of income to producers of energy. But the capital investment of domestic energy producers, and, very likely, consumption by their owners, have provided only a small offset to the constraining effects of higher energy costs on spending by most Americans. Moreover, a significant part of the extra expense is sent overseas to foreign energy producers, whose demand for exports from the United States is unlikely to rise enough to compensate for the reduction in domestic spending, especially in the short run. Thus, given the evident inability of energy users, constrained by intense competition for their own products, to pass on much of their cost increases, the effects of the rise in energy costs does not appear to have had broad inflationary effects, in contrast to some previous episodes when inflation expectations were not as well anchored. Rather, the most prominent effects have been to depress aggregate demand. The recent decline in energy prices and further declines anticipated by futures markets, should they occur, would tend to boost purchasing power and be an important factor supporting a recovery in demand growth over coming quarters.

Economic Projections

The members of the Board of Governors and the Reserve Bank presidents foresee an implicit strengthening of activity after the current rebalancing is over, although the central tendency of their individual forecasts for real GDP still shows a substantial slowdown, on balance, for the year as a whole. The central tendency for real GDP growth over the four quarters of this year is 2 to 2½ percent. Because this average pace is below the rise in the economy's potential, they see the unemployment rate increasing to about 4½ percent by the fourth quarter of this year. The central tendency of their forecasts for inflation, as measured by the prices for personal consumption expenditures, suggests an abatement to 1¾ to 2¼ percent over this year from 2½ percent over 2000.

Government Debt Repayment and the Implementation of Monetary Policy

Federal budget surpluses have bolstered national saving, providing additional resources for investment and, hence, contributing to the rise in the capital stock and our standards of living. However, the prospective decline in Treasury debt outstanding implied by projected federal budget surpluses does pose a challenge to the implementation of monetary policy. The Federal Reserve has relied almost exclusively on increments to its outright holdings of Treasury securities as the "permanent" asset counterpart to the uptrend in currency in circulation, our primary liability. Because the market for Treasury securities is going to become much less deep and liquid if outstanding supplies shrink as projected, we will have to turn to acceptable substitutes. Last year the Federal Reserve System initiated a study of alternative approaches to managing our portfolio.

At its late January meeting, the FOMC discussed this issue at length, and it is taking several steps to help better position the Federal Reserve to address the alternatives. First, as announced on January 31, the Committee extended the temporary authority, in effect since late August 1999, for the Trading Desk at the Federal Reserve Bank of New York to conduct repurchase agreements in mortgage-backed securities guaranteed by the agencies as well as in Treasuries and direct agency debt. Thus, for the time being, the Desk will continue to rely on the same types of temporary open market operations in use for the past year and a half to offset transitory factors affecting reserve availability.

Second, the FOMC is examining the possibility of beginning to acquire under repurchase agreements some additional assets that the Federal Reserve Act already authorizes the Federal Reserve to purchase. In particular, the FOMC asked the staff to explore the possible mechanisms for backing our usual repurchase operations with the collateral of certain debt obligations of U.S. states and foreign governments. We will also be consulting with the Congress on these possible steps before the FOMC further considers such transactions. Taking such assets in repurchase operations would significantly expand and diversify the assets our counterparties could post in temporary open market operations, reducing the potential for any impact on the pricing of private-sector instruments.

Finally, the FOMC decided to study further the even longer-term issue of whether it will ultimately be necessary to expand the use of the discount window or to request the Congress for a broadening of its statutory authority for acquiring assets via open market operations. How quickly the FOMC will need to address these longer-run portfolio choices will depend on how quickly the supply of Treasury securities declines as well as the usefulness of the alternative assets already authorized by law.

In summary, although a reduced availability of Treasury securities will require adjustments in the particular form of our open market operations, there is no reason to believe that we will be unable to implement policy as required.

Testimony by Chairman Alan Greenspan, before the Committee on Financial Services, U.S. House of Representatives, February 28, 2001

I appreciate the opportunity this morning to present the Federal Reserve's semiannual report on monetary policy.

The past decade has been extraordinary for the American economy and monetary policy. The synergies of key technologies markedly elevated prospective rates of return on high-tech investments, led to a surge in business capital spending, and significantly increased the underlying growth rate of productivity. The capitalization of those higher expected returns boosted equity prices, contributing to a substantial pickup in household spending on new homes, durable goods, and other types of consumption generally, beyond even that implied by the enhanced rise in real incomes.

When I last reported to you in July, economic growth was just exhibiting initial signs of slowing from what had been an exceptionally rapid and unsustainable rate of increase that began a year earlier.

The surge in spending had lifted the growth of the stocks of many types of consumer durable goods and business capital equipment to rates that could not be continued. The elevated level of light vehicle sales, for example, implied a rate of increase in the number of vehicles on the road hardly sustainable for a mature industry. And even though demand for a number of high-tech products was doubling or tripling annually, in many cases new supply was coming on even faster. Overall, capacity in high-tech manufacturing industries rose nearly 50 percent last year, well in excess of its rapid rate of increase over the previous three years. Hence, a temporary glut in these industries and falling prospective rates of return were inevitable at some point. Clearly, some slowing in the pace of spending was necessary and expected if the economy was to progress along a balanced and sustainable growth path.

But the adjustment has occurred much faster than most businesses anticipated, with the process likely intensified by the rise in the cost of energy that has drained business and household purchasing power. Purchases of durable goods and investment in capital equipment declined in the fourth quarter. Because the extent of the slowdown was not anticipated by businesses, it induced some backup in inventories, despite the more advanced just-in-time technologies that have in recent years enabled firms to adjust production levels more rapidly to changes in demand. Inventory–sales ratios rose only moderately; but relative to the levels of these ratios implied by their downtrend over the past decade, the emerging imbalances appeared considerably larger. Reflecting these growing imbalances, manufacturing purchasing managers reported last month that inventories in the hands of their customers had risen to excessively high levels.

As a result, a round of inventory rebalancing appears to be in progress. Accordingly, the slowdown in the economy that began in the middle of 2000 intensified, perhaps even to the point of growth stalling out around the turn of the year. As the economy slowed, equity prices fell, especially in the high-tech sector, where previous high valuations and optimistic forecasts were being reevaluated, resulting in significant losses for some investors. In addition, lenders turned more cautious. This tightening of financial conditions, itself, contributed to restraint on spending.

Against this background, the Federal Open Market Committee (FOMC) undertook a series of aggressive monetary policy steps. At its December meeting, the FOMC shifted its announced assessment of the balance of risks to express concern about economic weakness, which encouraged declines in market interest rates. Then on January 3, and again on January 31, the FOMC reduced its targeted federal funds rate ½ percentage point, to its current level of 5½ percent. An essential precondition for this type of response was that underlying cost and price pressures remained subdued, so that our front-loaded actions were unlikely to jeopardize the stable, low-inflation environment necessary to foster investment and advances in productivity.

With signs of softness still patently in evidence at the time of its January meeting, the FOMC retained its sense that downside risks predominate. The exceptional degree of slowing so evident toward the end of last year (perhaps in part the consequence of adverse weather) seemed less evident in January and February. Nonetheless, the economy appears to be on a track well below the productivity-enhanced rate of growth of its potential and, even after the policy actions we took in January, the risks continue skewed toward the economy's remaining on a path inconsistent with satisfactory economic performance.

Crucial to the assessment of the outlook and the understanding of recent policy actions is the role of technological change and productivity in shaping near-term cyclical forces as well as long-term sustainable growth.

The prospects for sustaining strong advances in productivity in the years ahead remain favorable. As one would expect, productivity growth has slowed along with the economy. But what is notable is that, during the second half of 2000, output per hour advanced at a pace sufficiently impressive to provide strong support for the view that the rate of growth of structural productivity remains well above its pace of a decade ago.

Moreover, although recent short-term business profits have softened considerably, most corporate managers appear not to have altered to any appreciable extent their long-standing optimism about the future returns from using new technology. A recent survey of purchasing managers suggests that the wave of new on-line business-to-business activities is far from cresting. Corporate managers more generally, rightly or wrongly, appear to remain remarkably sanguine about the potential for innovations to continue to enhance productivity and profits. At least this is what is gleaned from the projections of equity analysts, who, one must presume, obtain most of their insights from corporate managers. According to one prominent survey, the three- to five-year average earnings projections of more than a thousand analysts, though exhibiting some signs of diminishing in recent months, have generally held at a very high level. Such expectations, should they persist, bode well for continued strength in capital accumulation and sustained elevated growth of structural productivity over the longer term.

The same forces that have been boosting growth in structural productivity seem also to have accelerated the process of cyclical adjustment. Extraordinary improvements in business-to-business communication have held unit costs in check, in part by greatly speeding up the flow of information. New technologies for supply-chain management and flexible manufacturing imply that businesses can perceive imbalances in inventories at a very early stage—virtually in real time—and can cut production promptly in response to the developing signs of unintended inventory building.

Our most recent experience with some inventory backup, of course, suggests that surprises can still occur and that this process is still evolving. Nonetheless, compared with the past, much progress is evident. A couple of decades ago, inventory data would not have been available to most firms until weeks had elapsed, delaying a response and, hence, eventually requiring even deeper cuts in production. In addition, the foreshortening of lead times on delivery of capital equipment, a result of information and other newer technologies, has engendered a more rapid adjustment of capital goods production to shifts in demand that result from changes in firms' expectations of sales and profitability. A decade ago, extended backlogs on capital equipment meant a more stretched-out process of production adjustments.

Even consumer spending decisions have become increasingly responsive to changes in the perceived profitability of firms through their effects on the value of households' holdings of equities. Stock market wealth has risen substantially relative to income in recent years—itself a reflection of the extraordinary surge of innovation. As a consequence, changes in stock market wealth have become a more important determinant of shifts in consumer spending relative to changes in current household income than was the case just five to seven years ago.

The hastening of the adjustment to emerging imbalances is generally beneficial. It means that those imbalances are not allowed to build until they require very large corrections. But the faster adjustment process does raise some warning flags. Although the newer technologies have clearly allowed firms to make more informed decisions, business managers throughout the economy also are likely responding to much of the same enhanced body of information. As a consequence, firms appear to be acting in far closer alignment with one another than in decades past. The result is not only a faster adjustment, but one that is potentially more synchronized, compressing changes into an even shorter time frame.

This very rapidity with which the current adjustment is proceeding raises another concern, of a different nature. While technology has quickened production adjustments, human nature remains unaltered. We respond to a heightened pace of change and its associated uncertainty in the same way we always have. We withdraw from action, postpone decisions, and generally hunker down until a renewed, more comprehensible basis for acting emerges. In its extreme manifestation, many economic decisionmakers not only become risk averse but attempt to disengage from all risk. This precludes taking any initiative, because risk is inherent in every action. In the fall of 1998, for example, the desire for liquidity became so intense that financial markets seized up. Indeed, investors even tended to shun risk-free, previously issued Treasury securities in favor of highly liquid, recently issued Treasury securities.

But even when decisionmakers are only somewhat more risk averse, a process of retrenchment can occur. Thus, although prospective long-term returns on new high-tech investment may change little, increased uncertainty can induce a higher discount of those returns and, hence, a reduced willingness to commit liquid resources to illiquid fixed investments.

Such a process presumably is now under way and arguably may take some time to run its course. It is not that underlying demand for Internet, networking, and communications services has become less keen. Instead, as I noted earlier, some suppliers seem to have reacted late to accelerating demand, have overcompensated in response, and then have been forced to retrench—a not-unusual occurrence in business decisionmaking.

A pace of change outstripping the ability of people to adjust is just as evident among consumers as among business decisionmakers. When consumers become less secure in their jobs and finances, they retrench as well.

It is difficult for economic policy to deal with the abruptness of a break in confidence. There may not be a seamless transition from high to moderate to low confidence on the part of businesses, investors, and consumers. Looking back at recent cyclical episodes, we see that the change in attitudes has often been sudden. In earlier testimony, I likened this process to water backing up against a dam that is finally breached. The torrent carries with it most remnants of certainty and euphoria that built up in earlier periods.

This unpredictable rending of confidence is one reason that recessions are so difficult to forecast. They may not be just changes in degree from a period of economic expansion, but a different process engendered by fear. Our economic models have never been particularly successful in capturing a process driven in large part by nonrational behavior.

For this reason, changes in consumer confidence will require close scrutiny in the period ahead, especially after the steep falloff of recent months. But for now, at least, the weakness in sales of motor vehicles and homes has been modest, suggesting that consumers have retained enough confidence to make longer-term commitments; and, as I pointed out earlier, expected earnings growth over the longer run continues to be elevated. Obviously, if the forces contributing to long-term productivity growth remain intact, the degree of retrenchment will presumably be limited. In that event, prospects for high productivity growth should, with time, bolster both consumption and investment demand. Before long in this scenario, excess inventories would be run off to desired levels. Higher demand should also facilitate the working-off of a presumed excess of capital stock, though, doubtless, at a more modest pace.

Still, as the FOMC noted in its last announcement, for the period ahead, downside risks predominate. In addition to the possibility of a break in confidence, we do not know how far the adjustment of the stocks of consumer durables and business capital equipment has come. Also, foreign economies appear to be slowing, which could damp demands for exports; and continued nervousness is evident in the behavior of participants in financial markets, keeping risk spreads relatively elevated.

Because the advanced supply-chain management and flexible manufacturing technologies may have quickened the pace of adjustment in production and incomes and correspondingly increased the stress on confidence, the Federal Reserve has seen the need to respond more aggressively than had been our wont in earlier decades. Economic policymaking could not, and should not, remain unaltered in the face of major changes in the speed of economic processes. Fortunately, the very advances in technology that have quickened economic adjustments have also enhanced our capacity for real-time surveillance.

As I pointed out earlier, demand has been depressed by the rise in energy prices as well as by the needed slowing in the pace of accumulation of business capital and consumer durable assets. The sharp rise in energy costs pressed down on profit margins still further in the fourth quarter. About a quarter of the rise in total unit costs of nonfinancial, non-energy corporations reflected a rise in energy costs. The 12 percent rise in natural gas prices last quarter contributed directly, and indirectly through its effects on the cost of electrical power generation, about one-fourth of the rise in overall energy costs for nonfinancial, non-energy corporations; increases in oil prices accounted for the remainder. In addition, a significant part of the margin squeeze not directly attributable to higher energy costs probably has reflected the effects of the moderation in consumer outlays that, in turn, has been due in part to higher costs of energy, especially for natural gas. Hence, it is likely that energy cost increases contributed significantly more to the deteriorating profitability of nonfinancial, non-energy corporations in the fourth quarter than is suggested by the energy-related rise in total unit costs alone.

To be sure, the higher energy expenses of households and most businesses represent a transfer of income to producers of energy. But the capital investment of domestic energy producers, and, very likely, consumption by their owners, have provided only a small offset to the constraining effects of higher energy costs on spending by most Americans. Moreover, a significant part of the extra expense is sent overseas to foreign energy producers, whose demand for exports from the United States is unlikely to rise enough to compensate for the reduction in domestic spending, especially in the short run. Thus, given the evident inability of energy users, constrained by intense competition for their own products, to pass on much of their cost increases, the rise in energy costs does not appear to have had broad inflationary effects, in contrast to some previous episodes when inflation expectations were not as well anchored. Rather, the most prominent effects have been to depress aggregate demand. The recent decline in energy prices and further declines anticipated by futures markets, should they occur, would tend to boost purchasing power and be an important factor supporting a recovery in demand growth over coming quarters.

In summary, then, although the sources of long-term strength of our economy remain in place, excesses built up in 1999 and early 2000 have engendered a retrenchment that has yet to run its full course. This retrenchment has been prompt, in part because new technologies have enabled businesses to respond more rapidly to emerging excesses. Accordingly, to foster financial conditions conducive to the economy's realizing its long-term strengths, the Federal Reserve has quickened the pace of adjustment of its policy. □

Announcements

CHAIRMAN GREENSPAN ON RENOMINATION OF VICE CHAIRMAN FERGUSON TO BOARD OF GOVERNORS

Federal Reserve Board Chairman Alan Greenspan issued the following statement on March 5, 2001:

> Roger Ferguson has been a distinguished and respected member of the Federal Reserve Board, exercising sound judgment and benefiting our work on a wide range of domestic and international policy matters. I welcome his nomination to another term on the Board.

VICE CHAIRMAN FERGUSON ON HIS RENOMINATION TO BOARD OF GOVERNORS

Federal Reserve Board member Roger W. Ferguson, Jr. issued the following statement on March 5, 2001:

> I am pleased that President Bush has announced his intention to nominate me to a full term on the Federal Reserve Board. My experience on the Board has been enormously gratifying. I'm delighted to have the opportunity to continue my work with Chairman Greenspan and our colleagues on the Board.

AMENDMENT TO REGULATION E REGARDING DISCLOSURE REQUIREMENT FOR ATM FEES

The Federal Reserve Board published on March 1, 2001, a final rule amending Regulation E (Electronic Fund Transfers) to implement provisions of the Gramm–Leach–Bliley (GLB) Act requiring disclosure of automated teller machine (ATM) fees.

The GLB Act amended Regulation E by requiring disclosure of fees imposed by ATM operators (sometimes referred to as "surcharges"). Many ATM operators that impose such fees already disclose information about the fee to satisfy existing Regulation E and ATM interchange network requirements.

Under the amendments to the GLB Act, an ATM operator that imposes a fee on a consumer for an electronic fund transfer (EFT) service is required to provide notice of that fact in a prominent and conspicuous location on or at the ATM where the EFT is initiated. Before the consumer is committed to completing the transaction, the ATM operator must also disclose that a fee will be imposed, together with the amount of the fee, either on the ATM screen or on a paper notice. No fee may be imposed unless proper notice is provided and the consumer elects to complete the transaction. In addition, when the consumer contracts for an EFT service, the financial institution holding the consumer's account must provide initial disclosures, including a notice that a fee may be imposed by an ATM operator not holding the consumer's account or by any national, regional, or local network used to complete the transaction. The revisions are effective immediately; compliance is mandatory as of October 1, 2001.

SPANISH-LANGUAGE CONSUMER RESOURCES ON VEHICLE LEASING AND HOME MORTGAGES

The Federal Reserve Board on March 8, 2001, announced two new Internet resources for Spanish-speaking consumers.

Consejos para arrendar un vehículo: Guía del consumidor (*Keys to Vehicle Leasing: A Consumer Guide*) at www.federalreserve.gov/pubs/leasing/guide_spanish.htm. The site provides an overview of the most common type of vehicle lease used by the automotive industry, a closed-end lease. The four key messages of the consumer guide are the following:

- Arrendar un vehículo es distinto a comprarlo. (Leasing is different from buying.)
- Considere los costos al inicio, durante y al final del contrato de arrendamiento. (Consider beginning, middle, and end-of-lease costs.)
- Se puede comparar distintas ofertas de arrendamiento y negociar algunas de las condiciones. (Compare different lease offers and negotiate terms.)
- Conozca sus derechos y responsabilidades. (Know your rights and responsibilities.)

A sample consumer leasing form (muestra del formulario de arrendamiento para el consumidor) is included so consumers can become more familiar with the documents they will receive when leasing a vehicle. An English-language version of the same material is available at www.federalreserve.gov/pubs/leasing/guide.htm.

Buscando la hipoteca más favorable: Compare, Verifique, Negocie (*Looking for the Best Mortgage: Shop, Compare, Negotiate*) is available at www.federalreserve.gov/pubs/mortgage/mortb_1_spanish.htm. The site describes how comparing and negotiating interest rates, fees, and other payment terms may help consumers get the best financing and possibly save thousands of dollars, whether the purpose is for a home purchase, refinancing, or home equity loan. The site outlines key steps to take in the mortgage-shopping process:

- Obtenga información de varias fuentes de crédito. (Obtain information from several lenders.)
- Obtenga toda la información sobre los costos. (Obtain all important cost information.)
- Negocie el trato más favorable. (Negotiate for the best deal.)

A mortgage-shopping worksheet (hoja de cálculo para préstamos hipotecarios) helps consumers compare different loans and different lenders to obtain the best deal.

An English-language version of the material is available at www.federalreserve.gov/pubs/mortgage/mortb_1.htm.

Print copies of both the Spanish and English versions of *Consejos para arrendar un vehículo: Guía del consumidor* (*Keys to Vehicle Leasing: A Consumer Guide*) and *Buscando la hipoteca más favorable: Compare, Verifique, Negocie* (*Looking for the Best Mortgage: Shop, Compare, Negotiate*) are available by contacting the Federal Reserve Board, Publications Services, Mail Stop 127, Washington, DC 20551. Or phone 202-452-3245. The first 100 copies are free of charge.

In conjunction, the Federal Interagency Task Force on Fair Lending has also published in brochure form the Spanish-language version of *Looking for the Best Mortgage: Shop, Compare, Negotiate* (*Buscando la hipoteca más favorable: Compare, Verifique, Negocie*).

The brochure notes that lenders and brokers may offer different prices for the same loan to different consumers, even if consumers have the same credit qualifications. These different prices may result when loan officers and brokers are allowed to keep some or all of the difference between the lowest available price and any higher price that the consumer agrees to pay. The effect of this type of compensation arrangement on the price of the loan is just one reason why it is important for consumers to ask questions about costs and negotiate for the best deal. The brochure also contains a worksheet that consumers can use to compare costs while shopping. The worksheet lists commonly charged fees and closing costs, as well as useful questions consumers may ask lenders when they shop for a loan.

The publication outlines common sources for home loans and explains rates, points, and fees. The brochure highlights some of the laws that protect consumers from unfair lending practices. It also emphasizes that even consumers with past credit problems should shop around and negotiate for the best deal. Finally, the brochure includes a mortgage loan shopping form that consumers can use to record loan quotes from two or more lenders or brokers for later data comparison to help identify or negotiate the best deal.

The members of the interagency task force are the Department of Housing and Urban Development, Department of Justice, Federal Deposit Insurance Corporation, Federal Housing Finance Board, Federal Reserve Board, Federal Trade Commission, National Credit Union Administration, Office of Federal Housing Enterprise Oversight, Office of the Comptroller of the Currency, and Office of Thrift Supervision.

Single printed copies of the brochure are available free of charge upon request from the member agencies. The brochure can also be printed from the U.S. Consumer Gateway web site (http://www.consumer.gov) and from the following agency web sites:

- Department of Housing and Urban Development (HUD): http://www.hud.gov. Or call HUD at 800-767-7468.
- Department of Justice: http://www.usdoj.gov/crt/housing/hcehome.html. Or contact Jane Dyer, U.S. Department of Justice, Civil Rights Division, Housing and Civil Enforcement Section, P.O. Box 65998, Washington, DC 20035. Phone: 202-514-4744.
- Federal Deposit Insurance Corporation (FDIC): http://www.fdic.gov/publish/coaffpr.html. Or contact the FDIC's Public Information Center, 801 17th Street, NW, Room 100, Washington, DC 20434. Phone: 800-276-6003 or 202-416-6940.
- Federal Housing Finance Board (FHFB): http://www.fhfb.gov. Or contact the FHFB, 1777 F Street, Washington, DC 20006. Or phone Roberta Youmans: 202-408-2581.
- Federal Trade Commission (FTC): http://www.ftc.gov. Or write to the FTC's Consumer Response Center, Room 130, 600 Pennsylvania

Avenue, NW, Washington, DC 20580. Or phone 877-FTC-HELP (877-382-4357, toll-free); TDD for the hearing impaired: 202-326-2502.

• National Credit Union Administration (NCUA): http://www.ncua.gov. Or contact Bob Loftus, Director of Public Affairs, NCUA, 1775 Duke Street, Alexandria, VA 22314. Phone: 703-518-6330.

• Office of Federal Housing Enterprise Oversight: http://www.ofheo.gov, under "Public Documents." Or contact Stefanie Mullin, Deputy Associate Director for Public Affairs, 700 G Street, NW, Washington, DC 20552. Phone: 202-414-6922.

• Office of the Comptroller of the Currency (OCC): http://www.occ.treas.gov. Or contact the OCC, Communications, Mail Stop 3-2, 250 E Street, SW, Washington, DC 20219. Phone: 202-874-4700.

• Office of Thrift Supervision (OTS): http://www.ots.treas.gov. Or contact OTS, Publications, 1700 G Street, NW, Washington, DC 20552. Phone: 202-906-6410 (OTS Publications Hotline).

• Federal Consumer Information Center (FCIC): http://www.pueblo.gsa.gov. Print copies of the brochure are also available at 50 cents per copy; write to the FCIC, Pueblo, CO 81009.

Changes in Board Staff

The Board of Governors approved on February 12, 2001, the appointment of two new officers in the Office of Board Members: Michelle A. Smith as Assistant to the Board and John Lopez as Special Assistant to the Board.

Michelle A. Smith, who joined the Board on February 20, will oversee the internal management of the public affairs office and assist Board members and officials in their communications activities. Ms. Smith spent the last eight years at the Treasury Department, most recently as the Assistant Secretary for Public Affairs. She is a graduate of Baylor University, where she also earned a master's degree in journalism.

John Lopez supports the Board's congressional liaison program, which facilitates effective communication between the Board and the Congress. He currently serves as the Congressional Liaison Assistant and worked previously as Senior Counsel to the Domestic and International Monetary Policy Subcommittee of the House Banking Committee. Mr. Lopez is a graduate of Princeton University and received a law degree from the University of Virginia.

The Board of Governors approved on February 12, 2001, a restructuring of the Division of Information Technology (IT). In conjunction with the reorganization, the Board announced the following official staff actions: the promotion of Raymond H. Massey to associate director, a rotational assignment of Tillena G. Clark to the Division of Reserve Bank Operations and Payment Systems (RBOPS) as assistant director for Bank Planning and Control and Federal Reserve Bank Financial Accounting, the appointment of Susan F. Marycz to the official staff as assistant director, and the appointment of Wayne A. Edmondson to the official staff as assistant director.

Mr. Massey will oversee three branches of the division: Financial Systems, Telecommunications, and Security, Systems & Data Center. He has previously managed many of the division's and FFIEC's complex software projects as well as the IT infrastructure. Mr. Massey was appointed an assistant director in 1990.

Ms. Clark will serve a rotational assignment in the RBOPS Division from March 2001 through April 2002. She joined the Board in 1995 and currently serves as the IT Division's chief financial officer; she was appointed an assistant director in 1999. She will complete work at the Stonier School of Banking in June 2001.

Ms. Marycz will oversee the Telecommunications Branch. She joined the Board in 1985 and has held several management positions in the division. She is responsible for planning, evaluation, and integration of new technologies for the Board's electronic network services. Ms. Marycz holds a B.A. from Millersville University and a B.S. from the University of Maryland. She is enrolled in the Stonier School of Banking.

Mr. Edmondson will oversee the Consumer and Community Affairs and FFIEC Systems Branch. He joined the Board in 1984 and has managed many of the Board's key information systems. Mr. Edmondson holds a B.A. from Morehouse College and a B.S. from the University of Maryland. He will complete work at the Stonier School of Banking in June 2002.

Revision to the Money Stock Data

Measures of the money stock aggregates and components were revised in February 2001 to incorporate the results of the annual benchmark and seasonal factor review. Data in table 1.10 and table 1.21 in the statistical appendix to the *Federal Reserve Bulletin* reflect these changes beginning with this issue. For 2000, the revisions raised the annual growth rate of M2 and M3 0.2 percentage point.

The benchmark incorporates revisions to vault cash that reflect a new estimation method for credit unions that do not file the Federal Reserve's deposit reports either weekly or quarterly. The revisions begin in April 1984, and the maximum absolute revision is $1 billion. The benchmark also incorporates revised historical data on the holdings of large time deposits by money market mutual funds, an item that is subtracted from gross large time deposits when calculating the large time deposit component of M3. These revisions begin in March 1980, and the maximum absolute revision is about $43 billion. The revised data also incorporate the receipt of historical information from other routine data flows.

Seasonally adjusted measures of the monetary stock and components also incorporate revised seasonal factors produced from benchmarked data through December 2000. The X-12-ARIMA procedure was used to derive monthly seasonal factors. The monthly and weekly seasonal factors were derived after excluding the estimated effects of the century date change. These adjustments were made to ensure that unusual movements around the century date change did not influence the estimated seasonal factors. The revisions to seasonal factors lowered M2 growth rates in the first two quarters of 2000 and raised them in the last two quarters. The revisions to seasonal factors also reduced the M3 growth rate in the first quarter of 2000 but increased growth in the final three quarters of the year.

Revised historical data are available in printed form from the Monetary and Reserve Analysis Section, Mail Stop 72, Board of Governors of the Federal Reserve System, Washington, DC 20551. Phone: 202-452-3062. Complete historical data are released each week in the H.6 statistical release on the Board's web site (http://www.federalreserve.gov/releases/). Current and historical data are also on the Economic Bulletin Board of the U.S. Department of Commerce. For paid electronic access to the bulletin board, call STAT-USA at 1-800-782-8872 or 202-482-1986.

The benchmark in February 2001 is the last at the annual frequency. Beginning in March 2001, benchmarks are conducted at a quarterly frequency in order to provide more timely updates of published data. The quarterly benchmark review incorporates revised historical data for depository institutions and money market mutual funds, data from the Call Reports filed by depository institutions, and data on money market mutual funds that began reporting data for the first time during the quarter.

The review of seasonal factors for the monetary aggregates will continue to be performed annually, with the results released in early February. □

1. Monthly seasonal factors used to construct M1, January 2000–March 2002

Year and month	Currency	Nonbank travelers checks	Demand deposits	Other checkable deposits[1]	
				Total	At banks
2000—January	.9965	1.0193	1.0066	1.0104	1.0158
February	.9972	1.0242	.9729	.9919	.9981
March	.9998	1.0187	.9836	.9998	1.0026
April	1.0013	1.0204	1.0036	1.0196	1.0196
May	.9999	1.0122	.9835	.9964	.9984
June	1.0001	.9802	.9928	.9996	1.0000
July	1.0014	.9539	1.0054	.9938	.9900
August	.9981	.9619	.9995	.9917	.9899
September	.9974	.9797	.9942	.9912	.9902
October	.9975	.9987	1.0002	.9944	.9913
November	1.0011	1.0194	1.0169	1.0004	.9954
December	1.0099	1.0191	1.0491	1.0147	1.0090
2001—January	.9959	1.0188	1.0002	1.0091	1.0158
February	.9972	1.0254	.9712	.9906	.9978
March	1.0000	1.0191	.9837	.9987	1.0023
April	1.0009	1.0211	1.0001	1.0177	1.0199
May	1.0001	1.0115	.9834	.9961	.9987
June	1.0013	.9785	.9962	1.0005	1.0000
July	1.0013	.9535	1.0041	.9936	.9899
August	.9986	.9579	1.0009	.9926	.9899
September	.9969	.9794	.9971	.9914	.9900
October	.9972	.9996	1.0003	.9950	.9914
November	1.0014	1.0213	1.0170	1.0014	.9954
December	1.0086	1.0199	1.0481	1.0148	1.0091
2002—January	.9956	1.0202	.9984	1.0089	1.0159
February	.9971	1.0262	.9695	.9897	.9978
March	1.0008	1.0193	.9861	.9984	1.0021

1. Seasonally adjusted other checkable deposits at thrifts are derived as the difference between total other checkable deposits, seasonally adjusted, and seasonally adjusted other checkable deposits at commercial banks.

2. Monthly seasonal factors used to construct M2 and M3, January 2000–March 2002

Year and month	Savings and MMDA deposits[1]	Small-denomination time deposits[1]	Large-denomination time deposits[1]	Money market mutual funds		RPs	Eurodollars
				In M2	In M3 only		
2000—January	.9991	1.0020	.9899	1.0092	1.0328	1.0000	1.0114
February	.9948	1.0031	.9999	1.0178	1.0343	1.0127	1.0077
March	1.0042	1.0021	1.0074	1.0270	1.0195	1.0089	1.0032
April	1.0167	1.0004	1.0069	1.0236	.9967	.9927	1.0017
May	.9972	.9970	1.0081	.9904	.9867	1.0139	1.0122
June	1.0009	.9952	1.0040	.9859	.9797	1.0099	1.0012
July	.9999	.9976	.9979	.9795	.9713	.9985	.9861
August	.9964	.9987	.9935	.9928	.9846	.9983	.9891
September	.9983	1.0001	.9938	.9931	.9778	.9910	.9877
October	.9932	1.0015	.9957	.9902	.9873	.9859	.9926
November	.9970	1.0020	1.0016	.9887	1.0050	.9978	.9959
December	1.0033	1.0004	.9991	.9976	1.0233	.9916	1.0120
2001—January	.9984	1.0018	.9914	1.0108	1.0335	.9983	1.0092
February	.9944	1.0033	1.0006	1.0195	1.0350	1.0129	1.0057
March	1.0046	1.0026	1.0080	1.0287	1.0199	1.0080	1.0048
April	1.0165	1.0008	1.0069	1.0252	.9955	.9908	1.0029
May	.9971	.9967	1.0082	.9911	.9858	1.0138	1.0094
June	1.0016	.9946	1.0044	.9854	.9786	1.0126	1.0025
July	.9991	.9974	.9975	.9784	.9731	.9997	.9883
August	.9962	.9989	.9942	.9914	.9860	.9989	.9892
September	.9988	1.0003	.9932	.9921	.9793	.9924	.9890
October	.9926	1.0015	.9946	.9897	.9872	.9866	.9940
November	.9968	1.0020	1.0004	.9876	1.0041	.9959	.9969
December	1.0032	1.0002	.9992	.9979	1.0216	.9910	1.0085
2002—January	.9986	1.0015	.9923	1.0118	1.0333	.9970	1.0080
February	.9941	1.0034	1.0009	1.0203	1.0350	1.0121	1.0048
March	1.0054	1.0029	1.0084	1.0293	1.0198	1.0065	1.0059

1. Seasonal factors are applied to deposits data at both commercial banks and thrift institutions.

3. Weekly seasonal factors used to construct M1, December 4, 2000–April 1, 2002

Week ending	Currency	Nonbank travelers checks	Demand deposits	Other checkable deposits[1]	
				Total	At banks
2000—December 4	1.0024	1.0297	1.0431	1.0129	1.0019
11	1.0057	1.0247	1.0087	.9939	.9872
18	1.0070	1.0197	1.0376	1.0033	1.0023
25	1.0183	1.0148	1.0586	1.0239	1.0208
2001—January 1	1.0114	1.0100	1.1147	1.0451	1.0376
8	1.0034	1.0134	1.0179	1.0206	1.0202
15	.9973	1.0168	.9922	1.0040	1.0107
22	.9931	1.0203	.9822	1.0020	1.0132
29	.9889	1.0238	.9890	1.0029	1.0139
February 5	.9951	1.0273	.9747	1.0000	1.0045
12	.9980	1.0262	.9662	.9865	.9945
19	.9985	1.0251	.9680	.9844	.9933
26	.9958	1.0241	.9772	.9928	1.0008
March 5	1.0004	1.0230	.9711	.9951	.9983
12	1.0019	1.0211	.9696	.9904	.9944
19	.9999	1.0191	.9818	.9932	.9988
26	.9981	1.0172	.9877	1.0021	1.0081
April 2	.9981	1.0153	1.0269	1.0225	1.0197
9	1.0046	1.0177	.9886	1.0121	1.0115
16	1.0024	1.0202	1.0056	1.0173	1.0219
23	.9984	1.0227	1.0032	1.0255	1.0328
30	.9981	1.0253	.9959	1.0151	1.0158
May 7	1.0031	1.0202	.9635	1.0007	.9984
14	1.0018	1.0152	.9779	.9884	.9928
21	.9999	1.0102	.9856	.9915	.9962
28	.9993	1.0053	.9943	.9985	1.0019
June 4	.9983	1.0004	.9948	1.0033	1.0004
11	1.0033	.9897	.9821	.9943	.9936
18	1.0010	.9792	.9898	.9980	.9994
25	.9993	.9689	.9941	1.0018	1.0045
July 2	1.0010	.9589	1.0387	1.0110	1.0067
9	1.0064	.9566	1.0038	.9946	.9885
16	1.0020	.9544	.9875	.9843	.9834
23	.9995	.9522	.9918	.9887	.9871
30	.9973	.9500	1.0205	1.0005	.9960

3. Weekly seasonal factors used to construct M1, December 4, 2000–April 1, 2002—Continued

Week ending	Currency	Nonbank travelers checks	Demand deposits	Other checkable deposits[1]	
				Total	At banks
August 6	1.0015	.9478	.9875	.9938	.9882
13	1.0010	.9532	.9904	.9856	.9819
20	.9983	.9586	1.0068	.9900	.9892
27	.9952	.9641	1.0182	.9977	.9972
September 3	.9986	.9696	1.0103	.9995	.9943
10	.9994	.9740	.9896	.9916	.9860
17	.9965	.9785	.9897	.9866	.9881
24	.9942	.9830	.9904	.9890	.9914
October 1	.9946	.9875	1.0147	.9973	.9942
8	1.0005	.9922	.9780	.9906	.9828
15	.9985	.9969	.9893	.9863	.9835
22	.9965	1.0016	1.0000	.9927	.9915
29	.9949	1.0064	1.0216	1.0042	1.0018
November 5	.9992	1.0113	1.0002	1.0006	.9936
12	1.0017	1.0164	1.0000	.9948	.9875
19	1.0001	1.0216	1.0201	.9994	.9963
26	1.0030	1.0269	1.0442	1.0080	1.0043
December 3	1.0026	1.0322	1.0355	1.0125	1.0025
10	1.0049	1.0267	1.0114	.9993	.9920
17	1.0072	1.0213	1.0297	1.0012	.9985
24	1.0141	1.0159	1.0543	1.0193	1.0169
31	1.0089	1.0106	1.1015	1.0410	1.0338
2002—January 7	1.0025	1.0141	1.0255	1.0239	1.0211
14	.9976	1.0176	.9928	1.0062	1.0128
21	.9943	1.0211	.9875	1.0033	1.0139
28	.9911	1.0247	.9901	1.0043	1.0151
February 4	.9955	1.0283	.9751	.9987	1.0059
11	.9981	1.0272	.9600	.9857	.9947
18	.9978	1.0261	.9666	.9846	.9931
25	.9952	1.0250	.9760	.9925	1.0003
March 4	.9999	1.0239	.9762	.9921	.9991
11	1.0019	1.0218	.9726	.9893	.9948
18	1.0006	1.0196	.9843	.9924	.9970
25	.9991	1.0175	.9906	1.0013	1.0062
April 1	.9995	1.0153	1.0138	1.0194	1.0178

1. Seasonally adjusted other checkable deposits at thrifts are derived as the difference between total other checkable deposits, seasonally adjusted, and seasonally adjusted other checkable deposits at commercial banks.

4. Weekly seasonal factors used to construct M2 and M3, December 4, 2000–April 1, 2002

Week ending	Savings and MMDA deposits[1]	Small-denomination time deposits[1]	Large-denomination time deposits[1]	Money market mutual funds		RPs	Eurodollars
				In M2	In M3 only		
2000—December 4	1.0017	1.0014	.9987	.9914	1.0102	.9936	.9997
11	1.0090	1.0010	1.0022	1.0003	1.0316	1.0021	1.0056
18	1.0029	1.0004	1.0025	.9995	1.0304	.9933	1.0046
25	.9926	.9997	.9980	1.0005	1.0288	.9894	1.0118
2001—January 1	.9962	1.0002	.9915	.9934	1.0081	.9789	1.0363
8	1.0242	1.0015	1.0000	.9992	1.0089	.9831	1.0190
15	1.0144	1.0018	.9972	1.0142	1.0369	1.0026	1.0079
22	.9920	1.0018	.9868	1.0166	1.0437	.9996	1.0051
29	.9734	1.0020	.9827	1.0145	1.0486	1.0062	1.0049
February 5	.9914	1.0028	.9895	1.0142	1.0317	1.0138	.9959
12	.9976	1.0033	.9976	1.0176	1.0378	1.0195	1.0036
19	.9940	1.0036	1.0037	1.0197	1.0342	1.0129	1.0071
26	.9887	1.0035	1.0055	1.0242	1.0372	1.0069	1.0149
March 5	1.0125	1.0033	1.0104	1.0225	1.0281	1.0085	1.0009
12	1.0115	1.0030	1.0115	1.0287	1.0310	1.0158	1.0041
19	1.0041	1.0027	1.0082	1.0308	1.0218	1.0134	1.0018
26	.9898	1.0020	1.0043	1.0304	1.0177	1.0065	1.0133
April 2	1.0011	1.0018	1.0058	1.0296	.9968	.9914	1.0019
9	1.0287	1.0021	1.0090	1.0373	1.0062	.9871	.9986
16	1.0301	1.0012	1.0068	1.0352	1.0083	.9909	.9879
23	1.0105	1.0002	1.0058	1.0246	.9886	.9887	1.0075
30	.9960	.9993	1.0065	1.0027	.9789	.9965	1.0180

4. Weekly seasonal factors used to construct M2 and M3, December 4, 2000–April 1, 2002—Continued

Week ending	Savings and MMDA deposits[1]	Small-denomination time deposits[1]	Large-denomination time deposits[1]	Money market mutual funds		RPs	Eurodollars
				In M2	In M3 only		
May 7	1.0096	.9986	1.0133	.9915	.9799	1.0076	1.0011
14	1.0049	.9976	1.0113	.9910	.9864	1.0119	.9978
21	.9940	.9963	1.0056	.9904	.9894	1.0112	1.0095
28	.9862	.9952	1.0044	.9921	.9883	1.0203	1.0279
June 4	1.0114	.9945	1.0044	.9893	.9836	1.0231	1.0126
11	1.0142	.9943	1.0067	.9932	.9912	1.0175	1.0059
18	1.0039	.9942	1.0070	.9875	.9785	1.0149	.9982
25	.9838	.9943	1.0051	.9817	.9746	1.0069	.9984
July 2	.9887	.9960	.9966	.9738	.9627	1.0021	1.0011
9	1.0154	.9970	.9931	.9773	.9712	1.0009	.9867
16	1.0078	.9972	.9982	.9781	.9777	.9975	.9829
23	.9920	.9977	1.0009	.9791	.9741	.9987	.9877
30	.9817	.9978	.9979	.9796	.9725	1.0011	.9923
August 6	1.0085	.9982	.9977	.9843	.9734	1.0003	.9863
13	1.0040	.9985	.9963	.9910	.9864	1.0061	.9820
20	.9943	.9989	.9923	.9934	.9893	.9957	.9849
27	.9810	.9991	.9914	.9953	.9945	.9937	1.0024
September 3	.9994	.9999	.9933	.9922	.9836	.9984	.9908
10	1.0124	1.0002	.9925	.9967	.9877	.9960	.9818
17	1.0056	1.0003	.9920	.9960	.9851	.9965	.9894
24	.9850	1.0002	.9941	.9899	.9735	.9912	.9872
October 1	.9865	1.0010	.9944	.9847	.9677	.9818	.9980
8	1.0081	1.0019	.9974	.9864	.9741	.9811	.9883
15	1.0044	1.0015	.9954	.9924	.9891	.9865	.9944
22	.9876	1.0013	.9935	.9924	.9916	.9870	.9926
29	.9761	1.0011	.9918	.9896	.9948	.9903	1.0011
November 5	1.0019	1.0018	.9961	.9848	.9942	.9944	.9912
12	1.0022	1.0023	1.0022	.9865	1.0042	.9957	.9908
19	.9964	1.0022	1.0024	.9866	1.0026	.9966	.9951
26	.9835	1.0019	1.0001	.9899	1.0096	.9967	1.0078
December 3	.9988	1.0013	.9997	.9905	1.0089	.9951	.9990
10	1.0100	1.0009	1.0029	.9981	1.0255	1.0004	.9977
17	1.0043	1.0002	1.0036	1.0000	1.0261	.9957	1.0034
24	.9950	.9997	.9992	1.0010	1.0237	.9854	1.0085
31	.9984	.9997	.9909	.9958	1.0167	.9808	1.0282
2002—January 7	1.0236	1.0008	.9930	1.0000	1.0097	.9824	1.0145
14	1.0140	1.0015	.9998	1.0127	1.0344	.9970	1.0075
21	.9937	1.0015	.9902	1.0172	1.0418	.9984	1.0063
28	.9779	1.0017	.9863	1.0158	1.0470	1.0038	1.0086
February 4	.9919	1.0025	.9926	1.0153	1.0334	1.0120	.9965
11	.9981	1.0033	.9979	1.0192	1.0377	1.0178	1.0016
18	.9942	1.0038	1.0031	1.0198	1.0342	1.0135	1.0053
25	.9867	1.0037	1.0037	1.0241	1.0365	1.0073	1.0141
March 4	1.0050	1.0035	1.0070	1.0218	1.0295	1.0069	1.0000
11	1.0108	1.0033	1.0107	1.0286	1.0308	1.0129	1.0035
18	1.0055	1.0030	1.0100	1.0306	1.0208	1.0121	1.0014
25	.9949	1.0024	1.0067	1.0318	1.0184	1.0058	1.0117
April 1	1.0014	1.0027	1.0068	1.0307	1.0010	.9933	1.0112

1. Seasonal factors are applied to deposits data at both commercial banks and thrift institutions.

Minutes of the Meeting of the Federal Open Market Committee Held on December 19, 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, December 19, 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. Gillum, Assistant Secretary
Mr. Mattingly, General Counsel
Mr. Baxter, Deputy 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

Mr. Winn, Assistant to the Board, Office of Board Members, Board of Governors

Mr. Ettin, Deputy Director, Division of Research and Statistics, Board of Governors

Mr. Madigan, Associate Director, Division of Monetary Affairs, Board of Governors

Messrs. Oliner, Slifman, and Struckmeyer, Associate Directors, Division of Research and Statistics, Board of Governors

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

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

Mr. Lyon, First Vice President, Federal Reserve Bank of Minneapolis

Ms. Browne, Messrs. Hakkio, Hunter, Kos, Ms. Mester, Messrs. Rolnick and Rosenblum, Senior Vice Presidents, Federal Reserve Banks of Boston, Kansas City, Chicago, New York, Philadelphia, Minneapolis, and Dallas respectively

Messrs. Cunningham and Gavin, Vice Presidents, Federal Reserve Banks of Atlanta and St. Louis respectively

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on November 15, 2000, were approved.

The Manager reported on developments in domestic financial markets and on System open market transactions in government securities and federal agency obligations during the period November 15, 2000, through December 18, 2000. By unanimous vote, the Committee ratified these transactions.

The Manager of the System Open Market Account also reported on recent developments in foreign exchange markets. There were no open market operations in foreign currencies for the System's account in the period since the previous meeting.

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

The information reviewed at this meeting provided evidence that economic activity, which had expanded at an appreciably lower pace since midyear, might have slowed further in recent months. Consumer spending and business purchases of equipment and software had decelerated markedly after having registered extraordinary gains in the first half of the year. Housing construction, though still relatively firm, was noticeably below its robust pace of earlier in the year. With final spending rising at a reduced rate, inventory overhangs had emerged in a number of goods-producing industries, most visibly in the motor vehicle sector. Manufacturing production had declined as a consequence, and the rate of expansion in employment had moderated further. Evidence on core price inflation was mixed; by one measure, it appeared to be increasing very gradually, in part reflecting the indirect effects of higher energy costs, but by another it had remained at a relatively subdued level.

Growth in private nonfarm payroll employment moderated a little further on balance in October and November. Manufacturing payrolls changed little over the two months, and job gains in the construction, retail trade, and services industries were smaller than those of earlier in the year. By contrast, the pace of hiring remained relatively brisk in the finance, insurance, and real estate sectors. With growth in the demand for labor slowing, initial claims for unemployment insurance continued to trend upward, and the civilian unemployment rate edged up to 4 percent in November, its average thus far this year.

Industrial production declined slightly in October and November following a moderate third-quarter increase that was well below the pace of expansion recorded during the first half of the year. Utilities output surged in November in response to unseasonably cold weather across much of the country while mining activity changed little. In manufacturing, motor vehicle output was scaled back further in November, and there also were widespread declines in industries not directly affected by conditions in the motor vehicle sector. Although the production of high-tech equipment was still trending up, growth continued to slow from the extraordinarily rapid increases of earlier in the year. The weakening of factory output in November was reflected in a further decline in the rate of capacity utilization in manufacturing to a point somewhat below its long-term average.

Consumer spending appeared to be decelerating noticeably further in the fourth quarter in an environment of diminished consumer confidence, smaller job gains, and lower stock prices. Retail sales were down somewhat on balance in October and November after a substantial third-quarter increase; sales of light vehicles dropped over the two months, and growth in expenditures on other consumer goods slowed. Outlays on services continued to grow at a moderate rate through October (latest data).

Against the backdrop of declining interest rates on fixed-rate mortgages, residential building activity had leveled out since midyear, and October starts remained at the third-quarter level. Sales of new homes edged down in October, though they were still slightly above their third-quarter level; sales of existing homes slipped somewhat in October but were near the middle of their range over the past year. In the multifamily sector, starts moved up slightly further in October, though they remained appreciably below their elevated level during the first half of the year. Continuing relatively low vacancy rates for multifamily units suggested that the prospects for additional construction were favorable.

Business investment in equipment and software increased at a sharply lower, though still relatively robust, rate in the third quarter, and information on shipments of nondefense capital goods indicated another moderate increase in business investment in October. Shipments of communications, computing, and office equipment were well above their third-quarter averages, and shipments of non-high-tech equipment turned up in October after having fallen appreciably in earlier months. On the downside, sales of medium and heavy trucks declined further over October and November, and new orders for such trucks remained weak. Investment in nonresidential structures continued to rise briskly in October, and all the major subcategories of construction put in place were up substantially on a year-over-year basis. Market fundamentals, including rising property values and low vacancy rates, suggested that further expansion of nonresidential building activity, particularly office construction, was likely.

Inventory investment on a book-value basis picked up in October from the third-quarter pace, and the aggregate inventory–sales ratio edged up to its highest level in the past twelve months. In manufacturing, sizable increases in stocks were led by large accumulations at producers of industrial and electrical machinery. As a result, the stock–sales ratio for manufacturing reached its highest level in a year; advances in stock–sales ratios were widespread among makers of durable goods while ratios remained high for a number of categories of nondurable products. At the wholesale level, inventory accumulation inched up from its third-quarter rate, and the sector's inventory–sales ratio was at the top of its range for the past twelve months. Total retail stocks rose in line with sales in October, and the inventory–sales ratio for this sector also remained at the upper end of its range over the past year.

The U.S. trade deficit in goods and services reached a new record high in September and on a quarterly average basis was up appreciably further in the third quarter. The value of exports continued to grow strongly in the latest quarter, led by advances in exported machinery and industrial supplies. The value of imports rose at an even faster rate than exports, with increases in all major trade categories, especially industrial supplies, semiconductors, and services. Economic growth in the foreign industrial countries slowed moderately in the third quarter, and the available information suggested a further reduction in the fourth quarter. Economic expansion eased in the euro area despite continued strong growth of investment and exports, as consumer spending appeared to be damped by earlier interest rate increases and by the drain on spendable income of higher prices for oil and imported goods more generally. In addition, weak consumption appeared to be an important factor in continued sluggish economic growth in Japan. Economic activity also decelerated in some developing countries in the third quarter, with recent indicators suggesting a slowdown in expansion in many parts of East Asia.

Incoming data indicated that, on balance, price inflation had picked up only a little, if at all. Consumer prices, as measured by the consumer price index (CPI) on a total and a core basis, rose mildly in October and November after a sizable September increase, but on a year-over-year basis core CPI prices increased noticeably more in the twelve months ended in November than in the previous twelve-month period. When measured by the personal consumption expenditure (PCE) chain-type index, however, consumer price inflation was modest in both October (latest data) and the twelve months ended in October, with little change year over year. At the producer level, core prices edged down on balance in October and November; moreover, producer inflation eased somewhat on a year-over-year basis, though the deceleration was more than accounted for by an earlier surge in tobacco prices during the year ended in November 1999. With regard to labor costs, average hourly earnings of production or nonsupervisory workers increased in November at the slightly higher rate recorded in October. For the twelve months ended in October, average hourly earnings rose somewhat more than in the previous twelve months.

At its meeting on November 15, 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 taking that action, the members noted that despite clear indications of a more moderate expansion in economic activity, persisting risks of heightened inflation pressures remained a concern, particularly in the context of a gradual upward trend in core inflation. In these circumstances, a steady monetary policy was the best means to promote price stability and sustainable economic expansion. While recognizing that growth was slowing more than had been anticipated and that developments might be moving in a direction that would require a shift to a balanced risk statement, members agreed that such a change would be premature. As a result, they agreed that the statement accompanying the announcement of their decision should continue to indicate that the risks remained weighted mainly in the direction of rising inflation.

Open market operations throughout the intermeeting period were directed toward maintaining the federal funds rate at the Committee's targeted level of 6½ percent, and the average rate remained close to the intended level. Against the background of deteriorating conditions in some segments of financial markets, slower economic expansion, and public comments by Federal Reserve officials about the implications of those developments, market expectations about the future course of the federal funds rate were revised down appreciably over the intermeeting period, and market interest rates on Treasury and private investment-grade securities declined somewhat over the intermeeting interval. The weaker outlook for economic growth, coupled with growing market concerns about corporate earnings, weighed down equity prices and boosted risk spreads on lower-rated investment-grade and high-yield bonds. Equity prices were quite volatile during the intermeeting period, and reflecting numerous dour reports on corporate earnings and incoming information indicating slower growth in economic activity in the United States, broad indexes of stock market prices dropped considerably on balance over the intermeeting period.

In foreign exchange markets, the trade-weighted value of the dollar edged lower on balance over the intermeeting interval in terms of the currencies of a broad group of U.S. trading partners. Among the major foreign currencies, the dollar fell moderately against the euro but moved up by a roughly comparable extent in terms of the yen. The dollar's decline against the euro reflected a growing perception that economic expansion in the euro area would cool comparatively less than in the United States. Correspondingly, the slide of the yen seemed to be related to weak economic data, stagnant business sentiment, and political uncertainties in Japan. The dollar posted a small gain against an index of the currencies of other important trading partners, largely reflecting weaker financial conditions in some emerging economies.

The broad monetary aggregates decelerated further in November. The slowing growth of M2 in October and November following strong expansion in August and September apparently reflected the moderating rates of increase in nominal income and spending in recent months and perhaps some persisting effects of the rise in opportunity costs earlier in the year. M3 growth slowed less than that of M2 in November, in part because of stepped-up issuance of large time deposits as banks reduced their reliance on funding from overseas offices. The growth of domestic nonfinancial debt slowed in October (latest data), reflecting a larger further paydown of federal debt and a reduced pace of private borrowing.

The staff forecast prepared for this meeting suggested that the economic expansion had slowed considerably, to a rate somewhat below the staff's current estimate of the growth of the economy's potential output, but that it would gradually gain strength over the next two years. The forecast anticipated that the expansion of domestic final demand would be held back to some extent by the diminishing influence of the wealth effects associated with past outsized gains in equity prices but also by the relatively high interest rates and the somewhat stringent credit terms and conditions on some types of loans by financial institutions. As a result, growth of spending on consumer durables was expected to be appreciably below that in recent quarters, and housing demand to be slightly weaker. Business fixed investment, notably outlays for equipment and software, was projected to remain relatively robust; growth abroad would support the expansion of U.S. exports; and fiscal policy was assumed to continue its moderate expansionary trend. Core price inflation was projected to rise only slightly over the forecast horizon, partly as a result of higher import prices but also as a consequence of some further increases in nominal labor compensation gains that would not be fully offset by the expected growth of productivity.

In the Committee's discussion of current and prospective economic developments, members commented that recent statistical and anecdotal information provided clear indications of significant slowing in the expansion of business activity and also pointed to appreciable erosion in business and consumer confidence. The deceleration in the economy had occurred from an unsustainably high growth rate in the first half of the year, and the resulting containment in demand pressures on resources already had improved the outlook for inflation. The question at this juncture was whether the expansion would remain near its recent pace or continue to moderate. While the former still seemed to be the most likely outcome, the very recent information on labor markets, sales and production, business and consumer confidence, developments in financial markets, and growth in foreign economies suggested that the risks to the economy had shifted rapidly and perceptibly to the downside. Concerning the outlook for inflation, members commented that the upside risks clearly had diminished in the wake of recent developments and that, with pressures on resources likely to abate at least a little, subdued inflation was a reasonable prospect.

Weakening trends in production and employment were most apparent in the manufacturing sector. There were widespread anecdotal reports of production cutbacks, notably in industries related to motor vehicles, and of associated declines in manufacturing employment. However, many of the factory workers losing their jobs were readily finding employment elsewhere in what generally continued to be characterized as very tight labor markets across the country. The softening in manufacturing reflected weak sales and prompt efforts to limit unwanted buildups in inventories. Even so, business contacts reported currently undesired levels of inventories in a range of industries, not only in motor vehicles. In the aggregate, cutbacks in inventory investment or runoffs of existing inventories accounted for a significant part of the recent moderation in the growth of the overall economy.

The slowing in the growth of consumer spending that had prompted much of the backup in inventories was evident from a wide variety of information, including anecdotal reports from various parts of the country. Consumer sentiment seemed to have deteriorated appreciably in recent weeks, though from a very high level, and retail sales were widely indicated to have softened after a promising spurt early in the holiday season. Factors cited to account for the relatively sudden emergence of this weakness, and also as possible harbingers of developments in coming quarters, were the negative wealth effects of further declines in stock market prices, the impact of very high energy costs on disposable incomes, and some increase in caution about the outlook for employment opportunities and incomes. The extent to which such developments would persist and perhaps foster more aggressive retrenchment in consumer spending clearly was uncertain, but the members nonetheless anticipated that over time underlying employment and income trends would be consistent with further expansion in consumer expenditures, though at a pace well below that of earlier in the year.

Growth in business expenditures for equipment and software had moderated substantially in recent months from very high rates of increase over an extended period. The slowdown reflected a mix of interrelated developments including flagging growth in demand and tightening financial conditions in the form of declining equity prices and stricter credit terms for many business borrowers. The re-evaluation of prospects was most pronounced in the high-tech industries. The profitability of using and producing such software and equipment had been overestimated to a degree, and disappointing sales and a better appreciation of risks had resulted in much slower growth in production of such equipment and sharp deterioration in the equity prices of high-tech companies. At the same time, nonresidential construction activity appeared to have been well maintained in many parts of the country, though there were reports of softening in some regions and of some reductions or delays in planned projects. Against this background, risks of further retrenchment in capital spending persisted, but to date there was no evidence to suggest that the underlying pace of advances in technology and related productivity growth had abated. Over time, further increases in productivity would undergird continuing growth in demand for high-tech equipment. In the nonresidential construction area, members noted that high occupancy rates and high rents were supportive elements in the construction outlook.

With regard to the prospects for housing activity, members provided anecdotal reports of some weakening in a number of regions, though homebuilding was holding up well in others. Housing demand was, of course, responding to many of the same factors that were affecting consumer spending, including the negative wealth effects of declining stock market prices. On the positive side, further growth in incomes and declines in mortgage rates were key elements of underlying strength for the housing sector. On balance, housing construction at a pace near current levels appeared to be a reasonable prospect in association with forecasts of moderate growth in the overall economy.

Growth in foreign economic activity likely would continue to foster expansion in U.S. exports, though members noted that there were signs of softer business conditions in some foreign nations. In addition, members referred to some anecdotal evidence of increasing concern among business contacts about future prospects for exports of manufactured goods. On the other hand, any depreciation in the foreign exchange value of the dollar as the economy slowed would help to bolster exports.

Against the backdrop of slowing economic growth, core inflation had remained quiescent. Views regarding the outlook for inflation were somewhat mixed, though all the members agreed that the risks of higher inflation had diminished materially. Nonetheless, some members noted that while recent anecdotal reports pointed to a modest reduction in labor market strains in some areas and industries, labor markets in general were still very tight and likely would remain taut relative to historical experience. In such circumstances, if structural productivity growth leveled out, worker efforts to catch up to past increases in productivity could put pressures on labor compensation costs. The latter could well be augmented by sharply rising medical costs and by attempts to protect the purchasing power of wages from the erosion caused by the rise in energy prices. Further depreciation of the dollar in relation to major foreign currencies would add to import prices and domestic inflation pressures. But there were also a number of reasons for optimism about the outlook for consumer prices over coming quarters. Growth in economic activity at a pace somewhat below that of the economy's output potential would lessen pressures on labor and other resources from levels that had, in the past few years, been associated with at most a small uptick in core inflation. Indications that rapid growth in structural productivity would persist and widespread reports that strong competitive pressures in most markets continued to inhibit business efforts to increase prices in the face of rising costs also were favorable factors in the outlook. Further declines in oil prices, as evidenced by quotations in futures markets, would if realized have effects not only on so-called headline inflation but would help hold down core prices over time. Despite previous increases in headline inflation, survey and other measures of inflation expectations continued to suggest that long-run inflation expectations had not risen and might even have fallen a bit of late as the economy softened.

In the Committee's discussion of policy for the intermeeting period ahead, all the members indicated that they could support an unchanged policy stance, consistent with a federal funds rate averaging about 6½ percent. However, they also endorsed a proposal calling for a shift in the balance of risks statement to be issued after this meeting to express the view that most members believed the risks were now weighted toward conditions that could generate economic weakness in the foreseeable future. In their evaluation of the appropriate policy for these changing circumstances, the members agreed that the critical issue was whether the expansion would stabilize near its recent growth rate or was continuing to slow. In the view of almost all the members, the currently available information bearing on this issue was not sufficient to warrant an easing at this point. Much of the usual aggregative data on spending and employment, although to be sure available only with a lag, continued to suggest moderate economic expansion. The information pointing to further weakness was very recent and to an important extent anecdotal. As a consequence, most of the members were persuaded that a prudent policy course would be to await further confirmation of a weakening expansion before easing, particularly in light of the high level of resource utilization and the experience of recent years when several lulls in the growth of the economy had been followed by a resumption of very robust economic expansion. Additional evidence of slowing economic growth might well materialize in the weeks immediately ahead—from the regular aggregated monthly data releases, but also from weekly readings on the labor market and reports from businesses on the strength of sales and production—and the members agreed that the Committee should be prepared to respond promptly to indications of further weakness in the economy. Those few members who expressed a preference for easing at this meeting believed that, with unit labor costs and inflation expectations contained, enough evidence of further weakness already existed to warrant an immediate action. Nonetheless, they could accept a delay in light of prevailing uncertainties about the prospective performance of the economy and the intention of the Committee to act promptly in coming weeks, including the possibility of an easing move early in the intermeeting period, should confirming information on weakening trends in the economy emerge.

With regard to the consensus in favor of moving from an assessment of risks weighted toward rising inflation to one that was weighted toward economic weakness, with no intermediate issuance of a balanced risks assessment, some members observed that such a change was likely to be viewed as a relatively rapid shift by some observers. The revised statement of risks, even though it would not be associated with an easing move, could strengthen expectations regarding future monetary policy easing to an extent that was difficult to predict and could generate sizable reactions in financial markets. At the same time, it might raise questions about why the Committee did not alter the stance of policy. Nonetheless, the Committee's reasons for not easing today were deemed persuasive by most members, while shifting its statement about economic risks seemed clearly justified by recent developments. In one view, even though the risks of a weakening economy had increased, a statement of balanced risks would be preferable because further moderation in the expansion might well fail to materialize.

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 economic weakness 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.

This meeting adjourned at 1:35 p.m. with the understanding that the next regularly scheduled meeting of the Committee would be held on Tuesday–Wednesday, January 30–31, 2001.

Telephone Conference Meeting

A telephone conference meeting was held on January 3, 2001, for the purpose of considering a policy easing action. In keeping with the Committee's Rules of Organization, the members at the start of the meeting unanimously re-elected Alan Greenspan as Chairman of the Federal Open Market Committee and William J. McDonough as Vice Chairman. Their terms of office were extended for one year until the first meeting of the Committee after December 31, 2001. By unanimous vote, the Federal Reserve Bank of New York was selected to execute transactions for the System Open Market Account until the adjournment of the first meeting of the Committee after December 31, 2001.

At its meeting on December 19, 2000, the Committee had contemplated the possibility that ongoing economic and financial developments might warrant a reassessment of the stance of monetary policy before the next scheduled meeting in late January. Information that had become available since the December meeting tended to confirm that the economic expansion had continued to weaken. The manufacturing sector was especially soft, reflecting apparent efforts in a number of industries to readjust inventories that were now deemed to be too high, notably those related to motor vehicles. Retail sales were appreciably below business expectations for the holiday season despite some pickup in the latter half of December, apparently largely induced by price discounting, and sales of motor vehicles evidenced significant further weakness as the month progressed. Business confidence appeared to have deteriorated further since the December meeting amid widespread reports of reductions in planned production and capital spending. Elevated energy costs were continuing to drain consumer purchasing power and were adding to the costs of many business firms, with adverse effects on profits and stock market valuations. Interacting with these developments were forecasts of further declines in business profits over coming quarters. On the more positive side, housing activity appeared to be responding to lower mortgage interest rates, and on the whole nonresidential construction activity seemed to be reasonably well maintained. Moreover, while the expansion had weakened and economic activity might remain soft in the near term, the longer-term outlook for reasonably sustained economic expansion, supported by easier financial conditions and the response of investment and consumption to rising productivity and living standards, was still quite good. Inflation expectations appeared to be declining, with businesses continuing to encounter marked and even increased resistance to their efforts to raise prices. On balance, the information already in hand indicated that the expansion clearly was weakening and by more than had been anticipated. In the circumstances, prompt and forceful policy action sooner and larger than expected by financial markets seemed called for.

Against this background, all the members supported a proposal for an easing of reserve conditions consistent with a reduction of 50 basis points in the federal funds rate to a level of 6 percent. 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 a reduction in the federal funds rate to an average of around 6 percent.

The vote 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 economic weakness in the foreseeable future.

> Votes for this action: Messrs. Greenspan, McDonough, Ferguson, Gramlich, Hoenig, Kelley, Meyer, Minehan, Moskow, and Poole. Votes against this action: None.

Chairman Greenspan indicated that shortly after this meeting the Board of Governors would consider pending requests by several Federal Reserve Banks to reduce the discount rate by 25 basis points. At the time of this conference call meeting, no pending requests for a 50 basis point reduction were outstanding, but the press release would indicate that the Board would be prepared to consider requests for further reductions of 25 basis points if they were received.

Donald L. Kohn
Secretary

Legal Developments

Final Rule—Amendment to Regulation A

The Board of Governors is amending 12 C.F.R. Part 201, its Regulation A (Extensions of Credit by Federal Reserve Banks; Change in Discount Rate), to reflect its approval of a decrease in the basic discount rate at each Federal Reserve Bank. The Board acted on requests submitted by the Boards of Directors of the twelve Federal Reserve Banks.

The amendments to Part 201 (Regulation A) were effective January 31, 2001. The rate changes for adjustment credit were effective on the dates specified below:

Part 201—Extensions of Credit by Federal Reserve Banks (Regulation A)

1. The authority citation for 12 C.F.R. Part 201 continues to read as follows:

Authority: 12 U.S.C. 343 *et seq.*, 347a, 347b, 347c, 347d, 348 *et seq.*, 357, 374, 374a and 461.

2. Section 201.51 is revised to read as follows:

Section 201.51—Adjustment credit for depository institutions.

The rates for adjustment credit provided to depository institutions under section 201.3(a) are:

Federal Reserve Bank	Rate	Effective
Boston	5.0	January 31, 2001
New York	5.0	January 31, 2001
Philadelphia	5.0	January 31, 2001
Cleveland	5.0	January 31, 2001
Richmond	5.0	January 31, 2001
Atlanta	5.0	January 31, 2001
Chicago	5.0	January 31, 2001
St. Louis	5.0	February 1, 2001
Minneapolis	5.0	January 31, 2001
Kansas City	5.0	February 1, 2001
Dallas	5.0	January 31, 2001
San Francisco	5.0	January 31, 2001

Final Rule—Amendment to Regulation E

The Board of Governors is amending 12 C.F.R. Part 205, its Regulation E, implementing the Electronic Fund Transfer Act. The revisions implement amendments to the act contained in the Gramm-Leach-Bliley Act that require the disclosure of certain fees associated with automated teller machine (ATM) transactions. The amendments require ATM operators that impose a fee for providing electronic fund transfer services to post a notice in a prominent and conspicuous location on or at the ATM. The operator must also disclose that a fee will be imposed and the amount of the fee, either on the screen of the machine or on a paper notice, before the consumer is committed to completing the transaction. In addition, when the consumer contracts for an electronic fund transfer service, financial institutions are required to provide initial disclosures, including a notice that a fee may be imposed for electronic fund transfers initiated at an ATM operated by another entity.

Effective March 9, 2001, 12 C.F.R. Part 205 is amended as follows:

Part 205—Electronic Fund Transfers (Regulation E)

1. The authority citation for Part 205 would continue to read as follows:

Authority: 15 U.S.C. 1693-1693r.

2. Section 205.7 is amended by adding a new paragraph (b)(11) to read as follows:

Section 205.7—Initial disclosures.

* * * * *

(b) *Content of disclosures.* * * *

(11) *ATM fees.* A notice that a fee may be imposed by an automated teller machine operator as defined in section 205.16(a)(1), when the consumer initiates an electronic fund transfer or makes a balance inquiry, and by any network used to complete the transaction.

* * * * *

3. A new section 205.16 is added to read as follows:

Section 205.16—Disclosures at automated teller machines.

(a) *Definition. Automated teller machine operator* means any person that operates an automated teller machine at which a consumer initiates an electronic fund transfer or a balance inquiry and that does not hold the account to or from which the transfer is made, or about which an inquiry is made.

(b) *General.* An automated teller machine operator that imposes a fee on a consumer for initiating an electronic fund transfer or a balance inquiry shall:
  (1) Provide notice that a fee will be imposed for providing electronic fund transfer services or a balance inquiry; and
  (2) Disclose the amount of the fee.

(c) *Notice requirement.* An automated teller machine operator must comply with the following:
  (1) *On the machine.* Post the notice required by paragraph (b)(1) of this section in a prominent and conspicuous location on or at the automated teller machine; and
  (2) *Screen or paper notice.* Provide the notice required by paragraphs (b)(1) and (b)(2) of this section either by showing it on the screen of the automated teller machine or by providing it on paper, before the consumer is committed to paying a fee.

(d) *Temporary exemption.* Through December 31, 2004, the notice requirement in paragraph (c)(2) of this section does not apply to any automated teller machine that lacks the technical capability to provide such information.

(e) *Imposition of fee.* An automated teller machine operator may impose a fee on a consumer for initiating an electronic fund transfer or a balance inquiry only if
  (1) The consumer is provided the notices required under paragraph (c) of this section, and
  (2) The consumer elects to continue the transaction or inquiry after receiving such notices.

4. Under Appendix A, A-2 is amended by adding a new paragraph (j) to read as follows:

Appendix A to Part 205—Model Disclosure Clauses and Forms

* * * * *

A-2-Model Clauses for Initial Disclosures (Section 205.7(B))

* * * * *

(j) *ATM fees (section 205.7(b)(11)).* When you use an ATM not owned by us, you may be charged a fee by the ATM operator [or any network used] (and you may be charged a fee for a balance inquiry even if you do not complete a fund transfer).

* * * * *

5. In Supplement I to Part 205, the following amendments would be made:

a. Under Section 205.7—Initial Disclosures, under Paragraph 7(b)(5)-Fees, paragraph 3. is revised;

b. Under Section 205.9-Receipts at Electronic Terminals; Periodic Statements, under Paragraph 9(a)(1)-Amount, paragraph 1. is revised and a new paragraph 2 is added; and

c. A new Section 205.16—Disclosures at Automated Teller Machines is added. The additions and revision read as follows:

Supplement I to Part 205—Official Staff Interpretations

* * * * *

Section 205.7—Initial Disclosures

* * * * *

7(b) Content of Disclosures

* * * * *

Paragraph 7(b)(5)-Fees

* * * * *

3. *Interchange system fees.* Fees paid by the account-holding institution to the operator of a shared or interchange ATM system need not be disclosed, unless they are imposed on the consumer by the account-holding institution. Fees for use of an ATM that are debited directly from the consumer's account by an institution other than the account-holding institution (for example, fees included in the transfer amount) need not be disclosed. (*See* section 205.7(b)(11) for the general notice requirement regarding fees that may be imposed by ATM operators and by a network used to complete the transfer.)

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Section 205.9—Receipts at Electronic Terminals; Periodic Statements

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Paragraph 9(a)(1)-Amount

1. *Disclosure of transaction fee.* The required display of a fee amount on or at the terminal may be accomplished by displaying the fee on a sign at the terminal or on the terminal screen for a reasonable duration. Displaying the fee on a screen provides adequate notice, as long as a consumer is given the option to cancel the transaction after receiving notice of a fee. (*See* section 205.16 for the notice requirements applicable to ATM operators that impose a fee for providing EFT services.)
2. *Relationship between section 205.9(a)(1) and section 205.16.* The requirements of sections 205.9(a)(1) and 205.16 are similar but not identical.
   i. Section 205.9(a)(1) requires that if the amount of the transfer as shown on the receipt will include the fee, then the fee must be disclosed either on a sign on or at the terminal, or on the terminal screen. Section 205.16 requires disclosure both on a sign on or at the terminal (in a prominent and conspicuous loca-

tion) and on the terminal screen. Section 205.16 permits disclosure on a paper notice as an alternative to the on-screen disclosure.

ii. The disclosure of the fee on the receipt under section 205.9(a)(1) cannot be used to comply with the alternative paper disclosure procedure under section 205.16, if the receipt is provided at the completion of the transaction because, pursuant to the statute, the paper notice must be provided before the consumer is committed to paying the fee.

iii. Section 205.9(a)(1) applies to any type of electronic terminal as defined in Regulation E (for example, to POS terminals as well as to ATMs), while section 205.16 applies only to ATMs.

* * * * *

Section 205.16—Disclosures at Automated Teller Machines

16(b) General

Paragraph 16(b)(1)

1. *Specific notices.* An ATM operator that imposes a fee for a specific type of transaction such as a cash withdrawal, but not a balance inquiry, may provide a general statement that a fee will be imposed for providing EFT services or may specify the type of EFT for which a fee is imposed.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

The Charles Schwab Corporation
San Francisco, California

U.S. Trust Corporation
New York, New York

Order Approving Acquisition and Merger of Bank Holding Companies

The Charles Schwab Corporation ("Schwab") and its wholly owned subsidiary, U.S. Trust Corporation ("U.S. Trust"), each a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act") (together "Applicants"), have requested the Board's approval under section 3 of the BHC Act (12 U.S.C. 1842) to acquire Resource Companies, Inc. ("Resource"), and thereby acquire Resource's subsidiary bank, Resource Trust Company, both in Minneapolis, Minnesota.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (66 *Federal Register* 798 (2001)). The time for filing comments has expired, and the Board has considered the proposal in light of the factors set forth in section 3 of the BHC Act.

Schwab, with total consolidated assets of $35.5 billion, is the 43rd largest commercial banking organization in the United States, controlling less than 1 percent of the total assets of insured commercial banks in the United States.[2] Schwab, through U.S. Trust, operates depository institutions in California, Connecticut, the District of Columbia, Florida, New Jersey, New York, Oregon, Pennsylvania, and Texas.

Resource operates only in Minnesota. It controls the 82nd largest depository institution in the state, with $100.3 million in deposits, representing less than 1 percent of total deposits in depository institutions in Minnesota.[3] After consummation of the proposal, Schwab would remain the 43rd largest commercial banking organization in the United States, with total consolidated assets of $35.6 billion.

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 such bank holding company if certain conditions are met.[4] For purposes of the BHC Act, the home state of Applicants is New York, and Schwab proposes to acquire Resource Trust Company, which is located in Minnesota. All the conditions for an interstate acquisition enumerated in section 3(d) are met in this case.[5] In light of all the facts

1. Applicants propose to merge Resource into U.S. Trust, with U.S. Trust as the surviving corporation. In addition, Applicants propose to merge Resource Trust Company into U.S. Trust Company, Greenwich, Connecticut ("UST-Connecticut"), with UST-Connecticut as the surviving corporation. The merger of Resource Trust Company and UST-Connecticut is subject to review by the Federal Deposit Insurance Corporation ("FDIC") under the Bank Merger Act (12 U.S.C. § 1828(c)).

2. All data used for purposes of calculating nationwide rankings are as of September 30, 2000. All other banking data are as of June 30, 2000.

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

4. *See* 12 U.S.C. § 1842(d). A bank holding company's home state is the 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).

5. 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). Applicants meet the capital and managerial requirements established under applicable law. Resource Trust Company has been in existence and operated for the minimum period of time required by applicable state law. On consummation, Schwab would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States. All other requirements under section 3(d) of the BHC Act would be met on consummation of the proposal.

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 or be in furtherance of a monopoly. The BHC Act 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.[6]

The proposal involves the acquisition of a bank in Minnesota, a state in which Applicants do not have banking operations. Based on this and 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 any relevant banking market.

Financial and Managerial Considerations

The BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal and certain other supervisory factors. The Board has reviewed these factors in light of all the facts of record, including supervisory reports of examination, other confidential supervisory information assessing the financial and managerial resources of the organizations, and financial information provided by Applicants. The Board notes that Applicants and Resource and their subsidiary banks currently are well capitalized and are expected to remain so on consummation of the proposal. Based on all the facts of record, the Board concludes that the financial and managerial resources and the future prospects of Applicants, Resource, and their respective subsidiary banks, are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act.

Convenience and Needs Factor

In acting on a proposal under section 3 of the BHC Act, the Board is required to consider the effect of the proposal on the convenience and needs of the communities to be served. The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). Accordingly, the Board has carefully considered the effect of the proposed merger on the convenience and needs of the communities to be served and the CRA records of performance of the institutions involved in light of all the facts of record.

6. *See* 12 U.S.C. § 1842(c).

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of examinations of the CRA performance records of the relevant depository institutions by their appropriate Federal banking agencies.[7] United States Trust Company of New York, New York, New York ("UST-New York"), the lead depository institution of Applicants, received an "outstanding" rating at its most recent CRA performance examination by the Federal Reserve Bank of New York, as of April 3, 2000. UST-Connecticut received a "satisfactory" rating from the FDIC, as of February 23, 1998.[8] Resource Trust Company received an "outstanding" rating at its most recent CRA performance examination by the FDIC, as of July 15, 1998.

The Board received comments from a single commenter ("Protestant") objecting to the proposal. Protestant asserted that neither Applicants' subsidiary depository institutions nor Resource Trust Company are serving the credit needs of their communities, especially low- and moderate-income ("LMI") communities. Protestant also claimed that the CRA performance examinations of Applicants' subsidiary depository institutions, particularly UST-Connecticut, and Resource Trust Company are out-of-date and should not be relied on to assess the CRA performance of the depository institutions. In addition, Protestant asserted that the CRA performance examination of UST-Connecticut is inadequate because it does not assess the activities conducted by UST-Connecticut at offices opened since its last examination, particularly the bank's Pennsylvania and District of Columbia offices.

In assessing the convenience and needs factor in this case, the Board has carefully considered all the facts of record. As noted above, this includes review of the CRA performance examinations of the depository institutions involved in the proposal. In addition, the Board has considered confidential supervisory information provided by the appropriate Federal banking agencies for the institutions involved, and information provided by the Applicants on the record of their depository institutions in meeting the convenience and needs of their communities since their last CRA performance examinations.

7. The Interagency Questions and Answers Regarding Community Reinvestment provides that an institution's most recent CRA performance evaluation is an important and often controlling factor in the consideration of an institution's CRA record because it represents a detailed evaluation of the institution's overall record of performance under the CRA by its appropriate Federal banking agency. 65 *Federal Register* 25,088 and 25,107 (2000).

8. The other subsidiary depository institutions of Applicants also received "satisfactory" ratings at their most recent CRA performance examinations. U.S. Trust Company of California, N.A., Los Angeles, California, received a "satisfactory" rating from the Office of the Comptroller of the Currency ("OCC"), as of July 19, 1999; U.S. Trust Company of Florida Savings Bank, Palm Beach, Florida, received a "satisfactory" rating from the Office of Thrift Supervision, as of November 12, 1997; U.S. Trust Company of New Jersey, Princeton, New Jersey, received a "satisfactory" rating from the FDIC, as of April 27, 1999; and U.S. Trust Company of Texas, N.A., Dallas, Texas, received a "satisfactory" rating from the OCC, as of June 25, 1997.

The subsidiary depository institutions of Applicants and Resource Trust Company are wholesale banking institutions that provide investment management, corporate trust, financial and estate planning, fiduciary, and private banking services for institutions and high net worth individuals. Each of the depository institutions involved in the proposal has been designated a "wholesale bank" and has been evaluated as such under the CRA regulations of the federal banking agencies.[9]

Protestant questioned the appropriateness of the wholesale bank designations of the subsidiary depository institutions of Applicants and Resource Trust Company. Protestant asserted that UST-New York, UST-Connecticut, and the other subsidiary depository institutions of Applicants make a substantial volume of mortgage loans and hold themselves out to the public as mortgage lenders and, therefore, should not be accorded wholesale bank status under the CRA.

The Board recently considered the wholesale bank designations of the subsidiary depository institutions of U.S. Trust in response to comments submitted by Protestant in connection with Schwab's application under the BHC Act to acquire U.S. Trust.[10] The initial determination of the wholesale bank status of a depository institution is made by the institution's appropriate Federal banking agency and is reviewed by the agency during each CRA performance examination of the institution. The Board gives great weight to the determination made by examiners because that review is made on-site and encompasses an evaluation of all the activities of the institution by the agency charged by the CRA with responsibility for assessing the CRA performance of the institution. As noted above, examiners reaffirmed the wholesale bank status of each depository institution involved in the proposal at its most recent CRA performance examination. The Board has also consulted with the appropriate Federal banking agencies for depository institutions involved in the proposal concerning their current status as wholesale banks. Based on this information, the Board has considered the CRA record of each depository institution involved in the proposal pursuant to the community development test appropriate for wholesale banks. The Board has forwarded the comments of Protestant to the appropriate Federal banking agencies for the depository institutions so that they can be considered in the next examinations of the institutions.[11]

In its review of the convenience and needs factor under the BHC Act, the Board has carefully considered the entire record in this case. Based on all the facts of record, and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs factor, including the CRA performance records of the relevant insured depository institutions, are consistent with approval of the proposal.

Conclusion

Based on the foregoing, and in light of all the facts of record, the Board has determined that the application should be, and hereby is, approved.[12] The Board's approval is specifically conditioned on compliance by Applicants with all the commitments and representations made in connection with this application. 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

9. Designation as a wholesale bank requires the appropriate Federal banking agency to evaluate a bank's record of CRA performance under a separate "community development test." *See, e.g.*, 12 C.F.R. 228.25(a). This test evaluates a wholesale bank on its record of community development services, community development investments, and community development lending. *See, e.g.*, 12 C.F.R. 228.25(c). The primary purpose of any service, investment, or loan considered under the test must be "community development," which is defined in terms of specific categories of activities that benefit LMI individuals, LMI areas, or small businesses or farms. *See, e.g.*, 12 C.F.R. 228.12(h).

10. *See The Charles Schwab Corporation*, 86 *Federal Reserve Bulletin* 494 (2000).

11. Protestant also maintained that Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") data for 1999 demonstrate racial disparities in the loans made by Applicants and Resource. The Board has recognized that HMDA data alone provide an incomplete measure of an institution's lending in its community, and that these data have limitations that make them an inadequate basis, absent other information, for concluding that an institution has engaged in illegal lending discrimination. The limitations of HMDA data are even greater when, as in this case, the relevant institutions are not engaged in the business of mortgage lending. For example, Resource Trust Company originated only ten loans totaling $2.1 million from 1997 through 1999 that were reported under HMDA. In light of the limitations of HMDA data, particularly as applied to wholesale banks, the Board has carefully reviewed other information, particularly examination reports that provide an on-site evaluation of compliance with the fair lending laws by Applicants' subsidiary depository institutions and Resource Trust Company. Examiners found no substantive violations of antidiscrimination laws or other illegal credit practices at any of the depository institutions involved in this proposal, and the Board incorporates those findings in this order. Protestant also requested that the Board consider the HMDA data of the Applicants and Resource for 2000. However, these data are not required to be submitted until March 1, 2001.

12. Protestant also requested that the Board hold a public meeting or hearing on the proposal. Section 3 of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial. The Board has not received such a recommendation from 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). The Board has carefully considered the request for a public meeting or hearing in light of all the facts of record. In the Board's view, the public has had ample opportunity to submit comments on the proposal and, in fact, Protestant has submitted written comments that have been carefully considered by the Board in acting on the proposal. The Protestant's request fails to identify disputed issues of fact that are material to the Board's decision and that may be clarified by a public meeting or hearing. The Protestant's request also fails to show why a public meeting or hearing is necessary for the proper presentation or consideration of the Protestant's views. 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 is hereby denied.

findings and decision and, as such, may be enforced in proceedings under applicable law.

The acquisition of Resource shall not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 26, 2001.

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

Firstar Corporation
Milwaukee, Wisconsin

U.S. Bancorp
Minneapolis, Minnesota

Order Approving Merger of Bank Holding Companies

Firstar Corporation ("Firstar"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with U.S. Bancorp and thereby acquire control of U.S. Bancorp's subsidiary banks, including its lead subsidiary bank, U.S. Bank National Association, Minneapolis, Minnesota ("U.S. Bank").[1] The resulting bank holding company would be named U.S. Bancorp ("New U.S. Bancorp") and have its headquarters also in Minneapolis.[2]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (65 *Federal Register* 68,134 (2000)). The time for filing comments has expired, and the Board has considered the proposal and all comments received during the comment period in light of the factors set forth in section 3 of the BHC Act.

Firstar, with total consolidated assets of $74 billion, is the 17th largest commercial banking organization in the United States, controlling approximately 1.4 percent of total banking assets of insured commercial banks in the United States ("total U.S. banking assets").[3] Firstar operates subsidiary banks in Arizona, Arkansas, Florida, Illinois, Indiana, Iowa, Kansas, Kentucky, Minnesota, Missouri, Ohio, Tennessee, and Wisconsin.

U.S. Bancorp, with total consolidated assets of $86 billion, is the 11th largest commercial banking organization in the United States, controlling approximately 1.7 percent of total U.S. banking assets. U.S. Bancorp operates subsidiary banks in 16 western and midwestern states.

On consummation of the proposal and after accounting for the proposed divestitures discussed in this order, New U.S. Bancorp would become the ninth largest commercial banking organization in the United States, with total consolidated assets of $160 billion, representing approximately 3.1 percent of total U.S. banking assets.[4] The combined organization would have a significant presence in the Midwest and Northwest.

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 Firstar is Wisconsin,[5] and the subsidiary banks of U.S. Bancorp are located in California, Colorado, Illinois, Idaho, Iowa, Minnesota, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wisconsin, and Wyoming.[6] The Board has reviewed the interstate banking laws of each state in which Firstar would acquire banking operations and consulted with the appropriate banking regulator in each of those states regarding the permissibility of the proposed transaction under applicable state law.

All the conditions for an interstate acquisition enumerated in section 3(d) are met in this case. Firstar is adequately capitalized and adequately managed, as defined by applicable law.[7] In addition, the subsidiary banks of U.S. Bancorp that Firstar would acquire in an interstate transaction have been in existence for the minimum period of time required by applicable law.[8] On consummation of the

1. U.S. Bancorp's other subsidiary banks are U.S. Bank National Association ND, Fargo, North Dakota ("U.S. Bank ND"); U.S. Bank National Association MT. Billings, Montana ("U.S. Bank MT"); and U.S. Bank National Association OR, Canby, Oregon ("U.S. Bank OR").

2. Firstar and U.S. Bancorp also have requested the Board's approval to exercise options to purchase up to 19.9 percent of each other's common stock if certain events occur. These options would expire on consummation of the proposed merger.

3. Asset and ranking data are as of June 30, 2000.

4. Firstar and U.S. Bancorp are financial holding companies that are engaged in various nonbanking activities in the United States and abroad. Firstar intends to acquire the domestic nonbanking operations of U.S. Bancorp in accordance with section 4(k)(4) of the BHC Act and the post-transaction notice procedures of section 225.87 of Regulation Y. Firstar also has informed the Board that it intends to acquire U.S. Bancorp's foreign nonbanking operations in accordance with section 4(c)(13) of the BHC Act and the general consent provisions of section 211.5 of the Board's Regulation K.

5. A bank holding company's home state is that state in which the total deposits of all banking subsidiaries of the company were the largest on the later of July 1, 1966, or the date on which the company became a bank holding company. 12 U.S.C. § 1841(o)(4)(C).

6. 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.

7. *See* 12 U.S.C. § 1842(d)(1)(A).

8. *See* 12 U.S.C. § 1842(d)(1)(B). With the exception of U.S. Bank ND, which was chartered in 1997 and primarily engages in credit card operations, each subsidiary bank of U.S. Bancorp has been in existence for at least five years and, therefore, may be acquired without

proposal and after accounting for the proposed divestitures, New U.S. Bancorp and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent, or the applicable percentage established by state law, of total deposits in each state in which the insured depository institutions of both Firstar and U.S. Bancorp are located.[9] All other requirements of section 3(d) would be met on consummation of the proposal. Accordingly, based on all the facts of record, the Board is permitted to approve the proposed transaction 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 or would be in furtherance of any attempt to monopolize the business of banking in any relevant banking market. The BHC Act also prohibits the Board from approving a proposed bank acquisition that substantially would lessen competition in any relevant banking market, unless the Board finds that the anticompetitive effects of the proposal clearly are 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]

Firstar and U.S. Bancorp compete directly in nine local banking markets in four states.[11] The Board has reviewed carefully the competitive effects of the proposal in each of these banking markets in light of all the facts of record, including the number of competitors that would remain in the markets, the relative share of total deposits in depository institutions controlled by Firstar and U.S. Bancorp in the markets ("market deposits"),[12] the concentration level of market deposits and the increase in this level as measured by the Herfindahl–Hirschman Index ("HHI") under the Department of Justice Guidelines ("DOJ Guidelines"),[13] and other characteristics of the markets.

A. Certain Banking Markets without Divestitures

Consummation of the proposal without divestitures would be consistent with Board precedent and the DOJ Guidelines in eight banking markets.[14] After consummation of the proposal, two of these banking markets would remain unconcentrated and two other banking markets would remain moderately concentrated as measured by the HHI.[15] The remaining four markets without divestitures would be highly concentrated as measured by the HHI, but the increase in the HHI would be within the threshold levels established by the DOJ Guidelines and Board precedent.[16]

B. The Minneapolis-St. Paul, Minnesota Banking Market

Consummation of the proposal without divestitures would exceed the thresholds in the DOJ Guidelines in the Minneapolis-St. Paul banking market. Firstar is the fourth largest competitor in the Minneapolis-St. Paul banking market, controlling deposits of $1.9 billion, representing 4.7 percent of market deposits.[17] U.S. Bancorp is the largest competitor in the Minneapolis-St. Paul banking market, controlling deposits of $13.4 billion, representing 32.4 percent of market deposits. To reduce the potential for adverse competitive effects in this banking market, Firstar has committed to divest 11 branches (the "divestiture branches") that account for approximately $718 million in deposits.[18] Firstar has entered into a sale agreement with an

regard to any state age requirement. North Dakota law provides that an out-of-state bank holding company may acquire a North Dakota bank if a North Dakota holding company would be permitted to acquire a bank in the acquiring bank holding company's home state under the same circumstances. N.D. Cent. Code § 6–08.3.3–13. Thus, the age requirement provisions of the interstate banking statute of the acquirer's home state, in this case Wisconsin, effectively govern an interstate acquisition of a North Dakota bank. Wisconsin's interstate banking statute allows an out-of-state bank holding company to acquire a bank that has been in existence for fewer than five years, but it requires the acquirer to divest any such bank within two years of the acquisition. Wis. Stat. Ann. § 221.0901. The Commissioner of Banking and Financial Institutions for the State of North Dakota has confirmed that Firstar's proposed acquisition of U.S. Bank ND is consistent with North Dakota's interstate banking provisions if Firstar divests the bank within two years of acquiring U.S. Bancorp. Firstar has committed to divest the bank within that period.

9. *See* 12 U.S.C. § 1842(d)(2).

10. 12 U.S.C. § 1842(c)(1).

11. These banking markets are described in Appendix A.

12. Market share data are as of June 30, 1999, and are based on calculations in which the deposits of thrift institutions, which include savings banks and savings associations, are weighted 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 regularly has included thrift deposits in the market share calculation on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

13. Under the DOJ Guidelines, 49 *Federal Register* 26,823 (1984), a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI is more than 1800. 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 institutions.

14. These markets are Chicago and Rock Island-Davenport, Illinois; Ames, Des Moines, Johnson, and Marengo, Iowa; Omaha-Council Bluffs, Nebraska; and Milwaukee, Wisconsin. The effects of the proposal on the concentration of banking resources in these markets are described in Appendix B.

15. The unconcentrated markets are Chicago and Marengo, and the moderately concentrated markets are Milwaukee and Rock Island-Davenport.

16. These markets are Ames, Des Moines, Johnson, and Omaha-Council Bluffs.

17. Deposit data are as of June 30, 1999, and have been adjusted to reflect subsequent mergers and acquisitions.

18. Firstar has committed to execute, before consummation of the proposal, a sales agreement for the proposed divestiture with a pur-

existing competitor in the Minneapolis-St. Paul banking market regarding the divestiture branches.[19] On consummation of the proposal, and after accounting for the divestiture to the proposed purchaser, the combined organization would become the largest competitor in the Minneapolis-St. Paul banking market. New U.S. Bancorp would control deposits of $14.6 billion, representing approximately 35.4 percent of market deposits,[20] and the HHI would increase by 187 points to 2308.

Although 114 depository institutions compete in the Minneapolis-St. Paul banking market, U.S. Bancorp and Wells Fargo & Company, San Francisco, California ("Wells Fargo"), through their respective predecessor organizations, consistently have led the banking market since at least 1960.[21] The Board previously has recognized the unique structure of the Minneapolis-St. Paul banking market and has indicated that mergers involving one of the two largest depository institutions in the market warrant close review because of the size of these institutions relative to other market competitors. The Board, therefore, has considered whether other factors mitigate the competitive effects of the proposal or indicate that the proposal would have a significantly adverse effect on competition in the market.[22]

In this case, the Board believes that a number of factors indicate that consummation of the proposed merger is not likely to have a significantly adverse effect on competition in the Minneapolis-St. Paul banking market. With the proposed divestiture of at least $700 million in deposits, the combined relative strength of the two largest competitors in the Minneapolis banking market would not increase significantly.[23] The sizable divestiture proposal also would significantly strengthen the competitive position of the proposed in-market competitor that has agreed to purchase the divestiture branches.[24]

In addition, the record of *de novo* entry into the Minneapolis-St. Paul banking market in the last five years has been unprecedented when compared with other banking markets nationwide and confirms the attractiveness of the Minneapolis-St. Paul banking market to new entry. Since 1995, 35 depository institutions have entered the market *de novo* by either chartering a new bank or establishing a new branch in the market. Of these *de novo* entrants, 11 have entered the market since June 1999. In addition, 11 depository institutions have expanded their existing branch networks in the market.

Other factors indicate that the Minneapolis-St. Paul banking market remains attractive for entry. From 1990 to 2000, the average increase in population for the Minneapolis-St. Paul Metropolitan Statistical Area ("MSA") exceeded that of both the State of Minnesota and the entire United States.[25] In addition, for each year during that same period, the unemployment rate in the Minneapolis-St. Paul MSA was lower than that of Minnesota and the entire United States. Moreover, for the year that ended on June 30, 1999, the percentage increase in deposits in the Minneapolis-St. Paul MSA was more than three times that of other MSAs in Minnesota and more than four times that of the entire United States.[26]

Based on all the facts of record and for the reasons discussed above, the Board believes that competitive considerations in the Minneapolis-St. Paul banking market are consistent with approval in this case. However, the Board continues to have concerns about the structure of the Minneapolis-St. Paul banking market and believes that future mergers involving either of the two largest competitors in that banking market would warrant special consideration. The Board intends to scrutinize carefully any future acquisition proposal that would increase the market share

chaser determined by the Board to be competitively suitable and to complete the divestiture within 180 days after consummation of the proposal. Firstar further has committed that the divestiture will include at least $700 million in deposits in the Minneapolis-St. Paul banking market as of the divestiture date. In addition, Firstar has committed that, if it is unsuccessful in completing any divestiture within 180 days of consummation, Firstar will transfer the unsold branch(es) to an independent trustee that is acceptable to the Board and will instruct the trustee to sell the branch(es) promptly to one or more alternative purchasers acceptable to the Board. *See BankAmerica Corporation*, 78 *Federal Reserve Bulletin* 338 (1992); *United New Mexico Financial Corporation*, 77 *Federal Reserve Bulletin* 484 (1991).

19. Because of the structure of the Minneapolis-St. Paul banking market, described herein, Firstar has committed that it will not sell any branches to the second largest competitor in the market.

20. A commenter expressed concern that the Minneapolis-St. Paul banking market already was highly concentrated and asserted that Firstar's proposed divestitures in that market were inadequate to address competitive concerns. The commenter contended that the merger as structured violated antitrust laws. This commenter also criticized Firstar for omitting the identity of the specific branches to be divested from the public portion of its application, and asserted that this omission impeded his ability to comment on the proposal's competitive effects. The Board has concluded, however, that the public information on the proposed divestitures that Firstar provided, including the structural effects in the Minneapolis-St. Paul banking market, was sufficient for interested persons to evaluate and comment on the competitive effects of the proposal.

21. *See, e.g., Norwest Corporation*, 82 *Federal Reserve Bulletin* 580 (1996); *First Bank System, Inc.*, 79 *Federal Reserve Bulletin* 50 (1993). Wells Fargo is the second largest competitor in the market, controlling deposits of approximately $13 billion, representing 31.6 percent of market deposits. The third largest competitor controls 6 percent of market deposits, the fifth largest competitor controls 2.2 percent of market deposits, and the remaining competitors each control less than 2 percent of market deposits.

22. The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the level of and size of the increase in market concentration. *See NationsBank Corporation*, 84 *Federal Reserve Bulletin* 129 (1998).

23. The combined market share percentage of the two largest competitors would increase from 64 percent to 67 percent.

24. The acquirer of the divestiture branches would almost triple its market share and would become the fourth largest competitor in the Minneapolis-St. Paul banking market.

25. The population of the Minneapolis-St. Paul MSA increased by 13.4 percent, compared with an increase of 9.7 percent for the State of Minnesota and 10.9 percent for the entire United States.

26. Deposits in the Minneapolis-St. Paul MSA increased by 16.9 percent, compared with an increase of 2 percent in the Duluth-Superior MSA, 3.3 percent in the St. Cloud MSA, and 5 percent in the Rochester MSA. Deposits in the entire United States increased by 3.4 percent.

of one of the two largest competitors in the Minneapolis-St. Paul banking market.

C. Views of Other Agencies and Conclusion

The Department of Justice also has conducted a detailed review of the anticipated competitive effects of the proposal. The Department has advised the Board that, in light of the proposed divestitures, the Department believes that consummation of the proposal likely would not have a significantly adverse effect on competition in any relevant banking market.[27] The Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC") have been afforded an opportunity to comment and have not objected to consummation of the proposal.

After carefully reviewing all the facts of record, including public comments on the competitive factors, and for the reasons discussed in this order, the Board has concluded that consummation of the proposal likely would not result in a significantly adverse effect on competition or on the concentration of banking resources in any of the nine banking markets in which Firstar and U.S. Bancorp compete directly or in any other relevant banking market. Accordingly, based on all the facts of record and subject to completion of the proposed divestitures, the Board has determined that competitive factors are consistent with approval of the proposal.

Financial, Managerial, and Other Supervisory Factors

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal and certain other supervisory factors. The Board has carefully considered these factors in light of all the facts of record, including public comments, reports of examination and other confidential supervisory information assessing the financial and managerial resources of the organizations, and other information provided by Firstar and U.S. Bancorp.[28]

In evaluating financial factors in expansion proposals by banking organizations, the Board consistently has considered capital adequacy to be especially important. The Board notes that Firstar, U.S. Bancorp, and each of their subsidiary banks are and on consummation of the proposal would continue to be well capitalized, as defined in the relevant regulations of federal banking agencies. The proposed acquisition is structured as an exchange of shares of Firstar and U.S. Bancorp for shares of New U.S. Bancorp, and neither Firstar nor New U.S. Bancorp would incur any debt as a result of the transaction.[29]

The Board also has considered the managerial resources of Firstar and U.S. Bancorp and the examination reports of the federal financial supervisory agencies that supervise these organizations, including their subsidiary banks.[30] Firstar, U.S. Bancorp, and their subsidiary banks are well managed, with appropriate risk management systems in place.[31] New U.S. Bancorp would select its senior management from the senior executives of Firstar and U.S. Bancorp, which would provide the combined organization with officers that are experienced and knowledgeable in the operations and markets of both companies.[32] In addition, the Board has considered Firstar's recent record of successfully integrating acquired organizations and remaining well managed. Moreover, Firstar and U.S. Bancorp have indicated that they are devoting significant resources to address all aspects of the merger process.

27. To address concerns expressed by the Department of Justice, Firstar also will divest branches in the Omaha-Council Bluffs banking market. These branches are subject to the divestiture commitments Firstar has made to the Board.

28. A commenter asserted that U.S. Bancorp had a poor record of employment and third-party vendor development in the African-American community. The commenter also expressed concern that Firstar lent money to a company that allegedly has a history of employment discrimination on the basis of race. The Board previously has noted that neither the racial composition of management nor the effect of a proposed transaction on employment in a community is among the factors included in the BHC Act. *See, e.g., Deutsche Bank AG*, 85 *Federal Reserve Bulletin* 509 (1999) ("*Deutsche Bank Order*"); *Norwest Corporation*, 84 *Federal Reserve Bulletin* 1088 (1998). Although the Board fully supports programs designed to create and stimulate employment opportunities for all members of society, the Board also considers the third-party contracting of U.S. Bancorp to be beyond the scope of the BHC Act, the Community Reinvestment Act, and other relevant banking statutes. *See Deutsche Bank Order*.

29. A commenter indicated that the proposed merger was motivated by the personal interests of the senior management officials at Firstar and U.S. Bancorp, rather than by the interests of the shareholders of those companies. The Board notes that the shareholders of Firstar and U.S. Bancorp have the opportunity to vote on the proposed transaction at the special meetings scheduled for shareholders.

30. Several commenters criticized Firstar's management for lobbying the Wisconsin legislature to amend the state's bankruptcy laws to give bank liens for secured loans a preference in corporate bankruptcy proceedings over wage claim liens filed by workers. The Board notes that these commenters' contentions do not allege any illegal activity or other action that would affect the safety and soundness of the institutions. This matter also is outside the limited statutory factors that the Board is authorized to consider when reviewing an application under the BHC Act.

31. One commenter alleged that inadequate management at U.S. Bancorp was evidenced by the enforcement action of the Securities and Exchange Commission ("SEC") and lawsuits by investors against Piper Capital Management, Inc. ("PCM"), a nonbanking subsidiary of U.S. Bancorp. The violations alleged by the SEC related to PCM's investment advisory activities in connection with a registered investment company and occurred in 1994, before U.S. Bancorp's acquisition of PCM in 1998. U.S. Bancorp has provided detailed information about the steps both PCM and U.S. Bancorp have taken since 1994 to resolve the issues raised by the SEC and investor litigation.

32. One commenter cited press reports about the loss of personnel at one of Firstar's nonbanking subsidiaries. According to these and other press reports, Firstar has filed lawsuits against certain employees who left this subsidiary, alleging breach of a noncompete clause. In evaluating the managerial factor, the Board has reviewed the current managerial resources and future prospects of Firstar's entire organization, including the nonbank subsidiary cited by the commenter.

Based on all the facts of record, including confidential reports of examination and other supervisory information, the Board has concluded that considerations relating to the financial and managerial resources of Firstar, U.S. Bancorp, and their respective banking subsidiaries are consistent with approval, as are the other supervisory factors that the Board must consider under section 3 of the BHC Act.[33]

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board is required to consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act ("CRA").[34] The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of local communities in which they operate, consistent with safe and sound operation, and requires the appropriate federal supervisory agency to take into account an institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansion proposals. The Board has carefully considered the convenience and needs factor and the CRA performance records of the subsidiary depository institutions of Firstar and U.S. Bancorp in light of all the facts of record, including public comments received on the effect the proposal would have on the communities to be served by the combined organization.

A. Summary of Public Comments

The Board received approximately 209 comments on the proposal. Approximately 193 commenters supported the proposal or commented favorably on Firstar's or U.S. Bancorp's CRA-related activities. Many of these commenters commended Firstar for providing credit or other services to small businesses, sponsoring community development activities, participating in programs that provide affordable housing and mortgage financing for LMI individuals, and providing support to nonprofit organizations. Other commenters related their favorable experiences with specific programs or services offered by Firstar or U.S. Bancorp.

A number of local government agencies involved in community development also commented favorably on their experiences with Firstar and U.S. Bancorp. In addition, a number of private organizations commended Firstar and U.S. Bancorp for supporting the development of affordable housing for low-income individuals and individuals with disabilities through loans, grants, and technical assistance. Other private organizations supported the proposal based on Firstar's and U.S. Bancorp's records of financing community development projects in neighborhoods with predominantly LMI and minority residents, and their records of financing businesses owned by women and minorities ("women-owned businesses" and "minority-owned businesses") directly and through financial intermediaries. Some community-based organizations observed that innovative products and services for LMI communities were developed through partnerships with Firstar and U.S. Bancorp.

Approximately 16 commenters either opposed the proposal, requested that the Board approve the merger subject to conditions suggested by the commenter, or expressed concerns about the records of Firstar, U.S. Bancorp, or both in meeting the convenience and needs of the communities they serve. Some commenters generally asserted that Firstar and U.S. Bancorp had low and declining levels of home mortgage, small business, and small farm lending, particularly to LMI or minority individuals or in predominantly minority communities. Based on data submitted under the Home Mortgage Disclosure Act ("HMDA"), several commenters alleged that Firstar and U.S. Bancorp engaged in disparate treatment of LMI and minority individuals in home mortgage lending.[35] A commenter also criticized the level of participation by Firstar and U.S. Bancorp in government credit enhancement and guaranteed loan programs, particularly in Wisconsin. In addition, commenters expressed concerns that the proposal would result in branch closings, less lending and local decision-making in rural communities, or the termination or reduction of the affordable housing and community development products and programs of Firstar and U.S. Bancorp.

Several commenters expressed concern about Firstar's record of home mortgage lending to LMI or minority individuals and in LMI or predominantly minority communities, particularly in Chicago, Illinois; Cleveland, Ohio; St. Louis, Missouri; and Milwaukee, Wisconsin. Some commenters criticized Firstar's level of small business lending in LMI and predominantly minority communities in Chicago. In addition, a commenter alleged that Firstar provides a low level of banking services and reinvestment in LMI communities in Cleveland.[36] Another commenter asserted that Firstar has reduced its banking services and lending to rural LMI individuals and communities, particularly in Wisconsin. A commenter also expressed concerns

33. A commenter cited press reports that U.S. Bancorp had settled claims alleging violations of consumer protection laws related to its arrangement with telemarketing organizations for marketing nonfinancial products to consumers, including a claim brought by the Minnesota Attorney General. Based on these press reports, the commenter asserted that U.S. Bancorp had violated such laws. U.S. Bancorp discontinued the marketing arrangements and customer information sharing practices at issue soon after commencement of the Attorney General's action, settled the various claims, and was not convicted of any offense in connection with the consumer protection law claims. In addition, U.S. Bancorp has implemented various changes to its consumer banking policies and procedures to address heightened concerns over consumer privacy issues.

34. 12 U.S.C. § 2901 *et seq.*

35. 12 U.S.C. § 2801 *et seq.*

36. This commenter also asserted that Firstar management has failed to ascertain the financial resources needed in LMI and predominantly minority communities in Cleveland.

regarding Firstar's record of closing branches in LMI and predominantly minority communities.[37]

In addition, a commenter criticized U.S. Bancorp's record of home mortgage and small business lending in LMI and predominantly minority communities in Minneapolis. The commenter further expressed concern that U.S. Bancorp's level of community development and affordable housing investments was declining.[38]

B. CRA Performance Examinations

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions. 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.[39]

All Firstar's subsidiary banks received either "outstanding" or "satisfactory" ratings at the most recent examinations of their CRA performance. In particular, Firstar's lead bank, Firstar Bank, National Association, Cincinnati, Ohio ("Firstar Bank"), which now accounts for approximately 93 percent of the total consolidated assets of Firstar, received a "satisfactory" rating at its most recent CRA performance evaluation by the OCC, as of July 1998 ("1998 Firstar Bank Evaluation").[40] All U.S. Bancorp's subsidiary banks also received either "outstanding" or "satisfactory" ratings at the most recent examinations of their CRA performance. In particular, U.S. Bank, which is U.S. Bancorp's lead bank and now represents approximately 94 percent of the total consolidated assets controlled by U.S. Bancorp, received a "satisfactory" rating at its most recent CRA performance evaluation by the OCC, as of April 1998.[41]

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 substantive provisions of the fair lending laws.[42] Examiners also reviewed the assessment areas delineated by the subsidiary banks of Firstar and U.S. Ban-

37. Several commenters opposed the proposal based on unfavorable experiences with Firstar in particular loan transactions or business dealings with the organization. The Board has reviewed these comments in light of the facts of record, including information provided by Firstar. The Board has provided copies of these comments to the appropriate federal supervisor of the subsidiary involved for its consideration.

38. One commenter alleged generally that U.S. Bancorp had a poor record of philanthropy and marketing banking services in the African-American community.

39. *See Interagency Questions and Answers Regarding Community Reinvestment*, 65 *Federal Register* 25,088 and 25,107 (2000).

40. Firstar Bank formerly was named Star Bank, N.A. ("Star Bank"), and was acquired by Firstar in 1998 through a merger with Star Banc Corporation, Cincinnati, Ohio ("SBC"). *See Firstar Corporation*, 84 *Federal Reserve Bulletin* 1083 (1998) (*"Firstar/SBC Order"*). The most recent CRA performance evaluation for Firstar Bank was the evaluation of Star Bank conducted by the OCC before the merger. Firstar adopted SBC's CRA program. *See Firstar/SBC Order* at 1084. Firstar has engaged in a number of other acquisitions, such as the acquisition of Mercantile Bancorporation, St. Louis, Missouri ("Mercantile"), and recently has merged and renamed various banks under the combined organization. *See Firstar Corporation*, 85 *Federal Reserve Bulletin* 738 (1999) (*"Firstar/Mercantile Order"*). Each of the banks that has been merged into Firstar Bank received at least a "satisfactory" rating at the most recent CRA performance evaluation by its appropriate federal financial supervisory agency. Among these predecessor banks are Firstar Bank Illinois, Chicago, Illinois, which received a "satisfactory" rating from the Federal Reserve Bank of Chicago ("FRB Chicago"), as of June 1998; Mercantile Bank, N.A., St. Louis, Missouri, which received a "satisfactory" rating from the OCC, as of June 1997; Firstar Bank Minnesota, N.A., St. Paul, Minnesota, which received a "satisfactory" rating from the OCC, as of December 1997; Firstar Bank Wisconsin, Madison, Wisconsin, which received an "outstanding" rating from the FRB Chicago, as of April 1997; and Firstar Bank Milwaukee, N.A., Milwaukee, Wisconsin, which received a "satisfactory" rating from the OCC, as of November 1997. The other two current subsidiary banks of Firstar include Firstar Bank Midwest, N.A. (formerly Mercantile Bank, Overland Park, Kansas), which received an "outstanding" rating in its most recent CRA performance evaluation by the OCC, as of September 1998, and Firstar Bank U.S.A., N.A., Waukegan, Illinois ("Firstar USA"), which received a "satisfactory" rating in its most recent CRA performance evaluation by the OCC, as of November 1997.

41. In 1997, U.S. Bancorp was acquired by First Bank System, Inc., which retained the U.S. Bancorp name, and U.S. Bank was formerly named First Bank National Association. U.S. Bancorp has acquired a number of banks in recent years and has merged and renamed the banks controlled by the combined organization. *See First Bank System, Inc.*, 83 *Federal Reserve Bulletin* 689 (1997). All the banks that have been merged into U.S. Bank have received at least a "satisfactory" rating at the most recent examinations of their CRA performance by the appropriate federal financial supervisory agency. In addition, U.S. Bank MT (formerly named First Bank Montana, N.A., Billings, Montana), received a "satisfactory" rating from the OCC, as of July 1995. U.S. Bank ND (formerly named First Bank National Association, ND, Fargo, North Dakota), a limited-purpose credit card bank, was chartered on July 31, 1997, and changed its name in March 1998. The OCC has not rated its record of CRA performance to date. U.S. Bancorp's other subsidiary bank, U.S. Bank OR, is a limited-purpose cash management bank that is not subject to the CRA.

42. One commenter contended that New Century Financial Corporation, Irvine, California ("New Century"), a nondepository mortgage company, is a subsidiary of U.S. Bancorp and that it engages in predatory lending by making subprime loans and imposing prepayment penalties more frequently than its competitors. The commenter also alleged that New Century engages in a higher level of subprime lending to African Americans in certain metropolitan areas than its competitors. U.S. Bancorp has indicated that it currently does not own or control, in the aggregate, 25 percent or more of the shares of New Century, or otherwise control New Century. Consequently, New Century is not a subsidiary of U.S. Bancorp for purposes of the BHC Act. The Board, however, has carefully considered these comments in light of the relationships between New Century and U.S. Bancorp.

The Board has forwarded copies of the comments regarding New Century to the Department of Housing and Urban Development ("HUD"), the Department of Justice, and the Federal Trade Commission, which have responsibility for fair lending law compliance by nondepository companies like New Century. The Board also has consulted with these agencies. In addition, the Board has considered information submitted by U.S. Bancorp on New Century's consumer lending practices, including the processes by which New Century makes credit available to consumers, the compliance procedures established by New Century, the methodology employed by New Century in setting risk-based interest rates, and the relationship of New Century with loan brokers and correspondents.

corp and did not report that these assessment areas were unreasonable or arbitrarily excluded LMI areas.

In recent years, Firstar and U.S. Bancorp have acquired other banking organizations and consolidated their subsidiary banks. The most recent CRA performance evaluations of their respective subsidiary banks predate the current structure of the organizations. Therefore, the Board also has evaluated extensive information submitted by Firstar and U.S. Bancorp about their CRA performance since the dates of their most recent CRA performance evaluations.

C. Firstar's CRA Performance Record

Overview. Examiners commended Firstar Bank for its responsiveness to the credit needs in its assessment areas, particularly the needs of LMI communities and borrowers. Examiners reported that Firstar Bank offered a variety of products and programs to assist in meeting the housing-related credit needs of LMI individuals and communities.

Firstar has implemented its American Dream Home Loan program, which offers portfolio mortgage loan products designed for LMI borrowers that feature more flexible credit requirements, low down payments, and reduced interest rates and fees. Firstar represented that, in 1998 and 1999, it originated $68 million in loans under this program.

Firstar also has participated in a number of government-sponsored home mortgage loan programs. Firstar stated that, in 1999, it originated loans totaling approximately $548.6 million under government mortgage programs, such as those sponsored by the Federal Housing Authority ("FHA") and the Veterans Administration ("VA"). From January through September 2000, Firstar reportedly made loans totaling more than $372 million under these programs. Firstar stated that it also provided $83 million in loans under programs sponsored by the Federal National Mortgage Association ("FNMA"), the Federal Home Mortgage Corporation ("FHMC"), and HUD, between January 1998 and September 2000.

Examiners generally commended the distribution of Firstar Bank's small businesses lending.[43] Firstar reported that, from January 1998 through 2000, it made small business loans nationwide totaling more than $5.4 billion, including more than $110 million in loans sponsored by the Small Business Administration ("SBA") and more than $46.6 million in loans sponsored by the Farm Service Agency ("FSA").[44]

In addition, Firstar noted that, in 1998, it introduced a five-year lending initiative (the "Star Bank Initiative"), through which it intends to provide $5.5 billion for mortgage loans to LMI individuals and for small business and small farm loans in LMI areas of Ohio and Kentucky. Firstar represented that, since introducing the initiative, it has lent $3.6 billion, including approximately $161 million in small business loans to businesses in LMI census tracts.

Examiners commended Firstar Bank for the amount of community development loans that the bank and its affiliates had originated. Examiners also determined that Firstar Bank's qualified community development investments generally showed good responsiveness to the community development needs of its assessment areas.[45]

Firstar represented that, since its latest CRA evaluations, it has maintained a high level of community development activity in the communities it serves, participated in a number of loan pools and equity funds to finance affordable housing and small business development, and provided financial support to organizations that engage in such activities. For example, Firstar stated that, in 1999, it originated more than $300 million in community development loans throughout its assessment areas. Firstar also represented that, during the first six months of 2000, it made qualified community development investments totaling more than $165 million, including more than $120 million that were eligible for low-income housing tax credits.

Examiners found that Firstar Bank provided a good level of banking services in its assessment areas and that the bank's delivery systems were accessible to all portions of its assessment areas, including LMI areas. In addition, the Department of the Treasury advised Firstar that, as of October 2000, Firstar Bank was the largest institution in the United States to implement successfully the Electronic Transfer Account for recipients of federal government payments at all its branch locations.

Chicago, Illinois. Firstar Bank Illinois, Chicago, Illinois ("Firstar IL"), which was merged into Firstar Bank in May 1999, received a "satisfactory" rating in its last CRA performance evaluation by the FRB Chicago, as of June 1998.[46] Examiners reported that Firstar IL demonstrated a strong overall level of lending to LMI individuals and in LMI areas.[47] Although noting that the bank's level of

43. For example, examiners reported that the bank's geographic distribution of small loans to businesses in the low-income communities in its Cincinnati assessment areas was excellent.

44. In this context, "small business loans" means loans with an original principal amount of less than $1 million to businesses.

45. For example, during 1996 and 1997, Firstar Bank originated 16 community development loans, totaling $17.9 million in the Cincinnati MSA, most of which were dedicated to housing for LMI individuals and families. During this time period, Firstar also made qualified community development investments totaling $8.3 million in this area.

46. Before that merger, Firstar IL served the Chicago MSA. Firstar USA, a limited-purpose bank primarily engaged in retail consumer lending, also is in the Chicago MSA. As noted, Firstar USA received a "satisfactory" rating in its most recent CRA performance evaluation by the OCC, as of November 1997. Examiners noted that Firstar USA adequately provided qualified community development investments, services, and loans in its assessment area, which included 14 LMI census tracts out of a total of 32 census tracts.

47. A commenter alleged that Firstar has arbitrarily defined its CRA assessment area in Chicago to exclude LMI communities. Although a bank's assessment area delineation is not a separate criterion for CRA performance, examiners review whether an institution's assessment area meets regulatory requirements, including whether it arbitrarily excludes LMI areas. In the 1998 CRA performance evaluation of Firstar IL, examiners reviewed the bank's assessment area delineation and concluded that the assessment area for Firstar IL complied with applicable regulatory requirements. Firstar Bank recently expanded its

HMDA-reportable lending in LMI census tracts in 1997 was lower than that of lenders in the aggregate, examiners found that 20 percent of Firstar IL's HMDA-reportable loans in LMI census tracts were in low-income census tracts, compared with 10 percent of the HMDA-reportable loans by lenders in the aggregate.

In 1999, Firstar Bank and Firstar USA originated HMDA-reportable loans totaling more than $73 million to LMI borrowers in the Chicago MSA, including more than $13 million in loans to low- income borrowers. Firstar stated that its home mortgage lending to LMI individuals in the Chicago MSA, from January 1998 through 2000, included approximately $2.5 million under its American Dream Home Loan program and approximately $7.3 million through FNMA and FHMC loan programs.

Examiners determined that Firstar Bank was responsive to the borrowing needs of small businesses in its Chicago assessment areas. In addition, examiners found that Firstar IL's level of small business lending in LMI census tracts in its assessment areas had improved during the evaluation period and generally was comparable with aggregate lending levels in 1997. Firstar stated that it originated more than 4,600 small business loans, totaling $513 million, in the Chicago MSA during 1998 through 2000. This included more than $48 million in small business loans in LMI census tracts in the Chicago MSA.

Examiners noted that, during the evaluation period of the 1998 performance examination, Firstar IL actively sought opportunities throughout the Chicago MSA to lend in support of community development. From January 1996 through June 1998, Firstar IL originated 21 community development loans totaling approximately $15 million. Of this amount, approximately $8 million supported the development of affordable housing for LMI individuals and approximately $6 million supported economic development activities to help revitalize or stabilize LMI census tracts. Examiners also commended the community development investments of Firstar IL in Chicago, noting that Firstar IL made community development investments totaling approximately $1.4 million from January 1996 through June 1998.

Firstar has continued its active involvement in community development in the Chicago area. For example, Firstar stated that since 1997 it has provided more than $3.7 million in loans to organizations that provide multifamily affordable rental units and has invested more than $500,000 in a Chicago neighborhood housing organization that provides affordable housing opportunities to LMI families. In addition, Firstar has made a $1 million equity investment in a minority-owned community bank and has made significant deposits in a credit union that serves a low-income neighborhood.

Cleveland, Ohio. Examiners evaluated Firstar Bank's CRA performance record in the Cleveland-Lorain-Elyria MSA ("Cleveland MSA"), as part of the 1998 Firstar Bank Evaluation. Examiners found that Firstar Bank's lending performance was excellent in the Cleveland MSA, the bank's largest market in Ohio. In particular, examiners commended Firstar Bank for its home-purchase and small business lending performance in the Cleveland MSA, especially for its distribution of home loans in LMI census tracts and high level of lending to LMI individuals.

From January 1996 through December 1997, Firstar Bank originated 37 percent of its home-purchase loans in the Cleveland MSA in LMI census tracts, which was significantly higher than the percentage of owner-occupied housing units in LMI census tracts. Similarly, examiners noted that Firstar Bank's origination of 40 percent of its home-purchase loans in the Cleveland MSA to LMI borrowers compared favorably with the percentage of LMI families in the general population of the Cleveland MSA.

Since the 1998 performance evaluation, Firstar has used its various lending programs to increase its level of lending to LMI borrowers and in LMI communities. In 1999, Firstar Bank originated HMDA-reportable loans totaling more than $39 million to LMI borrowers in the Cleveland MSA, including more than $13 million in loans to low-income borrowers. Firstar reported that, in 1999 and 2000, the dollar amount of home mortgage loans it originated under its American Dream Home Loan program in the Cleveland MSA included $3.3 million to borrowers in LMI census tracts and $6.9 million to LMI borrowers. In addition, Firstar represented that, from January 1998 through 2000, it provided a total of more than $70 million HMDA-reportable loans to LMI individuals in the Cleveland MSA through its Star Bank Initiative.

In the 1998 Firstar Bank Evaluation, examiners also commended Firstar Bank for its distribution of small businesses loans in LMI census tracts in the Cleveland MSA. In 1997, Firstar Bank originated 18 percent of its small business loans in the Cleveland MSA to businesses in LMI census tracts.

Since the 1998 Firstar Bank evaluation, Firstar has continued its efforts in making small business loans to businesses in LMI census tracts in the Cleveland MSA. Firstar stated that, from January 1998 through 2000, it provided more than $266 million in small business loans in the Cleveland MSA. Approximately 20 percent of this amount, measured by number and dollar amount, was made to businesses in LMI census tracts. Firstar also reported that it provided small business loans totaling $1.3 million under SBA-sponsored loan programs in the Cleveland area in 1999, and that this amount increased to $27 million in 2000.

Examiners noted that Firstar Bank provided adequate levels of community development lending in the Cleveland MSA and commended the bank for its responsiveness to community development needs through its investment activity, which totaled approximately $2.4 million in 1997. Since the 1998 Firstar Bank Evaluation, Firstar has expanded its community development programs. Firstar stated that, as part of the Star Bank Initiative, it provided more than $27 million in community development loans and more than $874,000 in grants to organizations in-

assessment area in Chicago to include six counties in their entirety in the Chicago MSA.

volved in community development activities in the Cleveland MSA during 1998, 1999, and 2000.

In the 1998 First Bank Evaluation, examiners also determined that Firstar Bank provided a good level of services in the Cleveland MSA, including in LMI communities, and that the bank's delivery systems were conveniently located and accessible to all portions of the bank's assessment area. Examiners also commended the bank's variety of services, including its branch and full-service ATM network and its 24-hour telephone banking, bank-by-mail, and Internet banking services. In particular, examiners noted that 16 percent of the bank's branches were in LMI areas and that the bank augmented the availability of branches through the accessibility of its ATMs in LMI areas. Examiners also found that, during the evaluation period, Firstar Bank's record of opening and closing branches in the Cleveland MSA resulted in increased services in LMI areas and to LMI individuals.

St. Louis, Missouri. The predecessor of Firstar Bank in the St. Louis, Missouri-Illinois MSA ("St. Louis MSA") was Mercantile Bank National Association, St. Louis, Missouri ("Mercantile Bank"), which Firstar acquired in 1999.[48] As previously noted, Mercantile Bank received a "satisfactory" rating in its most recent CRA performance evaluation by the OCC, as of June 1997. In particular, examiners commended Mercantile Bank for its very good distribution of HMDA-reportable loans and small business loans among borrowers of different income levels.

Examiners determined that Mercantile Bank's volume of HMDA-reportable loans reflected a good responsiveness to area credit needs. In 1995 and 1996, Mercantile Bank originated or purchased more than $943 million in HMDA-reportable loans, of which 26 percent were made to LMI borrowers. Examiners noted that Mercantile Bank's distribution of government-sponsored home-purchase loans to LMI borrowers represented 43 percent of all such loans it made in 1996 and exceeded the percentage of LMI families in the general population of the St. Louis MSA.

Since its acquisition of Mercantile Bank, Firstar has continued a high level of home mortgage lending to LMI borrowers in the St. Louis MSA. Firstar stated that, in 1999, it originated or purchased more than 2,500 HMDA-reportable loans to LMI borrowers, totaling approximately $91.8 million. During the first 10 months of 2000, Firstar reported that it originated or purchased HMDA-reportable loans to LMI borrowers in the St. Louis MSA, totaling $89.8 million. Firstar also reported that, since Firstar's acquisition of Mercantile, it has lent $2.7 million to borrowers in LMI census tracts and $2.4 million to minority borrowers in the St. Louis MSA through its American Dream Home Loan program. Under its Open Doors program, a home mortgage program designed for LMI borrowers that Mercantile Bank introduced in the St. Louis area, Firstar Bank reported that it has lent $5.9 million to borrowers in LMI census tracts, $2.2 million to borrowers in predominantly minority census tracts, and $13 million to minority borrowers.

In 1999, Firstar announced the St. Louis Loan Initiative, a five-year $7.6 billion lending program in the St. Louis MSA to provide home mortgage loans to LMI individuals and in LMI communities and small business loans to businesses in LMI areas.[49] Firstar represented that, through November 2000, it has lent more than $1.7 billion in connection with its St. Louis Loan Initiative, including $91 million in HMDA-reportable loans to LMI individuals, $23 million in HMDA-reportable loans to borrowers in LMI census tracts, and $129 million in small business loans.[50]

Examiners commended Mercantile Bank for its level of community development lending, which totaled $7.9 million from May 1995 through June 1997. These loans financed the construction and rehabilitation of affordable housing for LMI families, promoted economic development through financing a construction loan for a business that primarily serves LMI individuals, and helped fund nonprofit organizations that provide community services for LMI families.

Firstar has continued to provide a significant level of community development lending. For example, in 1999 and 2000, Firstar Bank provided approximately $4.5 million in loans to a developer to construct low-income housing in St. Louis, and a loan of more than $5.4 million to a not-for-profit organization to develop affordable, low-income rental housing in St. Louis. In addition, Firstar reported that it has made low-income housing tax credit investments exceeding $27 million in the St. Louis MSA since January 1998.

Milwaukee, Wisconsin. Before its merger into Firstar Bank in October 1999, Firstar Bank Milwaukee, National Association, Milwaukee, Wisconsin ("Firstar Milwaukee"), was Firstar's largest subsidiary bank in Wisconsin. Firstar Milwaukee received a "satisfactory" rating in its last CRA performance evaluation by the OCC, as of November 1997. Examiners found that Firstar Milwaukee was responsive to the credit needs of all segments of its service community. In particular, examiners commended the bank for the level of its home mortgage and home improvement lending in LMI census tracts. Examiners also commended Firstar Milwaukee for making 38 percent of its consumer loans to LMI borrowers in 1996, a level that exceeded the percentage of LMI borrowers in the general population of the bank's assessment area.

Since that performance evaluation, Firstar has continued to strengthen its record of providing credit to LMI borrowers and in LMI communities. In 1999, Firstar originated

48. Firstar acquired Mercantile Bank in 1999 through a merger with Mercantile Bancorporation and renamed the bank Firstar Missouri, N.A. In 2000, Firstar merged the bank into Firstar Bank. *See Firstar/Mercantile Order.*

49. In 2000, Firstar also announced that this initiative would include at least $10 million in mortgage loans and $10 million in small business loans each year for five years in the LMI neighborhoods of North St. Louis.

50. Firstar stated that approximately $7.5 million of the small business loans were made to businesses in LMI census tracts in North St. Louis.

HMDA-reportable loans totaling approximately $52 million to LMI borrowers in the Milwaukee MSA, including more than $12 million in loans to low-income borrowers. Firstar reported that it also increased its level of home-purchase lending in LMI census tracts by approximately 40 percent during the last three years. Many of these home-purchase loans were made through Firstar's American Dream Home Loan program. In 1999, Firstar reportedly made housing-related loans through this program in the Milwaukee, Wisconsin MSA ("Milwaukee MSA"), totaling $3.5 million to borrowers in LMI census tracts, $5.8 million to LMI individuals, and $4.4 million to minority borrowers.[51] Firstar stated that, in 2000, its housing-related lending under this program included $6.3 million in loans to borrowers in LMI census tracts, $9.1 million in loans to LMI individuals, and $9.5 million in loans to minority borrowers.[52]

Examiners commended Firstar Milwaukee for its lending to small businesses, including those in LMI census tracts. Examiners noted that Firstar Milwaukee had introduced a small business line- of-credit program designed for emerging small businesses trying to build a credit history, and had originated small business credit lines totaling more than $3.5 million under this program.

Firstar stated that its small business lending activity in the Milwaukee MSA has remained strong since the evaluation. For example, Firstar reported that, in 1998, Firstar Milwaukee originated small business loans totaling $81.2 million. Firstar also stated that 17.5 percent of these small business loans were made to businesses in LMI census tracts compared with 12.5 percent of the small business loans made by lenders in the aggregate. In 1999, Firstar made small business loans totaling approximately $38 million to businesses in LMI census tracts, including more than $16 million in small business loans to businesses in low-income census tracts.

State of Wisconsin. Firstar Bank Wisconsin, Madison, Wisconsin ("Firstar WI"), which was merged into Firstar Bank in September 1999, received an "outstanding" rating in its last CRA performance evaluation by the FRB Chicago, as of April 1997. The examiners commended Firstar WI's responsiveness to the credit needs of LMI individuals and communities and favorably characterized the distribution of the bank's housing-related loans to LMI borrowers and in LMI census tracts. For example, examiners found that the bank and its affiliates made approximately 21 percent of their housing-related loans to LMI borrowers and more than 10 percent of their housing-related loans to borrowers in LMI census tracts.[53]

Firstar represented that it has maintained a strong record of lending to LMI borrowers and in LMI communities. In particular, Firstar stated that it has continued to provide a high level of home-purchase financing and other HMDA-reportable lending in its rural assessment areas in Wisconsin and that the dollar amount of home-purchase loans to LMI individuals and in LMI communities in its rural assessment areas has increased each year since 1998.[54]

The CRA performance evaluation of Firstar WI found that the bank had a strong record of small business and small farm lending in Wisconsin. Examiners noted that, in 1996, Firstar WI made more than 3,600 small business loans and originated more than 230 small farm loans. Examiners stated that approximately 500 of these small business and farm loans, totaling approximately $42 million, were made in LMI areas. Firstar reported that, in 1998, Firstar WI originated small business loans in amounts of $100,000 or less, totaling $83.5 million, in Wisconsin.

In addition, the CRA performance evaluation concluded that Firstar WI offered a variety of governmentally insured, guaranteed, and subsidized loans to small businesses, small farms, and LMI borrowers. For example, examiners noted that, in 1996, Firstar WI originated SBA loans totaling $35.4 million and FSA loans totaling $11.7 million. Examiners also commended the bank for participating in a HUD lending program that offered nontraditional mortgage loans on real property located on the Lac Courte Oreille Reservation where conventional mortgage lending was difficult because of certain issues related to perfecting liens on real property.

Firstar stated that, since the CRA performance evaluation, Firstar Bank has continued to participate actively in various government-sponsored loan programs. For example, Firstar reported that it made SBA loans totaling $21.7 million in Wisconsin (excluding the Milwaukee MSA) in 1998 and 1999. Firstar also represented that Firstar Bank has continued to participate in various lending programs operated by the Wisconsin Housing and Economic Development Authority ("WHEDA"). Firstar reported that it originated housing-related and farm loans under WHEDA programs that totaled $7.6 million in 1998, $5.2 million in 1999, and $7.8 million in 2000.[55]

51. Firstar stated that, in 1999, its housing-related lending in Wisconsin (including the Milwaukee MSA) under the American Dream Home Loan program included $3.5 million in loans to borrowers in LMI census tracts, $6.5 million in loans to LMI individuals, and $4.6 million in loans to minority borrowers.

52. Firstar reported that its housing-related lending throughout Wisconsin during 2000 included $7.8 million in loans to borrowers in LMI census tracts, $13.5 million in loans to LMI borrowers, and $11.8 million in loans to minority borrowers.

53. Firstar stated that 10 percent of its home mortgage loans in 1997, and 9 percent of its home mortgage loans in 1998, were made to borrowers in LMI census tracts, which generally was consistent with the percentage of home mortgage loans made by lenders in the aggregate to borrowers in LMI census tracts.

54. Firstar reported that it provided $6.5 million in home-purchase lending to borrowers in LMI census tracts and $13.3 million to LMI individuals in 1998. By 2000, Firstar's lending level had increased to $8.8 million in loans to borrowers in LMI census tracts and $15.4 million in loans to LMI individuals in its rural assessment areas in Wisconsin.

55. One commenter disagreed with the examiners' conclusions that Firstar WI had a strong record of small farm lending, and expressed concern about Firstar's commitment to small farm lending in Wisconsin, particularly to LMI borrowers or to small farms in LMI communi-

D. U.S. Bancorp's CRA Performance Record

Overview. As noted previously, U.S. Bancorp's lead bank subsidiary, U.S. Bank (formerly First Bank, National Association) received a "satisfactory" rating in its most recent CRA performance evaluation by the OCC, as of April 1998. In addition, the lead subsidiary bank of U.S. Bancorp before the merger with First Bank System, United States National Bank of Oregon, Portland, Oregon ("U.S. National Bank"), received an "outstanding" rating in its most recent CRA performance evaluation by the OCC, as of April 1997. The combined organization adopted First Bank System's affordable housing loan program and U.S. Bancorp's small business lending program. As noted above, the Board also has carefully reviewed data on the lending activities of U.S. Bancorp's subsidiary banks after the examination.

Examiners commented favorably on U.S. Bank's responsiveness to community lending needs and its distribution of loans, particularly in LMI communities and to LMI individuals.[56] Examiners noted that U.S. Bank demonstrated excellent distribution of HMDA-reportable loans in LMI geographies. For example, in six of U.S. Bank's nine markets, U.S. Bank's percentage of loans made to borrowers in LMI census tracts exceeded 80 percent of the percentage of owner-occupied units in those census tracts. In 1996, U.S. Bank made almost 16,000 HMDA-reportable loans nationwide, of which 15 percent were made to LMI borrowers and 23 percent were made to borrowers in LMI communities.

Examiners found that U.S. Bank originated or participated in a number of flexible lending programs. For example, the bank's Home Advantage Mortgage program provides a mortgage loan to LMI borrowers with a reduced interest rate and includes funds for down payment assistance and financing for any property rehabilitation that may be needed. In 1995 and 1996, U.S. Bank and its affiliates made Home Advantage Mortgage loans totaling more than $41 million. Examiners also noted that U.S. Bank participated in a number of home lending programs sponsored by state housing and finance agencies, such as the Colorado Housing and Finance Authority ("CHFA") and the Nebraska Investment Finance Authority ("NIFA").[57]

Since the CRA performance evaluations of U.S. Bank and U.S. National Bank, U.S. Bank has continued to offer the Home Advantage loans and has adopted U.S. National Bank's flexible home lending program, Home Partners. This program for LMI borrowers incorporates flexible underwriting guidelines and down payments as low as 1 percent, without requiring private mortgage insurance. U.S. Bank's level of lending under these programs has increased in each of the last three years. U.S. Bancorp stated that, in 1999, it originated loans under these programs totaling $81.9 million and that, in 2000, it increased the total amount lent to more than $87 million.

Examiners of U.S. National Bank commended the bank for responding aggressively to the needs of small businesses and participating in innovative small business loan programs. U.S. National Bank developed the Commercial Opportunity Loan Program to provide financing to women-owned and minority-owned businesses and to businesses in economically distressed areas. The program provides flexible underwriting and collateral requirements. Examiners noted that, from 1994 through 1996, U.S. National Bank originated loans totaling $24 million under this program and originated SBA loans totaling $31 million. Examiners further commended U.S. National Bank for its excellent distribution of small business loans in LMI areas. In 1996, U.S. National Bank extended 22.4 percent of the total number and 25.8 percent of the total dollar amount of its small business loans to businesses in LMI census tracts. Examiners also reported that U.S. Bancorp's distribution of small business and small farm loans based on annual revenues was good.

Since the CRA performance evaluations, U.S. Bancorp has continued to provide a large number of small business loans to businesses in LMI areas.[58] U.S. Bancorp stated that, from January 1998 through October 2000, it provided

ties. The commenter also expressed concern about Firstar's participation in government-sponsored programs like the WHEDA or the FSA programs. The number of small farm loans originated by Firstar and its subsidiaries in Wisconsin decreased by 43 percent from 1997 to 1998 and decreased by approximately 8 percent from 1998 to 1999. Although Firstar's level of small farm lending has declined somewhat in Wisconsin, Firstar has continued its high level of distribution of small farm loans in LMI areas. Firstar reported that, in 1998, it originated small farm loans in Wisconsin, totaling approximately $11.4 million. In 1998, 64 percent of Firstar's small farm loans in Wisconsin were made to borrowers in LMI census tracts. Similarly, 62.7 percent of Firstar's small farm loans in Wisconsin in 1999 were made to borrowers in LMI census tracts. In 2000, Firstar made small farm loans totaling at least $5.9 million in LMI census tracts in Wisconsin.

Firstar represented that it continues to be committed to agricultural lending in Wisconsin and to programs sponsored by WHEDA and the FSA. For example, Firstar stated that it increased its level of originations under the WHEDA farm program by approximately 450 percent from 1999 to 2000. It also participated in a number of FSA programs in 2000. According to Firstar, it was the fourth largest agricultural lender in the United States in 1999, with total agricultural loan originations of more than $1 billion. Firstar stated that it continues to employ local relationship managers with expertise in agricultural lending who are available to process the most difficult agricultural credits. Firstar added that it has implemented a simplified small loan agricultural policy, featuring a streamlined application process for loans under $100,000.

56. Examiners especially commended U.S. Bank for its CRA lending performance in Chicago, Illinois, and Denver, Colorado.

57. The CHFA and NIFA programs offer mortgage loans with below-market interest rates to LMI first-time homebuyers. Under these programs, U.S. Bank provided loans totaling almost $3.5 million in 1996. Examiners also noted the participation of U.S. National Bank in the Oregon State Bond Mortgage Loan Program and found that, from 1994 through 1996, U.S. National Bank originated loans totaling $19 million under this program.

58. A commenter criticized U.S. Bancorp's volume of farm lending. U.S. Bancorp stated that it engaged in minimal farm lending, particularly outside certain northwestern states. Although the Board has recognized that banks help to serve the banking needs of communities by making a variety of products and services available, the CRA does

more than 31,000 small business loans, totaling more than $2 billion, to businesses in LMI areas nationwide.[59]

Examiners commended U.S. National Bank for its commitment to community development activities and determined that U.S. Bank had an adequate level of community development loans and investments. Examiners noted that, from 1994 through 1996, U.S. National Bank made community development loans and investments totaling more than $143 million. During the same time period, examiners reported that U.S. Bank made approximately $92.6 million in community development loans.

U.S. Bancorp has increased its community development lending and investment activity since the CRA performance evaluations. U.S. Bancorp stated that, from January 1998 through October 2000, U.S. Bank and U.S. Bank MT made more than $526 million in CRA community development loans that facilitated the development of new affordable housing units. During this same period, U.S. Bancorp and its subsidiaries reportedly made qualified community development investments totaling more than $305 million, including more than $217 million in low-income housing tax credits.[60]

Minneapolis, Minnesota. Examiners commended U.S. Bank's lending performance in the Minneapolis MSA, noting that the geographic distribution of its HMDA-reportable loans was excellent. Since its CRA performance evaluation, U.S. Bank has continued to provide significant levels of home mortgage lending in LMI communities in the Minneapolis MSA. U.S. Bancorp reported that, from January 1999 through October 2000, U.S. Bank originated approximately $64 million in HMDA-reportable loans to borrowers in LMI communities in the Minneapolis MSA, including $9.8 million in loans under its Home Advantage and Home Partnership programs and approximately $10.5 million in loans sponsored by the FHA and the VA.

Examiners noted that U.S. Bank's distribution of its small business and small farm loans to borrowers of different revenue levels was good, and that its level of small business and small farm lending in LMI census tracts was adequate. In 1996, U.S. Bank provided 14 percent of its small business loans in the Minneapolis MSA to business in LMI census tracts. U.S. Bancorp reported that, from January 1998 through October 2000, U.S. Bank provided more than $149 million in small business loans to businesses in LMI census tracts in the Minneapolis MSA, representing 15.8 percent of its total small business lending in the Minneapolis MSA.

Examiners noted that, in the Minneapolis MSA during 1995 and 1996, U.S. Bank made $32 million in community development loans and $11.3 million in qualified community development investments. These community development activities included a revolving $4 million loan to a community development corporation that constructs and rehabilitates owner-occupied, single-family residences for LMI families, and investments of more than $7 million in programs designed to provide affordable housing for LMI individuals and communities.

U.S. Bancorp represented that, from January 1998 through October 2000, U.S. Bank made approximately $50.1 million in community development loans in the Minneapolis MSA, which facilitated the development of more than 1,700 new affordable housing units. During this time period, U.S. Bank also reportedly made $40 million in qualified community development investments, including investments in a project designed to provide living-wage jobs to residents of a North Minneapolis LMI neighborhood and in an organization that provides venture capital to minority-owned businesses in Minnesota.

State of Wisconsin. Examiners noted that U.S. Bank's geographic distribution of HMDA-reportable loans and small business and small farm loans in Wisconsin was excellent. In 1996, 22 percent of U.S. Bank's HMDA-reportable loans in Wisconsin were made in LMI census tracts. This compared favorably to the 15 percent of owner-occupied units in Wisconsin that were located in LMI census tracts. In 1996, U.S. Bank made 25 percent of its HMDA-reportable loans in Wisconsin to LMI individuals.[61]

U.S. Bancorp represented that, from January 1998 through October 2000, U.S. Bank lent approximately $6.2 million through its Home Advantage and Home Partnership loan programs. During this time period, U.S. Bank also made other HMDA-reportable loans totaling approximately $10.2 million to borrowers in LMI census tracts in Wisconsin.

Examiners noted that U.S. Bank adequately responded to community needs in Wisconsin through its community development loans and its significant level of qualified community development investments. In 1995 and 1996, U.S. Bank made ten community development loans in Wisconsin totaling approximately $4.5 million, including approximately $1.5 million in loans to a Milwaukee-based organization that focuses on providing social and human services to LMI women. In 1995 and 1996, U.S. Bank made approximately $1.9 million in qualified community development investments in Wisconsin.

U.S. Bancorp stated that, from January 1998 through October 2000, U.S. Bank made community development loans totaling $2.9 million that financed the development

not require an institution to provide any specific types of products and services, such as farm loans, in its assessment area.

59. This represents 22.6 percent of the total number and 28.2 percent of the total dollar amount of U.S. Bancorp's small business loans.

60. U.S. Bancorp reported that its subsidiary, U.S. Affordable Housing Community Development Corporation ("U.S. Affordable Housing CDC"), has facilitated the development of more than 5,000 affordable housing units and currently has low-income tax-credit equity investment commitments of more than $370 million. Another subsidiary, U.S. Bancorp Community Development Corporation, has invested more than $21 million in various small business and economic development efforts since 1985. U.S. Bancorp also reported that, during 1999 and 2000, it made investments of more than $13.3 million in mortgage-backed securities that support affordable housing for LMI individuals and communities.

61. In particular, examiners noted that, in 1996, U.S. Bank made 10 percent of its HMDA-reportable loans in Wisconsin to low-income individuals, compared with 6 percent by lenders in the aggregate.

of almost 500 affordable housing units in LMI communities in Wisconsin. During the same time period, U.S. Bank reportedly made $3.9 million in qualified community development investments in Wisconsin.

E. HMDA Data

The Board also has considered the records of Firstar and U.S. Bancorp in light of comments on HMDA data reported by their subsidiaries.[62] Data for 1998 and 1999 indicate that Firstar's HMDA lending volume decreased in 1999. However, this same pattern was evident for lenders in the aggregate, reflecting the decline in home mortgage loan demand during a period of rising interest rates. The data show that some categories of Firstar's housing-related lending to LMI and minority borrowers and in LMI and predominantly minority communities were below the lending levels of HMDA-reporting lenders in the aggregate in some of Firstar's CRA assessment areas, while in others it exceeded the lending levels of those lenders. For instance, during 1999 Firstar originated a lower percentage of HMDA-reportable loans in LMI census tracts and to LMI individuals in its Chicago assessment areas, while in its Cleveland assessment area Firstar's percentage of HMDA-reportable loans exceeded that of lenders in the aggregate in these respects. Firstar's percentage of HMDA-reportable loans to African-American applicants and to borrowers in predominantly minority census tracts in its Nashville assessment area lagged the percentage for lenders in the aggregate in 1999, while Firstar's percentage of home mortgage originations to African Americans and to borrowers in predominantly minority census tracts in Cleveland exceeded the percentage for those lenders. Firstar's denial disparity ratios for African-American and Hispanic individuals generally were somewhat higher than the denial disparity ratios for that of lenders in the aggregate in its assessment areas.[63]

The 1999 HMDA data for U.S. Bancorp in the MSAs reviewed indicate that U.S. Bancorp's percentage of housing-related loans to minority individuals generally approximated or exceeded the percentage achieved by lenders in the aggregate. Moreover, U.S. Bancorp's denial disparity ratios for African-American and Hispanic individuals generally were somewhat lower than the denial disparity ratios for lenders in the aggregate in the areas reviewed. In addition, the data indicate that the percentage of U.S. Bancorp's housing-related loans to LMI individuals and in LMI communities generally was comparable with or exceeded that of lenders in the aggregate.

The Board is concerned when the record of an institution indicates 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 lending, but also equal access to credit by creditworthy applicants regardless of their race or income level.[64] The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community because these data cover only a few categories of housing-related lending. HMDA data, moreover, provide only limited information about the covered loans.[65] HMDA data, therefore, have limitations that make them an inadequate basis, absent other information, for concluding that an institution has not assisted adequately 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. As noted above, examiners found no evidence of prohibited discrimination or other illegal credit practices at any of the subsidiary banks of Firstar and U.S. Bancorp. The record also indicates that Firstar and U.S. Bancorp have taken a number of affirmative steps to ensure compliance with fair lending laws. Firstar has instituted a corporate fair lending review program, and independent tests are periodically performed to verify that its subsidiary banks are in compliance with the program.[66] U.S. Bancorp has established policies and procedures to ensure compliance with all fair lending laws and regulations by conducting underwriting reviews of all retail loan applications, performing periodic comparative file analyses, and presenting a comprehensive fair lending training program. The Board also has considered the HMDA data in light of Firstar's and U.S. Bancorp's overall lending records, which show

62. Commenters criticized Firstar's record of home mortgage lending to LMI and minority individuals or in LMI and predominantly minority communities in the Chicago, Cleveland, Milwaukee, and St. Louis MSAs. Commenters also criticized Firstar's record of home mortgage lending to minority individuals in the Minneapolis and Nashville MSAs. In addition, commenters criticized U.S. Bancorp's record of home mortgage lending to minority applicants in the Denver and Minneapolis MSAs, and to LMI and minority individuals and in LMI and predominantly minority communities in the Milwaukee MSA.

63. The denial disparity ratio compares the denial rate for minority loan applicants with that for nonminority applicants.

64. One commenter alleged that U.S. Bancorp has indirectly supported predatory lending through the business relationships of U.S. Bank with a number of subprime lenders that the commenter characterized as predatory lenders. According to the applicant, U.S. Bancorp's and Firstar's lending and trust affiliates have corporate loans to non-affiliated subprime lenders and act as trustee, registrar, and/or paying agent for securitization transactions. Some trust clients have securitizations that may have subprime assets as collateral. Firstar and U.S. Bancorp have represented that neither has a role, formal or otherwise, in the lending practices and review processes of their loan and trust customers nor has any knowledge of the lending practices followed by the party originating the loans.

65. For example, the data 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. HMDA data also may be incomplete and may not identify all applicants with regard to income level, ethnicity, or other demographic factors.

66. Firstar's fair lending review program describes the underwriting standards, training programs, and review procedures that are designed to ensure compliance with all fair lending laws and regulations.

that their subsidiary banks significantly assist in helping to meet the credit needs of the communities served, including LMI areas.

F. Branch Closings

Two commenters expressed concern about the effect of possible branch closings that might result from this proposal. Firstar and U.S. Bancorp have provided the Board with their branch closing policies, and the Board has considered the public comments about potential branch closings in light of all the facts of record, including information provided by Firstar and U.S. Bancorp.

Firstar has indicated that it has no specific plans for any branch closings or consolidations in connection with this proposal. Firstar also indicated that it has not completed the analysis necessary to determine which, if any, branch closings or consolidations would be needed, and that it has not made any final decisions about branch closings or consolidations. Firstar has stated that any decisions to close or consolidate branches would be made in accordance with the interagency policy statement on branch closings and would be attentive to the need for financial services in LMI communities to be served by the combined organization.[67] The Board has carefully considered the branch closing policies of Firstar and U.S. Bancorp and their records of opening and closing branches. The Board notes that the branch closing policies of the subsidiary banks of Firstar and U.S. Bancorp provide that the banks must review the impact that each proposed branch closing would have on the community and develop a plan to minimize any adverse impact.

Examiners have reviewed the performance of Firstar's subsidiary banks under the branch closing policy on several occasions. Examiners noted that changes in Firstar Bank's branch locations did not adversely affect the availability of services in its assessment areas and that the bank had opened branches in LMI communities in some assessment areas. In addition, the most recent CRA performance evaluations of Firstar Bank's predecessors noted generally that the bank's branch closings did not affect LMI communities in a materially adverse manner and concluded that the banks' delivery systems were reasonably accessible to LMI individuals and areas.[68] Examiners also found that U.S. Bank's delivery systems were reasonably accessible to all portions of its assessment areas and that branch closures had not negatively affected customers residing in LMI communities.

The Board expects that the subsidiary banks of New U.S. Bancorp would continue to use a satisfactory branch closing policy for any branch closings that might result from the proposed transaction. 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.[69] The Board also notes that the appropriate federal supervisor for each of Firstar's subsidiary banks will, in the course of conducting CRA performance examinations, continue to review the branch closing record of these banks.

G. Conclusion on Convenience and Needs

In reviewing the effects of the proposal on the convenience and needs of the communities to be served, the Board has carefully considered the entire record, including all the information provided by commenters, Firstar, and U.S. Bancorp, evaluations of the CRA performance of each of Firstar's and U.S. Bancorp's insured depository institution subsidiaries, and confidential supervisory information.

Based on all the facts of record and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs factor, including the CRA performance records of the relevant depository institutions, are consistent with approval of the proposal.[70]

Conclusion

Based on the foregoing and in light of all the facts of record, the Board has determined that the application should be, and hereby is, approved.[71] In reaching its con-

67. Joint Policy Statement Regarding Branch Closings (64 *Federal Register* 34,844 (1999).

68. Two commenters alleged that Firstar had a poor record of closing branches in LMI and predominantly minority communities in Illinois and Kentucky. In recent years Firstar has participated in a number of bank mergers and acquisitions and is still in the process of integrating the institutions involved in these transactions and reconfiguring its branch system. From 1999 to 2000, this process resulted in a net loss (the number of opened branches minus the number of closed branches) of 12 branches nationwide, but no reduction in the number of branches in LMI census tracts. In Illinois and Kentucky, there has been a net loss of one branch in a moderate-income neighborhood in each state.

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

70. Firstar has represented that it would honor the existing CRA commitments made by Firstar and U.S. Bancorp. Several commenters requested that Firstar and U.S. Bancorp provide certain commitments and answer certain questions, or that the Board impose specific conditions. The Board notes that the CRA requires that, in considering an acquisition proposal, the Board carefully review the actual performance records of the relevant depository institutions in helping to meet the credit needs of their communities. Neither the CRA nor the federal banking agencies' CRA regulations require depository institutions to make pledges concerning future performance under the CRA. The Board also notes that future activities of New U.S. Bancorp's subsidiary banks will be reviewed by the appropriate federal supervisors in future performance examinations, and their CRA performance records will be considered by the Board in any subsequent applications by New U.S. Bancorp to acquire a depository institution.

71. Several commenters requested that the Board hold a public meeting or hearing on the proposal. Section 3(b) of the BHC Act does

clusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes.[72] The Board's approval is specifically conditioned on compliance by Firstar with all the commitments made in connection with the application, including the branch divestiture commitments discussed in this order. These commitments 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 U.S. Bancorp 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 Federal Reserve Bank of Minneapolis, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 12, 2001.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. The Board has not received such a recommendation from the appropriate supervisory authorities.

Under its rules, the Board in its discretion also may 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). The Board has considered carefully the commenters' requests in light of all the facts of record. In the Board's view, commenters have had ample opportunity to submit their views, and numerous commenters have submitted written comments that have been considered carefully by the Board in acting on the proposal. The commenters' requests fail to demonstrate why their written comments do not present their views adequately. 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 on the proposal are denied.

72. Several commenters requested that the Board delay action or extend the comment period on the proposal. The Board has accumulated a significant record in this case, including reports of examination, supervisory information, public reports and information, and considerable public comment. In the Board's view, for the reasons discussed previously, commenters have had ample opportunity to submit their views and, in fact, have provided substantial written submissions that have been considered carefully by the Board in acting on the proposal. Moreover, the BHC Act and Regulation Y require the Board to act on proposals submitted under those provisions within certain time periods. Based on a review of all the facts of record, the Board has concluded that the record in this case is sufficient to warrant Board action at this time and that a further delay in considering the proposal, an extension of the comment period, or a denial of the proposal on the grounds discussed above or for informational insufficiency is not warranted.

Appendix A

Banking Markets in which Firstar and U.S. Bancorp Compete Directly

Illinois

Chicago	Cook, DuPage, and Lake Counties.
Davenport-Rock Island	Rock Island County, excluding the towns of Drury and Buffalo Prairie, in Illinois; the towns of Colona, Edford, Geneseo, Hanna, and Western in Henry County, all in Illinois; and Scott County and the town of Farmington in Cedar County, all in Iowa.

Iowa

Ames	Boone and Story Counties and the towns of Marion, Clear Lake, Ellworth, Scott, Lyon, and Lincoln in Hamilton County.
Des Moines	Polk County and the town of Linn in Warren County.
Johnson	Johnson County, excluding the town of Jefferson; the northern portion of Washington County; and the town of Springdale in Cedar County.
Marengo	Iowa County and the southern portion of Benton County.

Nebraska

Omaha-Council Bluffs	Omaha-Council Bluffs Ranally Metro Area ("RMA"); portions of Douglas County, east of the Elkhorn River that are contiguous to the RMA, in Nebraska; and Pottawattamie County, excluding the eastern portion of the county, in Iowa.

Minnesota

Minneapolis-St. Paul	Anoka, Hennepin, Ramsey, Washington, Carver, Scott, and Dakota Counties; Lent, Chisago Lake, Shafer, Wyoming, and Franconia Townships in Chisago County, all in Minnesota; Blue Hill, Baldwin, Orrock, Livonia, and Big Lake Townships and the City of Elk River in Sherburne County; Monticello, Otsego, Buffalo, Frankfort, Rockford, and Franklin Townships in Wright County, all in Minnesota; and Lanesburgh Township in Le Sueur County, all in Minnesota; and the Town of Hudson in St. Croix County, Wisconsin.

Wisconsin

Milwaukee — Milwaukee RMA.

Appendix B

Banking Markets Consistent with DOJ Guidelines without Divestitures

Illinois

Chicago — Firstar operates the 12th largest depository institution in the market, controlling deposits of $2 billion, representing approximately 1.5 percent of market deposits. U.S. Bancorp operates the 36th largest depository institution in the market, controlling deposits of $531.8 million, representing less than 1 percent of market deposits. On consummation of the proposal, Firstar would operate the ninth largest depository institution in the market, controlling deposits of $2.6 billion, representing approximately 1.8 percent of market deposits. The HHI would increase by 1 point to 838.

Rock Island-Davenport — Firstar operates the second largest depository institution in the market, controlling deposits of $974.4 million, representing approximately 21.1 percent of market deposits. U.S. Bancorp operates the 32nd largest depository institution in the market, controlling deposits of $700,000, representing less than 1 percent of market deposits. On consummation of the proposal, Firstar would operate the second largest depository institution in the market, controlling deposits of $975.1 million, representing approximately 21.1 percent of market deposits. The HHI would increase by 1 point to 1112.

Iowa

Ames — Firstar operates the second largest depository institution in the market, controlling deposits of $186.9 million, representing approximately 14.5 percent of market deposits. U.S. Bancorp operates the 10th largest depository institution in the market, controlling deposits of $25.3 million, representing approximately 2 percent of market deposits. On consummation of the proposal, Firstar would operate the second largest depository institution in the market, controlling deposits of $212.2 million, representing approximately 16.5 percent of market deposits. The HHI would increase by 57 points to 1896.

Des Moines — Firstar operates the fourth largest depository institution in the market, controlling deposits of $475.5 million, representing approximately 8.8 percent of market deposits. U.S. Bancorp operates the ninth largest depository institution in the market, controlling deposits of $137.4 million, representing approximately 2.5 percent of market deposits. On consummation of the proposal, Firstar would operate the second largest depository institution in the market, controlling deposits of $612.9 million, representing approximately 11.3 percent of market deposits. The HHI would increase by 45 points to 1949.

Johnson — Firstar operates the second largest depository institution in the market, controlling deposits of $330.4 million, representing approximately 22.8 percent of market deposits. U.S. Bancorp operates the 12th largest depository institution in the market, controlling deposits of $10.5 million, representing less than 1 percent of market deposits. On consummation of the proposal, Firstar would operate the second largest depository institution in the market, controlling deposits of $340.9 million, representing approximately 23.6 percent of market deposits. The HHI would increase by 33 points to 2309.

Marengo — Firstar operates the seventh largest depository institution in the market, controlling deposits of $21.6 million, representing approximately 6.5 percent of market deposits. U.S. Bancorp operates the 11th largest depository institution in the market, controlling deposits of $15.6 million, representing approximately 4.7 percent of market deposits. On consummation of the proposal, Firstar would operate the third largest depository institution in the market, controlling deposits of $37.2 million, representing approximately 11.2 percent of market deposits. The HHI would increase by 61 points to 976.

Nebraska

Omaha-Council Bluffs — Firstar operates the seventh largest depository institution in the market, controlling deposits of $229.7 million, representing approximately 2.7 percent of market deposits. U.S. Bancorp operates the third largest depository institution in the market, controlling deposits of $1.2 billion, representing approximately 14 percent of market deposits. On consummation of the proposal, Firstar would operate the second largest depository institution in the market, controlling deposits of $1.4 billion, representing approximately 16.7 percent of market deposits. The HHI would increase by 75 points to 1901.[1]

Wisconsin

Milwaukee Firstar operates the second largest depository institution in the market, controlling deposits of $4.8 billion, representing approximately 19.9 percent of market deposits. U.S. Bancorp operates the 17th largest depository institution in the market, controlling deposits of $288.1 million, representing approximately 1.2 percent of market deposits. On consummation of the proposal, Firstar would operate the second largest depository institution in the market, controlling deposits of $5 billion, representing approximately 21.1 percent of market deposits. The HHI would increase by 48 points to 1348.

1. The proposal would be consistent with the DOJ Guidelines and Board precedent without divestitures. However, as noted previously, Firstar has agreed to divest branches in the Omaha- Council Bluffs banking market to address concerns expressed by the Department of Justice. After accounting for the proposed divestitures, Firstar would operate the second largest depository institution in the market, controlling deposits of $1.4 billion, representing approximately 16.3 percent of market deposits. The HHI would increase by 60 points to 1886.

FleetBoston Financial Corporation Boston, Massachusetts

Order Approving the Merger of Bank Holding Companies

FleetBoston Financial Corporation ("FleetBoston"), 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 merge with Summit Bancorp., Princeton ("Summit"), and thereby acquire Summit's subsidiary banks, including its lead subsidiary bank, Summit Bank, Hackensack, both in New Jersey ("Summit-NJ").[1] FleetBoston also provided notice under section 25 of the Federal Reserve Act (12 U.S.C. § 601 *et seq.*) and the Board's Regulation K (12 C.F.R. 211) of its intention to acquire Summit International Trade Finance Corp., also in Princeton ("Summit International"), an agreement corporation subsidiary of Summit-NJ.[2]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (65 *Federal Register* 69,109 (2000)). The time for filing comments has expired, and the Board has considered the proposal and all comments received during the comment period in light of the factors set forth in the BHC Act and the Federal Reserve Act.

FleetBoston, with total consolidated assets of approximately $179 billion, is the eighth largest commercial banking organization in the United States.[3] FleetBoston operates subsidiary banks in Connecticut, Florida, Maine, Massachusetts, New Hampshire, New Jersey, New York, and Rhode Island. FleetBoston operates the fourth largest depository institution in New Jersey, controlling deposits of $8.8 billion, representing approximately 6.3 percent of total deposits in insured depository institutions in the state ("state deposits").[4] In Connecticut, FleetBoston operates the largest depository institution, controlling deposits of $15 billion, representing approximately 25.5 percent of state deposits.

Summit, with total consolidated assets of approximately $39.5 billion, is the 27th largest commercial banking organization in the United States. Summit operates subsidiary banks in Connecticut, New Jersey, and Pennsylvania. Summit operates the largest depository institution in New Jersey, controlling deposits of $20.8 billion, representing approximately 14.8 percent of state deposits. In Connecticut, Summit operates the 12th largest depository institution, controlling deposits of $909 million, representing approximately 1.6 percent of state deposits. In Pennsylvania, Summit operates the 10th largest depository institution, controlling deposits of $2.8 billion, representing approximately 1.5 percent of state deposits.

On consummation of the proposal and after accounting for the proposed divestiture discussed in this order, Fleet would become the seventh largest commercial banking organization in the United States, with total consolidated assets of approximately $218.6 billion. On consummation, FleetBoston would become the largest banking organization in New Jersey, controlling deposits of $29.6 billion, representing approximately 20.9 percent of state deposits. In Connecticut, FleetBoston would control deposits of $15.9 billion, representing approximately 27.1 percent of state deposits.

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

1. FleetBoston also would acquire Summit's other subsidiary banks: Summit Bank, Norwalk, Connecticut ("Summit-CT"); and Summit Bank, Bethlehem, Pennsylvania ("Summit-PA").

2. In addition, FleetBoston has requested the Board's approval to exercise an option to acquire up to 19.9 percent of Summit's voting shares. The option would expire on consummation of the proposal.

3. Asset data are as of September 30, 2000. National ranking data are as of September 30, 2000, adjusted for transactions consummated since that date.

4. State deposit and ranking data are as of June 30, 1999, and reflect acquisitions as of October 2, 2000, for Connecticut, as of September 27, 2000, for New Jersey, and as of February 5, 2001, for Pennsylvania. In this context, depository institutions include commercial banks, savings banks, and savings associations.

FleetBoston is Rhode Island,[5] and Summit's subsidiary banks are located in Connecticut, New Jersey, and Pennsylvania.[6]

The Board may not approve a proposal subject to section 3(d) if, after consummation, the applicant would control more than 10 percent of the total deposits of insured depository institutions in the United States.[7] In addition, the Board may not approve a proposal if, on consummation of the proposal, the applicant would control 30 percent or more of the total deposits of insured depository institutions in any state in which both the applicant and the organization to be acquired operate an insured depository institution, or such higher or lower percentage as established by state law.[8]

On consummation of the proposal, FleetBoston would control 2.8 percent of the total deposits of insured depository institutions in the United States.[9] FleetBoston would control less than 30 percent of total deposits held by insured depository institutions in Connecticut and New Jersey,[10] and would not exceed the state deposit caps of Connecticut or New Jersey.[11]

All other requirements of section 3(d) of the BHC Act also are met. FleetBoston is adequately capitalized and adequately managed, as defined by applicable law. In addition, Summit's subsidiary banks have been in existence for the minimum age requirements established by applicable state law.[12] In view 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 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.[13]

The Board has reviewed carefully the competitive effects of the proposal in the relevant banking markets in light of comments received[14] and all the facts of record. In particular, the Board has considered the number of competitors that would remain in the markets, the relative shares of total deposits in depository institutions in the markets ("market deposits") controlled by the companies involved in this transaction,[15] the concentration levels of market deposits and the increase in these levels as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines"), and other characteristics of the markets.[16]

FleetBoston and Summit compete directly in five banking markets. Consummation of the proposal without divestitures would be consistent with Board precedent and the DOJ Guidelines in four of these markets.[17] On consummation, three of these markets would remain moderately

5. A bank holding company's home state is that state in which the total deposits of all banking subsidiaries of the 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).

6. 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.

7. 12 U.S.C. § 1842(d)(2)(A). For this purpose, insured depository institutions include all insured banks, savings banks, and savings associations.

8. 12 U.S.C. § 1842(d)(2)(B)-(D).

9. Data as of June 30, 2000.

10. On consummation, FleetBoston would control 27.1 percent of insured depository institution deposits in Connecticut and 20.9 percent of insured depository institution deposits in New Jersey. FleetBoston currently does not control an insured depository institution in Pennsylvania.

11. *See* Conn. Gen. Stat. Ann. § 36a-411 (West 2000) (30 percent); N.J. Stat. Ann. § 17:9A-413 (West 2000) (30 percent). Pennsylvania does not have a deposit cap that is applicable to the proposal.

12. 12 U.S.C. § 1842(d)(2)(A). *See* Conn. Gen. Stat. Ann. § 36a-411 (West 2000) (5 year minimum age requirement). Neither New Jersey nor Pennsylvania has an age requirement that is applicable to the proposal. The Board also has taken into account FleetBoston's record of compliance with applicable state community reinvestment laws.

13. 12 U.S.C. § 1842(c)(1).

14. Two commenters expressed concern that the proposal would have anticompetitive effects in certain banking markets.

15. Market share data are as of June 30, 1999, and 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).

16. Under the DOJ Guidelines, 49 *Federal Register* 26,823 (1984), a market is considered unconcentrated if the post-merger HHI is below 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI is above 1800. 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 institutions.

17. These markets are the Fairfield Area, Connecticut; Waterbury, Connecticut; Metropolitan New York-New Jersey; and Philadelphia, Pennsylvania-New Jersey banking markets. Definitions of these banking markets and the effects of the proposal on the concentration of banking resources in these markets, are described in the Appendix. One commenter expressed concern about the elimination of competition in Burlington, Camden, Gloucester, and Mercer Counties in New Jersey. Burlington, Camden, and Gloucester counties are part of the Philadelphia banking market. *First Union Corp.*, 84 *Federal Reserve Bulletin* 489 (1998). Mercer County is divided between the Philadelphia and the Metropolitan New York-New Jersey banking markets. *Id.* and *FleetBoston Financial Corp.*, 86 *Federal Reserve Bulletin* 751 (2000). As discussed in the Appendix, these markets would remain unconcentrated or moderately concentrated after consummation, and there are numerous competitors in these markets.

concentrated and one market would be unconcentrated as measured by the DOJ Guidelines. Numerous banking competitors would remain in each of these markets.

In the Atlantic City, New Jersey, banking market, a subsidiary bank of Summit is the largest insured depository institution in the market, controlling deposits of $1 billion, representing 27.8 percent of the deposits of insured depository institutions in the market ("market deposits").[18] A subsidiary bank of FleetBoston is the fourth largest insured depository institution in the market, controlling deposits of $370 million, representing 10 percent of market deposits. Without any divestiture, the proposal would cause the HHI in the market to increase by 557 points to 1,917.

In order to mitigate the potential anticompetitive effects of the proposal in the Atlantic City market, FleetBoston has committed to divest five branches in the market, with at least $100 million in deposits, and the customer relationships associated with these branches.[19] On consummation and taking into account the effect of the proposed divestiture, the HHI for the market would increase by 161 points to 1,517, and 16 competitors would remain in the market. Consummation of the proposal would be consistent with Board precedent and the DOJ Guidelines.

The Department of Justice has conducted a detailed review of the proposal and advised the Board that, conditioned on completion of the proposed divestiture, consummation of the proposal would not be likely to have a significantly adverse effect on competition in the Atlantic City or any other relevant banking market. The Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation also have been afforded an opportunity to comment and have not objected to consummation of the proposal.

After carefully reviewing all the facts of record, and for the reasons discussed in this order, the Board concludes that consummation of the proposal would not likely result in a significantly adverse effect on competition or on the concentration of banking resources in any of the banking markets in which FleetBoston and Summit directly compete or in any other relevant banking market. Accordingly, based on all the facts of record, and subject to completion of the proposed divestitures and compliance with the related commitments, the Board has determined that competitive factors are consistent with approval of the proposal.

Managerial and Financial Considerations and Future Prospects

Section 3(c) of the BHC Act requires the Board 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 and future prospects of FleetBoston, Summit, and their respective subsidiary depository institutions, and other supervisory factors in light of all the facts of record. As part of that consideration, the Board has reviewed confidential reports of examination and other supervisory information received from the primary federal supervisors of the organizations.

In evaluating financial factors in expansion proposals by banking organizations, the Board consistently has considered capital adequacy to be especially important. FleetBoston, Summit Bancorp, and all of their subsidiary banks are and on consummation of the proposal would remain well capitalized, as defined in the relevant regulations of federal banking agencies. The proposed acquisition is structured as an exchange of shares, and FleetBoston would incur no debt as a result of the transaction.

The Board also has considered the managerial resources of FleetBoston and Summit and the federal financial supervisory agencies' examination records in supervising these organizations, including their subsidiary banks. FleetBoston, Summit, and their subsidiary banks are well managed, with appropriate risk management systems in place. The Board also has considered the plans made by FleetBoston to complete the proposed merger, including the managerial resources available to FleetBoston and the experience gained by FleetBoston in completing past mergers.[20]

18. The Atlantic City banking market is defined as Atlantic and Cape May Counties, both in New Jersey. The Board received one comment challenging the market definition of the Atlantic City banking market, but that comment did not provide any evidence to support an alternative market definition. The Board has considered the comment, and has reviewed commuting data, commercial, and employment data and other information in defining the Atlantic City banking market. Atlantic and Cape May Counties are linked by a major highway that is the area's major north-south commuting thoroughfare. Atlantic City is the regional commercial and employment center for the area, and a substantial percentage of the Cape May County workforce commutes to Atlantic County. After a review of these data and other facts of record, the Board concludes that the Atlantic City banking market should be defined as Atlantic and Cape May Counties, New Jersey.

19. FleetBoston has committed to divest the greater of (1) $100 million or (2) the amount of deposits in the branches as of the date the branches are divested. FleetBoston has committed to execute sales agreements for the proposed divestitures with a purchaser determined by the Board to be competitively suitable, prior to consummation of the proposal, and has committed to complete these divestitures within 180 days of consummation of the proposal. FleetBoston also has committed that, if it is unsuccessful in completing any divestiture within 180 days of consummation, it will transfer the unsold offices to an independent trustee that is acceptable to the Board and will instruct the trustee to sell the offices promptly to one or more alternative purchasers acceptable to the Board. *See BankAmerica Corporation*, 78 *Federal Reserve Bulletin* 338 (1992); *United New Mexico Financial Corporation*, 77 *Federal Reserve Bulletin* 484 (1991).

20. The Board has received a comment from the Massachusetts Commissioner of Banks stating that the office received a number of complaints from customers during bank mergers and branch divestitures related to the 1999 merger of Fleet Financial Group, Inc. and BankBoston Corp. to form FleetBoston. The comment suggested that these complaints might indicate problems with FleetBoston's ability to expand its operations without adversely affecting its existing customers. In response to this comment, the Board has obtained information from FleetBoston and the OCC, the federal banking agency responsible for FleetBoston's subsidiary banks. FleetBoston believes that most of the complaints concern branches that it was required to divest in connection with its acquisition of BankBoston Corporation. FleetBoston has informed the Board of the steps it has taken to resolve

Based on this review and all of the facts of record, the Board concludes that considerations relating to the financial and managerial resources and future prospects of FleetBoston, Summit, 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.

Convenience and Needs Considerations

Section 3 of the BHC Act requires the Board, in every case involving the acquisition of a bank by a 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 performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate. To accomplish this end, the CRA requires the appropriate supervisory authority for an insured depository institution 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,"[21] and requires that this record be taken into account in the Board's evaluation of bank holding company applications involving the institution.[22]

A. Summary of Public Comments

The Board has reviewed the record of performance of the subsidiary banks of FleetBoston and Summit in light of all the facts of record, including timely comments received. Based in part on their analyses of data filed under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA"), several commenters criticize the records of FleetBoston and Summit of serving minorities and low- and moderate-income ("LMI") communities and LMI individuals.[23] In addition, commenters contend that the proposal would result in FleetBoston increasing fees for products used by LMI individuals, and reducing basic banking services provided to LMI individuals.[24] Commenters also express concerns about possible branch closures and contend that FleetBoston should be required to negotiate community reinvestment agreements pertaining to certain geographic areas in the assessment areas of the combined organization.

B. CRA Performance Examinations

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of examinations of the CRA performance records of the relevant institutions by the appropriate federal supervisors. 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.[25]

FleetBoston was formed by the 1999 merger of BankBoston Corporation ("BankBoston") with and into Fleet Financial Group, Inc. ("Fleet"), both in Boston, Massachusetts. Before their merger to form Fleet National Bank, Boston, Massachusetts ("New Fleet Bank"), all Fleet's subsidiary insured depository institutions received ratings of "satisfactory" at their most recent examinations of CRA performance[26] and all BankBoston's subsidiary insured depository institutions received ratings of "satisfactory" or better as of their most recent examinations of CRA performance.[27] FleetBoston's other subsidiary insured depository institution, Fleet Bank (Rhode Island), N.A., Providence, Rhode Island, which engages primarily in credit card operations, received a "satisfactory" CRA performance rating

the most common disputes that have arisen after its recent acquisitions and has an established process to respond to customers' complaints, including those forwarded by the OCC to FleetBoston. FleetBoston states that its employees have received special training in preparation for integrating Summit into its operations, and that it is retaining Summit's most popular checking account product to minimize problems for these customers.

21. 12 U.S.C. § 2903(1).

22. 12 U.S.C. §§ 2903(2), 2902(3)(F).

23. One commenter contends that FleetBoston has failed to adequately serve the needs of LMI individuals and communities under the CRA because FleetBoston's subsidiary banks have discontinued the deposit accounts of check cashing businesses. FleetBoston states that in May 1999, it decided to discontinue customer relationships with money transmitters, check cashers, and similar entities because of concerns over costs required for FleetBoston to monitor such customers to ensure compliance with laws against money laundering and similar illicit activity. The CRA does not require financial institutions to provide any particular type of product or service to its customers. As discussed, examiners found that FleetBoston's subsidiary banks have served the LMI areas of their communities. FleetBoston also has taken steps to help provide checking accounts for underserved individuals.

24. One commenter has suggested that FleetBoston might be engaged in subprime lending that has an adverse effect on minority borrowers. FleetBoston has stated that it currently conducts no lending activities that are subject to the Home Ownership and Equity Protection Act (HOEPA), and that controls are in place to ensure that no HOEPA-covered transactions are initiated.

25. 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 65 Federal Register* 25,088 and 25,107 (2000).

26. Fleet's former lead subsidiary bank, Fleet National Bank, Providence, Rhode Island ("Fleet-RI"), and Fleet Bank, N.A., Jersey City, New Jersey ("Fleet-NJ"), were examined by the OCC for CRA performance, as of February 1998. Fleet Bank of New Hampshire, Manchester, New Hampshire ("Fleet-NH"), and Fleet Bank of Maine, Portland, Maine, were examined by the Federal Reserve Bank of Boston for CRA performance, as of April 1998. Fleet Bank, F.S.B., Boca Raton, Florida, was examined by the Office of Thrift Supervision for CRA performance, as of April 1998.

27. BankBoston's lead subsidiary bank, BankBoston, N.A., Boston, Massachusetts, received an "outstanding" CRA performance rating from the OCC at its examination, as of March 1999. Bank of Boston-Florida, N.A., Boca Raton, Florida, received a "satisfactory" CRA performance rating from the OCC at its examination, as of December 1996.

from the OCC at its most recent examination, as of March 2000.

Summit's lead subsidiary bank, Summit-NJ, which represents approximately 85 percent of the banking assets controlled by Summit, received an "outstanding" CRA performance rating from the Federal Reserve Bank of New York at its most recent examination, as of October 1999 ("1999 Summit-NJ Examination"). Summit's other subsidiary banks also received "outstanding" ratings at their most recent examinations for CRA performance.[28]

C. FleetBoston's CRA Performance Record

In the past two years, the Board has reviewed the CRA performance record of Fleet and FleetBoston in connection with two large acquisition proposals.[29] In both cases, the Board received extensive public comment and the Board carefully reviewed the records of the subsidiary banks involved in light of the public comments, the applicant's response to those comments, and supervisory reports. For reasons set forth in detail in those orders, the Board concluded that the CRA performance records of Fleet and FleetBoston, respectively, were consistent with approval of the two proposals under the BHC Act. Many of the comments received in this case raise the same contentions and arguments raised by commenters in previous cases. Consequently, the Board adopts and incorporates in this case the relevant findings made in the two previous orders.

Fleet-RI. At the time of its February 1998 CRA performance examination, Fleet-RI operated in Massachusetts, Connecticut, portions of upstate New York, and Rhode Island.[30] 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-RI'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 the CRA examination, the bank used several programs to provide affordable home mortgage loans. For example, Fleet-RI offered its proprietary affordable housing program, which featured reduced down payment requirements, flexible underwriting standards, and no mortgage insurance requirement for borrowers unable to meet traditional secondary market credit standards. In addition, Fleet-RI was engaged in 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, that offered flexible underwriting standards and extensive financial and homebuyer counseling. Fleet-RI also offered several government-sponsored programs, such as Federal Housing Administration and Veterans Administration loan programs and the state-sponsored Jumpstart program in Massachusetts, New York, and Rhode Island,[31] and participated in the Fannie Mae Community Home Buyers program, that featured reduced down payment requirements, flexible underwriting standards, and flexible financing of closing costs. Examiners noted favorably that the geographic distribution of Fleet-RI's consumer loans generally was consistent with population distribution.

For small business lending, examiners reported that Fleet-RI 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 percentage points higher than the comparable percentage for lenders in the aggregate. Examiners found that in New York, the distribution of Fleet-RI's small business loans generally corresponded to the distribution of businesses throughout the assessment areas, and that there was good distribution of small business loans to very small businesses in LMI census tracts.[32] Through the Fleet INCITY Business and Entrepreneurial Services Group, Fleet-RI offered small business loans featuring reduced documentation, flexible underwriting, and no minimum loan amount in LMI areas. Fleet CDC also supported small businesses through low-interest loans, longer-term loans, and equity investments in financial intermediaries and nonprofit organizations that

28. Summit-PA received an "outstanding" CRA performance rating from the Federal Reserve Bank of Philadelphia at its examination, as of March 2000 ("2000 Summit-PA Examination"). Summit-CT received an "outstanding" CRA performance rating from the Federal Deposit Insurance Corporation ("FDIC") at its examination, as of August 1999.

29. *See Fleet Financial Group, Inc.*, 85 *Federal Reserve Bulletin* 747 (1999) ("Fleet-BankBoston Order"); *FleetBoston Financial Corp.*, 86 *Federal Reserve Bulletin* 751 (2000) ("North Fork Order"). In addition, the Board held a public meeting in connection with the Fleet-BankBoston application.

30. At the time of its most recent CRA performance examination, Fleet-RI owned several subsidiaries, including Fleet Mortgage Group, Inc., Columbia, South Carolina ("Fleet Mortgage"), and Fleet Community Development Corporation, Providence, Rhode Island ("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-RI's affiliated banks that were made in Fleet-RI's assessment area were considered by the OCC in its examination of the bank's CRA performance.

31. Under the Jumpstart program, Fleet-RI 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.

32. One commenter criticized FleetBoston's HMDA and small business lending in the Rochester MSA. FleetBoston acknowledges that its share of HMDA-reportable loans in the MSA has declined, but asserts that the decrease was due to the large increase in the number of HMDA lenders in the MSA from 1995 to 1999. Although FleetBoston's HMDA lending to minority and LMI borrowers declined in the Rochester MSA from 1995 to 1998, in 1999 the number of its loans originated to African-American and Hispanic applicants increased. The number and dollar volume of FleetBoston's small business loans declined from 1997 through 1999 in the Rochester MSA. The number and dollar amount of FleetBoston's small business loans in LMI census tracts as percentages of FleetBoston's total small business lending in 1999 in the Rochester MSA exceeded the percentages for lenders in the aggregate.

focused their efforts on small businesses in LMI areas. Fleet-RI 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 SBA express approval program than in all of 1998.

Examiners also judged Fleet-RI'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. In 1997, Fleet-RI entered into an agreement with Neighborhood Housing Services of America ("NHSA") to purchase up to $10 million in affordable first and second mortgages and home improvement loans originated and underwritten by NHSA's local affiliates in the bank's assessment area. Fleet-RI 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.

According to examiners, Fleet-RI'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. 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 systems, thereby enhancing access to services for certain predominantly minority communities. The bank also offered seminars for first-time LMI homebuyers and small business owners.[33]

D. Summit's CRA Performance Record

Summit-NJ. The 1999 Summit-NJ Examination concluded that the overall lending activity of Summit-NJ reflected excellent responsiveness to the credit needs of its northern New Jersey assessment area and adequate responsiveness to the credit needs of its southern New Jersey assessment area. Summit-NJ originated 93 percent of its loans in its assessment areas, and examiners found this lending to be well distributed throughout those areas, in light of the number of residents in these areas and the number of the bank's branches. In northern New Jersey, where 80 percent of its branches are located, Summit-NJ was a leader in total lending activity, loan volume in LMI census tracts, number of loans per dollar of assets, and loans made in LMI census tracts per dollar of assets. In southern New Jersey, Summit-NJ's performance in these categories was found to be adequate, generally in line with or slightly below that of similarly situated financial institutions.

Summit-NJ's loan distribution was found to reflect good penetration in its assessment areas, and examiners particularly commended the geographic distribution of the bank's lending in the LMI census tracts in these areas.[34] Examiners found Summit-NJ's multifamily lending to be responsive to the housing needs in its assessment areas and to be evenly distributed in light of the population patterns in those areas. The bank originated 86 multifamily loans during the examination period,[35] 23 of which were made in LMI census tracts. Those 23 loans represented 1,207 housing units, including 802 units that qualified as affordable housing. Examiners also found that the overall distribution of Summit-NJ's loans among individuals of different income levels and businesses with different revenues was good throughout its assessment areas.

Examiners concluded that Summit-NJ had an excellent level of community development lending. Summit-NJ's community development lending commitments totaled $197.4 million, which represented an increase of 139 percent over the amount during the previous examination period, and included $88.2 million in support of affordable housing initiatives that constructed or rehabilitated 1,479 affordable housing units in the bank's assessment areas. Summit-NJ also lent $85.7 million for community service initiatives, $11.3 million in support of economic development, and $12.2 million for revitalization and stabilization activities.

Examiners found Summit-NJ to have an excellent level of qualified community development investments and to exhibit an excellent level of responsiveness to credit and community development needs. Summit-NJ had a total of $65.9 million of qualified investments, including $65.1 million invested in community development organizations, and $859,000 in charitable grants and contributions to such organizations. This represented an increase of 217 percent over Summit-NJ's qualified investments during the previous examination period. The qualified investments made by Summit-NJ were noted for showing excellent responsiveness to affordable housing development, which was a persistent community development need in its assessment area. Examiners also found that Summit-NJ made excellent use of complex investments,

33. Two commenters express concern that FleetBoston would increase fees for banking products and services or eliminate or alter banking products and services after consummation of the proposal. FleetBoston offers a full range of affordable banking products and services. Although the Board has recognized that banks help serve the banking needs of communities by making basic services available at nominal or no charge, the CRA does not require an institution to provide any specific types of products or services or limit the fees it charges for them.

34. One commenter asserts that Summit-NJ has failed to originate a sufficient number of mortgages in Asbury Park, New Jersey, for the period 1998–99. The commenter also contends that Summit-NJ has not followed through on assurances, allegedly given by officers of the bank to the commenter in a meeting in late 1999, that the bank would increase its lending in Asbury Park. In reviewing the lending of Summit-NJ in the Monmouth-Ocean, New Jersey Metropolitan Statistical Area ("MSA"), which includes Asbury Park, examiners concluded that the geographic distribution of the bank's lending in this MSA was good, including the penetration of its home purchase lending in LMI areas of the MSA.

35. The examination generally covered the period from October 1, 1997, to June 30, 1999.

such as low-income housing tax credits, in supporting community development initiatives.

Summit-NJ was considered by examiners to be a leader in providing community development services in its assessment areas. These services included sponsoring educational seminars for first- time homebuyers and small businesses, permitting Summit-NJ employees to serve as directors or officers of community development organizations, and participating in the Affordable Housing Program ("AHP") of the Federal Home Loan Bank ("FHLB") of New York. The AHP finances homeownership for households with incomes that are 80 percent or less of the area median income, and finances rental housing in which 20 percent of the units will be occupied by tenants who earn 50 percent or less of the area median. At the time of the examination, Summit-NJ was overseeing 28 affordable housing projects it had sponsored through the AHP.

Examiners concluded that Summit-NJ used delivery systems for its products and services that were reasonably accessible to essentially all portions of its assessment area. Of the 372 branches that Summit-NJ maintained at the close of the examination period, 53 (14 percent) were in LMI census tracts. Summit-NJ had 55 branches in supermarkets and all these branches offered third-party check cashing and were open seven days a week. Ninety percent of all the bank's branches had extended hours once a week. Examiners noted that Summit-NJ offered a variety of alternative delivery systems, including ATMs, and banking by telephone and home computer. Eight percent of Summit-NJ's 388 ATMs (primarily those in supermarkets) offered a check cashing feature, and 16 percent of the bank's ATMs offered Spanish language transactions. Examiners also found that Summit-NJ's record of opening and closing branches had not adversely affected the accessibility of its delivery systems, including those in LMI areas or to LMI individuals. Examiners also did not identify any credit practices of Summit-NJ that violated the substantive provisions of any antidiscrimination laws or regulations.

Summit-PA. The 2000 Summit-PA Examination found that the bank had an excellent level of overall lending, and that a substantial majority of its home mortgage, small business, and unsecured consumer loans were made in its assessment areas. In addition, the geographic distribution of Summit-PA's lending, including home purchase, small business, and consumer lending, was found to demonstrate good penetration throughout its assessment areas, including LMI geographies. Examiners also found that the distribution of Summit-PA's lending among borrowers of different income levels was excellent, and, in particular, noted that the bank was effective in reaching LMI borrowers in its Philadelphia and Allentown-Bethlehem-Easton assessment areas.[36] Summit-PA's small business lending in all its assessment areas was considered to be consistent with the bank's asset size, lending capacity, and business objectives.

Examiners considered Summit-PA's level of community development lending to be outstanding and the bank to be a leader in making community development loans and an active participant in economic development initiatives. Summit-PA's loans to community development organizations and initiatives totaled $51 million, and a substantial number of those loans were made in the bank's Philadelphia and Allentown-Bethlehem-Easton assessment areas.

Summit-PA also made extensive use of innovative and flexible lending practices to meet the credit needs of its community, including home purchase, home improvement, and business loan products designed to meet the credit needs of LMI borrowers and small businesses. Summit-PA participated in the FHLB of Pittsburgh's AHP by sponsoring eight affordable housing projects and overseeing the distribution of $1.7 million in grant funds during the examination period.[37] In addition, examiners concluded that Summit-PA had a good record of serving the credit needs of significantly disadvantaged areas and borrowers in its assessment areas, while also encouraging the bank to continue to explore alternative ways to respond to these credit needs, particularly in its Philadelphia assessment area.

Examiners found that Summit-PA had an excellent level of qualified community development investments and provided some investments that were not routinely offered by other financial institutions. Summit-PA also made extensive use of innovative and complex investments, such as low-income housing tax credit projects, to support community development initiatives. The bank demonstrated an excellent responsiveness to community credit and development needs, principally by investing in organizations that promote affordable housing and economic development.

Examiners found that Summit-PA was a leader in providing community development services in its assessment areas, primarily by offering affordable housing programs,

36. One commenter criticizes Summit-PA for making too few home purchase loans to LMI individuals in the Scranton/Wilkes-Barre/Hazelton MSA, a portion of which is included in the bank's assessment area. Another commenter, based on the bank's 1998 CRA examination, argues that the Scranton/Wilkes-Barre/Hazelton MSA has not received an equitable share of Summit-PA's loans or investments, particularly in LMI areas. During the examination period, Summit-PA made 566 HMDA-reportable loans in this MSA, including 148 (26 percent) to LMI borrowers, and 52 (9 percent) in LMI census tracts. The examiners did not consider the number of loans to be inappropriate because only 8 percent of the owner-occupied housing in the MSA was in LMI census tracts. By contrast, 20 percent of Summit-PA's small business loans in this MSA were made in LMI census tracts. The percentage of Summit-PA's loans to businesses with less than $1 million in revenues ("loans to small businesses") and loans of less than $1 million to businesses ("small business loans") in the MSA that were made in LMI areas exceeded the percentages for lenders in the aggregate for every year from 1997 through 1999.

37. One commenter recommends withholding approval of the proposal until FleetBoston decides that the merged New Fleet Bank/Summit-PA would maintain Summit-PA's membership in the FHLB of Pittsburgh, or otherwise compensates the entities that the commenter believes would be harmed if New Fleet Bank is not a member. New Fleet Bank, however, would be ineligible to be a member of the FHLB of Pittsburgh because the bank would be based in Massachusetts. New Fleet Bank is a member of the FHLB of Boston and has proposed to petition the FLHB of Boston to amend its policies to accept applications for affordable housing programs from members for projects outside that FHLB's district boundaries.

technical assistance by bank employees to community development organizations, educational seminars for first-time homebuyers, and deposit accounts designed for LMI individuals. The examination also concluded that Summit-PA used its branch network, ATMs, and Internet and telephone banking systems to deliver services to its customers. Examiners found that Summit-PA's branch system was accessible to essentially all portions of the bank's assessment areas, and noted that 17 percent of the bank's 109 branches were in LMI geographies. Summit-PA had 126 ATMs at the time of the examination, and examiners noted that several of the bank's ATMs offered Spanish and/or Russian language transactions, particularly ATMs in Philadelphia. Summit-PA's record of opening and closing branches was not found to have affected the accessibility of the bank's delivery systems. Since its previous CRA examination, Summit-PA had opened 42 additional branches (23 of which were related to its September 1999 merger with Prime Bank, Philadelphia, Pennsylvania), and closed two branches. Neither of the closed branches was in an LMI area.

Examiners found no credit practices of Summit-PA that violated the substantive provisions of any antidiscrimination laws or regulations.

E. FleetBoston CRA Pledge

Two commenters request that the Board delay action on this application until FleetBoston enters into a CRA agreement pertaining to portions of Pennsylvania. New Fleet Bank has entered into a community development agreement with two organizations in New Jersey.

The CRA requires the Board, in considering a bank holding company's application to acquire another bank holding company, to review carefully the actual record of past performance of the insured depository institutions controlled by each bank holding company in helping to meet the credit needs of their communities. Consistent with this requirement, the Board previously has held that, for approval of a proposal to acquire an insured depository institution, an applicant must demonstrate a satisfactory record of performance under the CRA without reliance on plans or commitments for future action.[38]

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, neither the CRA nor the CRA regulations of the federal financial supervisory agencies require depository institutions to enter into agreements with any organization.[39] The Board notes that the future activities of FleetBoston, including any lending and community development activities in which the subsidiary banks of the combined FleetBoston-Summit organization engage pursuant to CRA pledges and agreements, will be reviewed by the appropriate federal supervisors of those institutions in future CRA performance examinations. Those CRA performance records will be considered by the Board in any future applications by FleetBoston to acquire a depository institution.[40]

F. FleetBoston's HMDA Data

The Board has carefully considered the lending records of FleetBoston and Summit in light of comments about HMDA data reported by the organizations' subsidiaries.[41] The Board has reviewed HMDA data from 1997 through 1999 for FleetBoston in five states and eight MSAs and for Summit in three states and two MSAs.

The HMDA data indicate that FleetBoston's originations to African American applicants as a percentage of its total originations (the "origination rate") was below the percentage for lenders in the aggregate (the "aggregate") in some areas, and was above it in others. The HMDA data for these years also indicate that FleetBoston's origination rates for Hispanics were below the origination rates for the aggregate in most states and MSAs examined, except for the MSAs of Bridgeport, Connecticut MSA and Trenton, New Jersey MSA. In addition, the HMDA data indicate that FleetBoston's denial disparity ratios with respect to minority applicants were generally equivalent to or better than the aggregate's denial disparity ratios.[42] The HMDA data also indicate that Summit's origination rates to LMI areas generally lagged the aggregate's origination rate of HMDA-reportable loans to LMI areas. In the Scranton/Wilkes-Barre/Hazelton MSA, Summit's origination rate to LMI individuals was below the aggregate's origination rate to LMI individuals for each year from 1997 through 1999. In the Allentown-Bethlehem-Easton MSA in 1999, Summit's orgination rates to African Americans and to Hispanics were below the aggregate's origination rates.

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

38. *See Totalbank Corp. of Florida*, 81 *Federal Reserve Bulletin* 876 (1995); *First Interstate Bank Systems of Montana, Inc.*, 77 *Federal Reserve Bulletin* 1007 (1991).

39. *See Fifth Third Bancorp.*, 80 *Federal Reserve Bulletin* 838 (1994).

40. One commenter contends that FleetBoston is not making adequate progress in fulfilling a pledge made in connection with a previous acquisition. This pledge was not a commitment made to the Board and, therefore, is not enforceable by the Board.

41. Commenters criticize FleetBoston's record of home mortgage lending to minority individuals in 15 MSAs. Commenters also criticize FleetBoston's lending to LMI and minority individuals or in communities in the Rochester, New York MSA. In addition, Commenters criticize Summit's record of home mortgage lending to LMI individuals in the Scranton/Wilkes-Barre/Hazelton MSA, and Summit's record of home mortgage lending to minority individuals in the Allentown-Bethlehem-Easton MSA.

42. The denial disparity ratio compares the denial rate for minority loan applicants with that for white applicants.

an incomplete measure of an institution's lending in its community because the data cover only a few categories of housing-related lending.[43] 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 FleetBoston and Summit 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 New Fleet Bank. Examiners found no evidence of prohibited discrimination or illegal credit practices at the subsidiary banks of FleetBoston or Summit. Fleet Mortgage's fair lending policies, procedures, training programs, and internal monitoring programs were considered to be satisfactory.

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

G. Branch Closings

The Board has received comments that express concern about branch closings that might result from consummation of the proposal, and about the criteria that the merged organization might use to determine which branches to close or consolidate. FleetBoston has estimated that 85 branches of the subsidiary banks of the merged organization might be closed as a result of the proposal. FleetBoston has indicated that this estimate is the result of a preliminary analysis of the two organizations' branch structures that identified 97 cities or communities in which FleetBoston and Summit banks both have branches.[44]

The Board has carefully considered all the facts of record concerning branch closings, including the branch closing policy of New Fleet Bank and Fleet's record of opening and closing branches. The Board notes that New Fleet Bank's 1branch closing policy provides that the impact of any branch closing on the local community should be considered as part of the branch closing process. This includes an assessment of how local banking needs might be addressed by other New Fleet Bank branches, a review of comments from community leaders regarding the impact of any proposed closure, and consideration of steps by the bank to minimize any adverse impact. The policy is 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.[45] In addition, the most recent CRA examination of BankBoston, N.A. noted that branch closings generally had not adversely affected the accessibility of the bank's products and services, particularly in LMI census tracts or to LMI individuals. Examiners made similar findings with respect to Summit Bank-NJ and Summit Bank-PA. The Board expects that the subsidiary banks of the combined organization would continue to use a satisfactory branch closing policy for any branch closings that might result from the proposed transaction.[46]

H. Conclusion on Convenience and Needs

For the reasons discussed above, the record demonstrates that FleetBoston and Summit 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.

43. 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.

44. As part of its community development agreement with New Jersey Citizen Action and the Housing and Community Development Network of New Jersey, New Fleet Bank has agreed not to close any branches in LMI census tracts in 13 cities in New Jersey for four years. In several other cities, New Fleet Bank has agreed not to close any branch if the next closest branch is more than one-half mile away. FleetBoston also has indicated that it does not currently plan to close any branches in Pennsylvania as a result of the proposal.

45. 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)) ("Joint Policy Statement"), requires that a bank provide the public with at least 30 days' notice and the appropriate federal supervisory agency with at least 90 days' 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.

46. One commenter criticizes Summit-PA for closing a branch in Allentown, Pennsylvania, in 1997. The closure of this branch was reviewed as part of the Federal Reserve Bank of Philadelphia's April 1998 CRA examination of Summit-PA. At that time, two other branches remained open in Allentown, and examiners found that the closure of that Allentown branch had not adversely affected the accessibility of loan products and banking services to residents of LMI areas or LMI individuals. The branch was closed in accordance with Summit-PA's branch closing policy, which conformed to provisions of the Joint Policy Statement in effect at that time.

Conclusion

As required by section 25 of the Federal Reserve Act and section 211.4(f) of the Board's Regulation K (12 C.F.R. 211.4(f)), FleetBoston also provided notice of its intention to acquire Summit International, which is organized under section 25A of the Federal Reserve Act. The Board concludes that all the factors it is required to consider under the Federal Reserve Act and Regulation K are consistent with approval of the notice.

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.[47] The Board's approval is specifically conditioned on compliance by FleetBoston with all the commitments made in connection with the proposal and with the conditions stated or referred to in this order, including FleetBoston's divestiture commitments. 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 or by the Federal Reserve Bank of Boston, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 12, 2001.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

47. The Board received two requests to 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). The Board has considered carefully the hearing requests in light of all the facts of record. In the Board's view, commenters have had ample opportunity to submit their views, and, in fact, have submitted written comments that have been considered carefully by the Board in acting on the proposal. The requests fail to demonstrate why their written comments do not present their views adequately and fail to identify disputed issues of fact that are material to the Board's decision and 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 requests for a public meeting or hearing on the proposal are denied.

Appendix

Banking Markets Without Divestitures

Fairfield Area banking market. The Fairfield Area market is defined as the Connecticut portion of the Metropolitan New York Ranally Metro Area ("RMA"), plus the towns of Kent, Roxbury, Warren, and Washington in Litchfield County in Connecticut. FleetBoston operates the largest depository institution in the market, controlling deposits of approximately $3.4 billion, representing 24 percent of market deposits. Summit operates the fifth largest depository institution in the market, controlling deposits of approximately $898 million, representing 6.4 percent of market deposits. On consummation of the proposal, FleetBoston would control deposits of approximately $4.3 billion, representing 30.4 percent of market deposits. The HHI would increase by 308 points to 1,560 and 37 competitors would remain in the market.

Waterbury banking market. The Waterbury market is defined as the Waterbury RMA. FleetBoston operates the fourth largest depository institution in the market, controlling deposits of approximately $230 million, representing 10.1 percent of market deposits. Summit operates the 13th largest depository institution in the market, controlling deposits of approximately $10 million, representing less than 1 percent of market deposits. On consummation, FleetBoston would operate the fourth largest depository institution in the market, controlling deposits of approximately $240 million, representing 10.5 percent of market deposits. The HHI would increase 9 points to 1,659 and 15 competitors would remain in the market.

Metropolitan New York-New Jersey banking market. The Metropolitan New York-New Jersey market is defined as New York City; Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, Sullivan, Ulster, and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, Warren, and portions of Mercer Counties in New Jersey; Pike County in Pennsylvania; and Fairfield and portions of Litchfield and New Haven Counties in Connecticut. FleetBoston operates the sixth largest depository institution in the market, controlling deposits of approximately $23 billion, representing 5.3 percent of market deposits. Summit operates the seventh largest depository institution in the market, controlling deposits of approximately $18.2 billion, representing 4.2 percent of market deposits. On consummation, FleetBoston would operate the third largest depository institution in the market, controlling deposits of approximately $41.2 billion, representing 9.6 percent of market deposits. The HHI would increase 45 points to 931 and 296 competitors would remain in the market.

Philadelphia banking market. The Philadelphia banking market is defined as Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties in Pennsylvania; and Burlington, Camden, Gloucester, Salem Counties, and a portion of Mercer County in New Jersey. FleetBoston operates the 23rd largest depository institution in the market, controlling deposits of approximately $293 million, representing less than 1 percent of market deposits. Summit operates the fourth largest depository institution in the market, controlling deposits of approximately $3.5 billion, representing 5.2 percent of market deposits. On consummation of the proposal, FleetBoston would operate the fourth largest depository institution in the market, controlling deposits of approximately $3.8 billion, representing 5.7 percent of market deposits. The HHI would increase by 4 points to 1,540 and 115 competitors would remain in the market.

Lea M. McMullan Trust
Shelbyville, Kentucky

Citizens Union Bancorp of Shelbyville, Inc.
Shelbyville, Kentucky

Order Approving Acquisition of a Bank

Lea M. McMullan Trust ("McMullan Trust") and its subsidiary, Citizens Union Bancorp of Shelbyville, Inc. (collectively, "CUB"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire all the outstanding voting shares of Dupont State Bank, Dupont, Indiana ("Dupont").[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (65 *Federal Register* 80,864 (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 section 3 of the BHC Act.

CUB operates two subsidiary banks in Kentucky. CUB is the 33rd largest commercial banking organization in Kentucky, controlling approximately $210.9 million in deposits, representing less than 1 percent of total deposits in commercial banking organizations in the state ("state deposits"). Dupont is the 126th largest commercial banking organization in Indiana, controlling approximately $16.9 million in deposits, representing less than 1 percent of state deposits.[2]

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 such bank holding company if certain conditions are met.[3] For purposes of the BHC Act, the home state of CUB is Kentucky, and CUB would acquire a bank in Indiana. All the conditions for an interstate acquisition enumerated in section 3(d) are met in this case.[4] In view of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Competitive, Financial, and Managerial Considerations

CUB and Dupont do not compete directly in any banking market. Based on all the facts of record, the Board concludes that consummation of the proposal would not have a significant adverse effect on competition or on the concentration of banking resources in any relevant banking market.

The Board also has considered the financial and managerial resources and future prospects of CUB and its subsidiaries in light of all the facts of record, including a comment letter, reports of examination and other supervisory information assessing the financial and managerial resources of the organizations, and information provided by CUB.[5] The Board notes that CUB and its subsidiaries are well capitalized and are expected to remain so after consummation of the proposal. The Board also has considered other aspects of the financial condition and resources of CUB, its subsidiary banks, and Dupont, and the structure of the proposed transaction. In addition, the Board has reviewed the current managerial resources and future prospects of CUB's entire organization, including confidential supervisory examination information. Based on these and all the facts of record, including confidential reports of examination, the Board has concluded that the financial and managerial resources and the future prospects of CUB, its subsidiary banks, and Dupont are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board is required to consider the effect of the proposal on the convenience and needs of the community to be served and to take into account the records of the relevant deposi-

1. McMullan Trust is a registered bank holding company that owns 35.6 percent of the voting stock of Citizens Union Bancorp.

2. State deposit and ranking data are as of June 30, 1999.

3. 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 the later of July 1, 1966, or on the date on which the company became a bank holding company. 12 U.S.C. § 1841(o)(4)(C).

4. *See* 12 U.S.C. §§ 1842(d)(1)(A) and (B), 1842(d)(2)(A) and (B). CUB is adequately capitalized and adequately managed, as defined by applicable law. In addition, on consummation of the proposal, CUB would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States. The state law requirements also are satisfied in this case. *See* Ind. Code Ann. § 28-2-16-17(f) and Ky. Rev. Stat. Ann. §§ 287.900(2) and (3). All other requirements under section 3(d) of the BHC Act are met in this case.

5. As part of its review, the Board carefully considered a comment about the management of CUB and one of its subsidiary banks from a former management official of CUB, who is a minority shareholder. The commenter also alleged without supporting facts that CUB had violated shareholders' rights. State law and federal securities law generally govern the rights of shareholders in a bank holding company. The Board and the courts have generally found that matters concerning the rights of shareholders are not among the factors that the Board is entitled to consider under the BHC Act. *See, e.g., First National Bank Group, Inc.*, 84 *Federal Reserve Bulletin* 959 (1998) (citing *Western Bancshares, Inc. v. Board of Governors*, 480 F.2d 749 (10th Cir. 1973)).

tory institutions under the Community Reinvestment Act ("CRA").[6] The Board has carefully considered the convenience and needs factor and the CRA performance records of CUB's subsidiary banks and Dupont in light of all the facts of record, including allegations that CUB has failed to meet the need for credit and banking services in Shelby County, Kentucky. Shelby County is in the assessment area of CUB's largest subsidiary bank, Citizens Union Bank of Shelbyville, Shelbyville, Kentucky ("Citizens"). Currently, Citizens' main office and four of its five branches operate in Shelby County.

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of examinations of the CRA performance records of the relevant institutions by their appropriate federal supervisor.[7] Citizens received an "outstanding" rating from its primary federal supervisor, the Federal Deposit Insurance Corporation ("FDIC"), at its most recent evaluation for CRA performance, as of March 29, 1999 ("1999 Citizens Evaluation"). First Farmers Bank and Trust Company, Owenton, Kentucky ("First Farmers"), CUB's other subsidiary bank, and Dupont received "satisfactory" ratings from the FDIC at their most recent evaluation for CRA performance.[8] The reports of examination of CUB's subsidiary banks and Dupont indicate that the examiners found no evidence of substantive violations of the antidiscrimination laws.

In the 1999 Citizens Evaluation, examiners noted that Citizens offered a full line of deposit and loan products, including special loan products designed for first-time homebuyers, small business owners, and small farmers through various government-sponsored loan programs. These included products through programs offered by the Small Business Administration, the Farm Service Agency, the Federal Housing Administration, and the Kentucky Housing Corporation. Examiners also found that a majority of Citizens' home mortgage and business loans were in the bank's assessment area. In addition, examiners reported that Citizens had a reasonable distribution of home mortgage loans to individuals of varying income levels and an excellent record of consumer lending to low- and moderate-income ("LMI") borrowers.

Examiners also commended Citizens for its community development lending activities and determined that the level of community development investments held by Citizens to address affordable housing and other credit needs was outstanding. For example, examiners noted that Citizens served as the lead bank in a loan participation to provide $500,000 in financing to purchase and redevelop neglected houses in the downtown area of Shelbyville. Examiners also reported that the bank financed a project to help fund a hospital that cares for LMI families in Shelby County. In addition, examiners noted that Citizens had invested in nine low-income real estate tax credits for the renovation or construction of LMI housing in Shelby and Jefferson Counties, Kentucky.

In the 1999 Citizens Evaluation, examiners also noted that the bank's delivery of services reflected an excellent responsiveness to the needs of the community and that its delivery systems were reasonably accessible to most areas of the bank's assessment area.[9] In addition, examiners commended Citizens' employees for their involvement in numerous organizations in the bank's assessment area to help attract new businesses, promote the expansion of existing businesses, provide housing for LMI residents, or provide educational or other services to LMI individuals or families.

The Board has considered carefully the entire record in its review of the convenience and needs factor under the BHC Act. Based on all the facts of record, including the relevant CRA performance evaluations, the comment received, and information provided by CUB, the Board concludes that considerations relating to convenience and needs, including the CRA performance records of the banks involved in the proposal, are consistent with approval.

Conclusion

Based on all the facts of record, the Board has determined that this application should be, and hereby is, approved. The Board's approval is specifically conditioned on the compliance by CUB with all the commitments made in connection with the application. For purposes of this action, the commitments 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 of Dupont shall not be consummated before the fifteenth calendar day after the effective date of this order, and not later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of St. Louis, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 12, 2001.

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

6. 12 U.S.C. § 2901 *et seq.*

7. The Interagency Questions and Answers Regarding Community Reinvestment provides that an institution's most recent CRA performance evaluation is an 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. 65 *Federal Register* 25,088 and 25,107 (2000).

8. First Farmers received a "satisfactory" rating, as of September 10, 1998, and Dupont received a "satisfactory" rating, as of January 6, 1997.

9. Examiners noted that, at the time of the most recent CRA evaluation, Citizens maintained a strong presence in Shelby County, controlling 40 percent of the deposits in the county, which was the largest share of any single financial institution. As noted, Citizens currently has its main office and four out of five branch offices in Shelby County.

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Prosperity Bancshares, Inc.
Houston, Texas

Order Approving the Acquisition of a Bank Holding Company

Prosperity Bancshares, Inc. ("Prosperity"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with Commercial Bancshares, Inc., Houston, Texas ("Commercial"), and thereby acquire Heritage Bancshares, Inc., Wilmington, Delaware ("Heritage Holdco"), a bank holding company that is a wholly owned subsidiary of Commercial, and its subsidiary bank, Heritage Bank, Wharton, Texas.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (65 *Federal Register* 70,911 (2000)). The time for filing comments has expired, and the Board has considered the proposal in light of the factors set forth in section 3 of the BHC Act.

Prosperity operates the 35th largest depository institution in Texas, controlling $519 million in deposits, which represent less than 1 percent of total deposits in depository institutions in the state.[2] Commercial operates the 54th largest depository institution in Texas, controlling $356 million in deposits. On consummation of this proposal, Prosperity would control the 23rd largest depository institution in Texas, with deposits of $875 million, representing less than 1 percent of the total deposits in depository institutions in the state.

Competitive Considerations

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking. The BHC Act also prohibits the Board from approving a proposed combination that would substantially lessen competition or tend to create a monopoly in any relevant banking market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[3]

Prosperity and Commercial compete directly in two banking markets in Texas, the Houston banking market and the Wharton County banking market.[4] The Board has carefully reviewed the competitive effects of the proposal in each of these banking markets in light of all the facts of record, including, among other market characteristics, the share of total deposits in depository institutions ("market deposits") controlled by each competitor in the markets,[5] the concentration level of market deposits, and the increase in this level as measured by the Herfindahl-Hirschman Index ("HHI").[6]

Houston Banking Market

Consummation of the proposal in the Houston banking market would be consistent with the DOJ Guidelines and Board precedent.[7] Prosperity operates the 51st largest depository institution in the market, controlling less than 1 percent of market deposits. Commercial operates the 26th largest depository institution in the market, controlling less than 1 percent of market deposits. On consummation of the proposal, Prosperity would operate the 20th largest depository institution in the market, controlling deposits of $330 million, representing less than 1 percent of market deposits. The HHI for the market would increase 1 point to 869. The market would remain unconcentrated after consummation of the proposal, and numerous competitors would remain in the market.

1. Under the proposal, Commercial would be merged into Prosperity, which would be the surviving corporation. Immediately following that merger, Prosperity's wholly owned subsidiary, Prosperity Holdings, Inc., Wilmington, Delaware ("Prosperity Holdco"), which is also a bank holding company, would be merged into Heritage Holdco. Heritage Holdco would be the surviving corporation of this second transaction. In addition, Heritage Bank, currently a state nonmember bank subsidiary of Heritage Holdco, would be merged into First Prosperity Bank, which is a subsidiary of Prosperity Holdco and which would be the surviving corporation of this transaction. The merger of Heritage Bank and First Prosperity Bank is subject to review by the Federal Deposit Insurance Corporation ("FDIC") under the Bank Merger Act (12 U.S.C. § 1828(c)).

2. All data are as of June 30, 2000. In this context, depository institutions include commercial banks, savings banks, and savings associations.

3. 12 U.S.C. § 1842(c).

4. The Houston banking market is defined as the Houston Ranally Metropolitan Area. The Wharton County banking market is defined as Wharton County, Texas.

5. Market share data are based on calculations that take into account the deposits of thrift institutions, which include savings banks and savings associations, weighted 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 regularly has included thrift deposits in the calculation of market share at a weighting of 50 percent. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

6. Under the Department of Justice Merger Guidelines ("DOJ Guidelines"), 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is more than 1800 is considered to be highly concentrated. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by 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 institutions.

7. Under the DOJ Guidelines, a market in which the post-merger HHI is less than 1000 points is considered to be unconcentrated.

Wharton County Banking Market

In the Wharton County banking market, consummation of the proposal would increase the level of market concentration, as measured by the HHI, to levels that, according to the DOJ Guidelines and Board precedent, exceed the threshold for in-depth review of the transaction. Prosperity operates the largest of the ten depository institutions in the market, and controls deposits of 139.3 million, representing 25.3 percent of market deposits. Commercial operates the third largest depository institution in the market, and controls deposits of $69.4 million, representing 12.6 percent of market deposits. On consummation of the proposal, Prosperity would operate the largest depository institution in the market with deposits of $208.7 million, representing 37.9 percent of market deposits. The HHI for the market would increase 639 points to 2,078.

The Board believes that a number of circumstances mitigate the potential anticompetitive effects of the transaction.[8] In considering the competitive effects of this proposal in the Wharton County banking market, the Board has evaluated the presence of two savings associations operating in the market and has concluded that deposits controlled by the institutions should be weighted at 100 percent in market share calculations.[9] Each of these savings associations engages actively in commercial lending activities and offers a wide variety of business loan products and other banking services. Accounting for the revised weighting of these deposits, Prosperity would control 32.8 percent of market deposits, and the HHI would increase 480 points to 1900 on consummation of the proposal.

The Board has also taken account of other market characteristics. For example, after consummation of the proposal, nine competitors would remain in the market. Two competitors, in addition to Prosperity, would each control more than 10 percent of market deposits and four others would control between 5 and 10 percent of market deposits. In addition, the proximity of the Wharton County banking market to the Houston banking market and other factors make the Wharton County banking market an attractive market for entry. The percentage increases in per capita income and market deposits are more than the average percentage increases in these categories for all non-MSA counties in Texas. The attractiveness of entry into the Wharton County banking market is also demonstrated by the de novo entry into the market of a depository institution in May 2000. In addition, the market gained an additional bank competitor in April 1999 when an out-of-market bank acquired a savings association operating in the market.

The Department of Justice has reviewed the proposal and advised the Board that consummation of the proposal would not likely have any significantly adverse competitive effects in the Wharton County banking market or any other relevant banking market. The FDIC has also not objected to the proposal.

After carefully reviewing all the facts of record, and for the reasons discussed in the order, the Board concludes that consummation of the proposal would not likely result in a significantly adverse effect on competition or on the concentration of banking resources in any of the banking markets in which Prosperity and Commercial directly compete or in any other relevant banking market. Accordingly, based on all the facts of record, the Board has determined that the competitive factors are consistent with approval of the proposal.

Other Considerations

The BHC Act requires the Board, in acting on an application, to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal, the convenience and needs of the communities to be served, and certain supervisory factors. The Board has reviewed these factors in light of the record, including supervisory reports of examination assessing the financial and managerial resources of the organizations and financial information provided by Prosperity. Based on all the facts of record, the Board concludes that the financial and managerial resources and the future prospects of Prosperity, Commercial, and their respective depository institutions, are consistent with approval, as are the other supervisory factors that the Board must consider under section 3 of the BHC Act. In addition, considerations relating to the convenience and needs of the communities to be served, including the records of performance of the institutions involved under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*), are consistent with approval of the application.[10]

Conclusion

Based on the foregoing, and in light of all the facts of record, the Board has determined that the application

8. As the Board has indicated in previous cases, in a market in which the competitive effects of a proposal exceed the DOJ Guidelines, the Board will consider whether other factors tend to mitigate the proposal's competitive effects. The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the level of market concentration and the size of the increase in market concentration after consummation of the proposal. *See NationsBank Corporation*, 84 *Federal Reserve Bulletin* 129 (1998).

9. The Board previously has indicated that, when analyzing the competitive effects of a proposal, it may consider the competitiveness of savings associations based on a deposit weighting greater than 50 percent if appropriate. *See, e.g., Banknorth Group, Inc.*, 75 *Federal Reserve Bulletin* 703 (1989). Of the two savings associations in the Wharton County banking market, one maintains 7.7 percent and the other maintains 4.6 percent of the loan assets in commercial loans. This level of commercial lending at these institutions compares favorably with the national average of 3.8 percent of the loan assets in thrift portfolios that are commercial loan holdings. *See First Union Corporation*, 84 *Federal Reserve Bulletin* 489 (1998).

10. First Prosperity Bank received a "satisfactory" rating from the FDIC, as of March 1, 2000, and Heritage Bank received a "satisfactory" rating from the FDIC, as of July 1, 2000.

should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by Prosperity with all the commitments and representations made in connection with this application. 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 of Commercial shall not be consummated before the fifteenth calendar day following the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Dallas, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 5, 2001.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Concurring Statement of Governor Meyer

I believe the proposed acquisition presents a close case because it allows a very large change in the HHI of the Wharton County banking market that will take the market into the highly concentrated range based on the DOJ Guidelines. I believe we should pay attention to the relations hip between the change in the HHI and the post-merger level of the HHI. For example, only modest mitigating factors would suffice when a modest change in the HHI takes the post-merger level of the HHI into the highly concentrated range. On the other hand, when a larger change in the HHI brings about this result, I would expect correspondingly more compelling mitigating factors. The relationship between the change in the HHI and the post-merger level in this case is uncomfortably high and the relative strength of the mitigating factors make this an extremely close case.

Orders Issued Under Section 4 of the Bank Holding Company Act

Great Southern Bancorp, Inc. Springfield, Missouri

Order Approving the Acquisition of Shares of a Thrift Holding Company

Great Southern Bancorp, Inc. ("Great Southern"), a financial 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 1843(j)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to own up to 20 percent of the voting shares of Guaranty Federal Bancshares, Inc., Springfield, Missouri ("Guaranty"). Guaranty controls Guaranty Federal Savings Bank, a federal savings bank. Great Southern expects that the percentage of its ownership interest in Guaranty will increase largely as the result of the repurchase by Guaranty of shares owned by other shareholders.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (65 *Federal Register* 71,322 (2000)), and the time for filing comments has expired. The Board has considered the notice and all comments received in light of the factors set forth in section 4(j)(2) of the BHC Act.

Great Southern, with total consolidated assets of $1.1 billion, operates the 12th largest depository institution in Missouri, controlling deposits of approximately $436.3 million, representing less than 1 percent of total deposits in depository institutions in the state.[1] Guaranty controls the 67th largest depository institution in Missouri, which has deposits of $70.4 million.

The Board previously has determined by regulation that the ownership 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.[2]

Guaranty has objected to the increase in percentage ownership interest by Great Southern. Guaranty has adopted anti-takeover provisions designed to discourage a takeover attempt not approved by Guaranty's board of directors.[3]

Great Southern seeks the Board's approval to allow the percentage of outstanding shares of Guaranty owned by Great Southern to increase primarily as the result of stock repurchases by Guaranty. Great Southern has indicated that it does not intend to exercise control over Guaranty for purposes of the BHC Act, and, in this connection, has agreed to abide by certain commitments that the Board has relied on in other cases to determine that an investing bank

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

2. 12 C.F.R. 225.28(b)(4).

3. Guaranty states that the current ownership interest by Great Southern violates Guaranty's articles of incorporation, which Guaranty asserts would prohibit any person from acquiring more than 10 percent of Guaranty's shares, before December 2002. Guaranty's articles of incorporation recognize shareholdings in excess of 10 percent under certain circumstances, and impose restrictions on the voting rights of shareholders with more than a 10-percent ownership interest. The courts have indicated that the Board must analyze all the proposals under the BHC Act in light of the factors enumerated in the BHC Act and may consider matters related to shareholders' rights only to the extent those matters relate to the factors enumerated in the BHC Act. *See Western Bancshares, Inc. v. Board of Governors*, 480 F.2d 749 (10th Cir. 1973). The questions whether the ownership of more than 10 percent of the shares of Guaranty may be prohibited by its articles of incorporation or whether the ownership of shares is permissible and voting rights associated with those shares are restricted are questions of state corporate law, as is the question whether Great Southern can be placed in violation of the articles of incorporation by stock redemptions made by Guaranty. The Board has analyzed this proposal under the factors that the Board is required to consider under the BHC Act.

holding company would not be able to exercise a controlling influence over a depository institution for purposes of the BHC Act.[4]

Based on these commitments and all other facts of record, it is the Board's judgment that Great Southern would not acquire control of Guaranty for purposes of the BHC Act through consummation of this proposal.

The Board is required by section 4(j)(2)(A) of the BHC Act to determine that the proposal "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."[5]

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 all the facts of record.[6] Great Southern and Guaranty compete directly in the Springfield, Missouri, banking market ("Springfield banking market").[7] If this proposal were considered an acquisition of control of Guaranty by Great Southern, Great Southern would control the second largest depository institution in the Springfield banking market, representing approximately 14.4 percent of total deposits in depository institutions in the market ("market deposits").[8] The Herfindahl-Hirschman Index ("HHI") would increase by 57 points to 952, and the market would remain unconcentrated.[9] 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 Springfield banking market or any other relevant banking market.

Financial, Managerial, and Supervisory Considerations

The Board also has carefully reviewed the financial and managerial resources of Great Southern and Guaranty and their respective subsidiaries and the effect the transaction would have on such resources in light of all the facts of record.

The Board has reviewed, among other things, confidential reports of examination and other supervisory information received from the primary federal supervisors of the organizations. The Board has also considered the limited relationship Great Southern proposes to have with Guaranty and the matters raised by Guaranty to the extent they bear on the managerial resources of Great Southern. In reviewing managerial resources, the Board consulted with the OTS, which is the appropriate federal banking agency for Guaranty. The OTS has indicated no objection to Board approval of this notice. Based on 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.

This proposal is designed to ensure that Great Southern's interest in Guaranty remains in compliance with the BHC Act after Guaranty repurchases its shares, and consummation of the proposal would have minimal adverse effects on concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Based on the foregoing and all the facts of record, including consultations with OTS staff, and commitments made by Great Southern that prevent it from exercising control over Guaranty, the Board has determined that consummation of the proposal can reasonably be expected to produce benefits to the public that outweigh any potential adverse effects of the proposal under the standard of 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 notice should be, and hereby is, approved. The Board's approval of the proposal is specifically conditioned on compliance by Great Southern with the commitments made in connection with this notice. The Board's determination also is subject to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as

4. For example, Great Southern has committed not to exercise or attempt to exercise a controlling influence over the management or policies of Guaranty or any of its subsidiaries, and not to have any employees or representatives of Great Southern serve as an officer, employee, or agent of Guaranty. Great Southern also has committed not to attempt to influence the dividend policies, loan decisions, or operations of Guaranty or any of its subsidiaries. These commitments were made in connection with the Federal Reserve System's approval of Great Southern's request in April 1999 to acquire up to 15 percent of the voting shares of Guaranty and are incorporated by reference.

5. 12 U.S.C. 1843(j)(2)(A).

6. *See First Hawaiian, Inc.*, 79 *Federal Reserve Bulletin* 966 (1993).

7. The Springfield banking market consists of Christian, Green, and Webster Counties, all in Missouri.

8. 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 before consummation. 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 Great Southern and Guaranty were a combined entity, the deposits of Guaranty are included at 100 percent in the calculation of Great Southern's post-consummation share of market deposits. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669 (1990).

9. 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 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 relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decisions 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 for good cause by the Board or the Federal Reserve Bank of St. Louis, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 26, 2001.

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

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

MetLife, Inc. New York, New York

Order Approving Formation of a Bank Holding Company and Determination on a Financial Holding Company Election MetLife, Inc. ("MetLife") has requested the Board's approval under section 3 of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842) to become a bank holding company by acquiring all the shares of Grand Bank, National Association, Kingston, New Jersey ("Bank").[1] As part of its proposal to become a bank holding company, MetLife has also filed with the Board an election to become a financial holding company pursuant to section 4(k) and (l) of the BHC Act (12 U.S.C. § 1843(k) & (l)) and section 225.82 of the Board's Regulation Y (12 C.F.R. 225.82).

Notice of the proposal under section 3 of the BHC Act, affording interested persons an opportunity to submit comments, has been published (65 *Federal Register* 60,671 (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 section 3 of the BHC Act.

MetLife, with total consolidated assets of $258 billion, is an insurance and financial services firm engaged principally in the business of underwriting life and property and casualty insurance.[2] MetLife also engages in a variety of other financial activities in the United States and internationally, including investment advisory and securities brokerage activities, and offers annuity, mutual fund, pension, retirement, and other investment products and related services.

Bank, with total consolidated assets of $83.8 million, is the 126th largest depository institution in New Jersey, controlling deposits of approximately $51.9 million in the state, representing less than 1 percent of the state's deposits.[3]

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 a bank. 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 communities 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; and the availability of information needed to determine and enforce compliance with the BHC Act and other applicable federal banking laws.[4]

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.[5]

The proposal involves the acquisition of a bank by MetLife, which owns a limited-purpose trust company and a variety of nonbanking companies but does not own a

1. MetLife's principal subsidiary, Metropolitan Life Insurance Company, New York, New York ("Metropolitan Life"), converted from mutual to stock organization in April 2000 (the "Demutualization"). As part of the Demutualization, MetLife established a policyholder trust (the "Trust") to permit the administration of stockholder accounts created through the conversion of Metropolitan Life to stock form.

Based on the special circumstances regarding the formation, duration, voting rights and transferability of shares held by the Trust, the Board has determined that the Trust, which currently holds the majority of the shares of MetLife, is not a "company" for purposes of the BHC Act at the present time. The Board may revisit this determination if the facts at a later date indicate that the terms or operation of the Trust have changed to cause the Trust to become in form more like a company, or become a vehicle for exercising control over MetLife or for conducting other activities.

2. Asset data for MetLife are as of September 30, 2000.

3. Asset data for Bank are as of September 30, 2000, and deposit and ranking data are as of June 30, 2000.

4. In cases involving interstate bank acquisitions by bank holding companies, the Board also must consider the concentration of deposits nationwide and within relevant individual states, as well as compliance with the other provisions of section 3(d) of the BHC Act.

5. 12 U.S.C. § 1842(c)(1).

commercial bank or savings association.[6] Based on 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 any relevant market. Accordingly, the Board has determined that the competitive factors under section 3 of the BHC Act are consistent with approval of the proposal.

Financial and Managerial Considerations

The Board has carefully considered the financial and managerial resources and future prospects of the companies and bank 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. In evaluating the financial and managerial factors, the Board has reviewed confidential examination and other supervisory information evaluating the financial and managerial strength of MetLife and its affiliates, including its regulated subsidiaries, and of Bank.

The Board consistently has considered capital adequacy to be an especially important aspect of the analysis of financial factors.[7] Bank and all the subsidiaries of MetLife that are subject to regulatory capital requirements currently exceed those relevant minimum regulatory capital requirements. In addition, Bank is currently well capitalized under relevant federal guidelines. Other financial factors also are consistent with approval.

The Board has carefully considered the managerial resources of MetLife and Bank in light of all the facts of record, including confidential examination and other supervisory information, information submitted by state insurance regulators and enforcement authorities in response to requests by the Board, and information provided by MetLife regarding its existing and proposed risk management policies and procedures.[8] Based on all the facts of record, the Board concludes that considerations relating to the financial and managerial resources and future prospects of the organizations involved are consistent with approval.

The Board notes further that a substantial proportion of MetLife's activities are conducted in subsidiaries that are subject to functional regulation by state insurance commissions or by the Securities and Exchange Commission ("SEC"). The Board will, consistent with the provisions of section 5 of the BHC Act as amended by the Gramm-Leach-Bliley Act, rely heavily on the appropriate state insurance regulators and the SEC for examination and other supervisory information in fulfilling the Board's responsibilities as holding company supervisor.

Convenience and Needs Considerations

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 received on the effect the proposal would have on the communities to be served.

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 of the relevant institutions. 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.[9]

MetLife currently does not control an institution subject to evaluation under the CRA. The Board has reviewed in detail, however, the record of performance of Bank under the CRA as well as information presented by MetLife related to the convenience and needs factor.[10] Bank received an overall rating of "satisfactory" from its primary federal supervisor, the Office the Comptroller of the Currency ("OCC"), at its most recent evaluation for CRA performance, as of February 2000. OCC examiners reviewed Bank under the CRA small bank performance test,[11] and MetLife has requested that the OCC continue to evaluate Bank under that test after consummation of the proposal.[12] Based on all the facts of record, the Board

6. MetLife owns MetLife Trust Company, N.A., Bedminster, New Jersey ("MTC"), a limited-purpose trust company that is not a bank for purposes of the BHC Act. *See* 12 U.S.C. § 1841(c).

7. *See Chemical Banking Corporation*, 82 *Federal Reserve Bulletin* 230 (1996).

8. Two commenters urged the Board to consider recent settlements that Metropolitan Life entered in connection with a class-action suit and several administrative actions that state insurance regulators initiated following charges that Metropolitan Life agents employed deceptive practices in selling whole life insurance policies. These commenters, and another commenter, also noted a recent joint administrative sanction from Florida and Georgia insurance regulators directed against 29 insurance companies, including Metropolitan Life, concerning alleged racial discrimination in pricing small-value life insurance policies that were sold in the 1950s and 1960s. The Board has considered these matters in light of all the facts of record, including in particular the comments of state insurance regulators and information that MetLife provided about its compliance operations, such as enhancements that MetLife has made to its compliance program in response to the problems identified in these investigations and lawsuits.

9. The Interagency Questions and Answers Regarding Community Reinvestment ("CRA Q&A") provide that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record. *See* 65 *Federal Register* 25,088 and 25,107 (2000).

10. One commenter asked the Board to consider, as part of its review of the convenience and needs factor, the actions of a MetLife subsidiary in raising rents in an apartment complex in Waltham, Massachusetts. Such actions by MetLife are, however, outside the scope of the convenience and needs factor, which has been interpreted consistently 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).

11. *See* 12 C.F.R. 25.26(a).

12. MetLife initially proposed that Bank be designated as a wholesale bank for CRA purposes.

concludes that considerations related to the convenience and needs of the communities to be served are consistent with approval.[13]

Conclusion Regarding Bank Acquisition

Based on the foregoing, and in light of all the facts of record, the Board has determined that the application should be, and hereby is, approved.[14] In reaching its conclusion, the Board has considered all the facts of record in light of the factors the Board is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by MetLife with all the commitments made in connection with the application. For the purpose of this action, the commitments 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 transaction shall not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such periods are extended for good cause by the Board or the Federal Reserve Bank of New York, acting pursuant to delegated authority.

One commenter requested that the Board identify a larger CRA assessment area for Bank to use after consummation of the proposal than the one currently used. The appropriateness of Bank's designated assessment area is, however, determined by the OCC as Bank's primary federal supervisor.

13. One commenter requested that the Board require MetLife to devote at least 2 percent of its assets to lending and investments in low-income communities nationwide as a condition of approval of the proposal. Although Bank's lending and investment in low-income communities has been and will continue to be reviewed by the OCC in assessing Bank's performance under the CRA, neither the CRA nor the applicable regulations of the federal supervisory authorities require a bank or its affiliates to meet specific lending or investment targets based on the size of the institution.

14. Two commenters requested 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 the bank to be acquired makes a timely written recommendation of denial of the application. The Board has not received such a recommendation from the appropriate supervisory authority.

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). The Board has considered carefully the commenters' request in light of all the facts of record. In the Board's view, commenters have had ample opportunity to submit their views, and they did submit written comments that have been considered carefully by the Board in acting on the proposal. The commenters' requests fail to demonstrate why their written comments do not present their views adequately and fail 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 requests for a public meeting or hearing on the proposal are denied.

Financial Holding Company Declaration

MetLife also has filed with the Board an election to become a financial holding company pursuant to section 4(k) and (l) of the BHC Act and section 225.82 of Regulation Y. MetLife has certified that Bank and MTC are well capitalized and well managed, and has provided all the information required under Regulation Y.[15]

The Board has reviewed the examination ratings received by Bank under the CRA and other relevant examinations and information. Based on all the facts of record, the Board has determined that this election to become a financial holding company will become effective on consummation of the acquisition of Bank by MetLife, as long as Bank and MTC continue to be well capitalized, well managed, and Bank has at least a satisfactory CRA rating on that date.

By order of the Board of Governors, effective February 12, 2001.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

UFJ Holdings, Inc. (In Formation) Osaka, Japan

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

UFJ Holdings, Inc. (in formation) ("UFJ"), 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 Sanwa Bank, Limited, Osaka, Japan ("Sanwa"), and The Tokai Bank, Limited, Nagoya, Japan ("Tokai").[1] UFJ 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 4(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 Sanwa and The Toyo Trust and Banking Company, Limited, Tokyo, Japan ("Toyo"), and thereby engage in certain permissible nonbanking activities.[2]

15. Although MTC is not a bank for purposes of the BHC Act, it is a depository institution as defined in the Federal Deposit Insurance Act and, therefore, MetLife must certify that MTC is well capitalized and well managed as part of MetLife's election to become a financial holding company. *See* 12 U.S.C. § 1813(c)(1), 1843(l)(1). As noted above, MTC is not subject to CRA.

1. The U.S. subsidiary banks are Sanwa Bank California, San Francisco, California ("Sanwa Bank"), and Tokai Bank of California, Los Angeles, California ("Tokai Bank").

2. The nonbanking activities of Sanwa and Toyo for which UFJ has sought Board approval under sections 4(c)(8) and 4(j) of the BHC Act are listed in the Appendix.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (65 Federal Register 64,445 (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.

UFJ is a corporation that would be formed under the laws of Japan to acquire Sanwa, Tokai, and Toyo.[3] On consummation of the proposal, UFJ would become the second largest banking organization in Japan, with total consolidated assets of $783 billion.[4]

Sanwa, with total consolidated assets of $429 billion, is the fifth largest bank in Japan. In the United States, Sanwa owns Sanwa Bank and operates branches in Los Angeles and San Francisco, California; Chicago, Illinois; and New York, New York; and representative offices in Houston, Texas, and New York, New York.

Tokai, with total consolidated assets of $278 billion, is the eighth largest bank in Japan. In the United States, Tokai owns Tokai Bank and operates branches in Chicago, Illinois, and New York, New York; an agency in Los Angeles, California; and representative offices in Florence, Kentucky, and New York, New York.

Toyo, with total consolidated assets of $76 billion, is the 17th largest bank in Japan. In the United States, Toyo operates a representative office in New York, New York.

In addition, Sanwa, Tokai, and Toyo engage in a broad range of permissible nonbanking activities in the United States through subsidiaries.

Factors Governing Board Review of the Proposal

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.[5]

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

4. All asset and ranking data are as of March 31, 2000, and are based on exchange rates then applicable.

5. In cases, unlike this proposal, involving interstate bank acquisitions, the Board also must consider the concentration of deposits in the United States 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 UFJ, Sanwa, Tokai, and Toyo; 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 Sanwa, Tokai, and Toyo, and from various federal and state agencies, including the California Department of Banking and other relevant agencies.

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.[6]

Sanwa and Tokai control banking operations that compete directly in the Los Angeles, Sacramento, San Diego, and San Francisco-Oakland-San Jose banking markets, all in California.[7] In each of these markets, the Herfindahl-Hirschman Index ("HHI") would increase by 5 points or less,[8] UFJ would control less than 5 percent of total deposits in insured depository institutions in the market ("market deposits"), and the banking market would remain unconcentrated or moderately concentrated with numerous competitors remaining in the market.[9] Based on these and all the facts of record, the Board concludes that consummation

6. 12 U.S.C. § 1842(c)(1).

7. The Los Angeles banking market includes the Los Angeles Ranally Metropolitan Area ("RMA") and the towns of Rancho Santa Margarita and Rosamond. The Sacramento banking market includes the Sacramento RMA and the town of Cool. The San Diego banking market includes the San Diego RMA and the town of Pine Valley. The San Francisco-Oakland-San Jose banking market includes the San Francisco-Oakland-San Jose RMA and the towns of Hollister, Pescadero, Point Reyes Station, and San Juan Bautista.

8. Under the Revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market is considered unconcentrated if the post-merger HHI is less than 1000 and moderately concentrated if the post-merger HHI is between 1000 and 1800. 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.

9. Market share data are as of June 30, 1999. In the Los Angeles banking market, the HHI would increase by 5 points to 979 and UFJ would control 3.6 percent of market deposits. In the Sacramento banking market, the HHI would increase by 1 point to 1197 and UFJ would control 1.7 percent of market deposits. In the San Diego banking market, the HHI would remain unchanged at 1207 and UFJ would control less than 1 percent of market deposits. In the San Francisco-Oakland-San Jose banking market, the HHI would remain unchanged at 1495 and UFJ would control 1.3 percent of market deposits.

of the proposal would not result in any significantly adverse effects on competition or on the concentration of banking resources in these or any other relevant banking markets.

Certain 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."[10] The Board has determined previously, in applications under the BHC Act, that certain Japanese commercial banks, including Sanwa, were subject to comprehensive consolidated supervision by their home country supervisor.[11] In this case, the Board has determined that Tokai and Toyo are supervised on substantially the same terms and conditions as other Japanese banks reviewed by the Board. In addition, Japan's Financial Services Agency ("FSA") has supervisory authority with respect to UFJ and its nonbanking subsidiaries. The FSA may conduct inspections of UFJ and its subsidiaries and require UFJ to submit reports about its operations on a consolidated basis. The FSA also may review transactions between UFJ and its subsidiaries and has authority to require UFJ to take measures necessary to ensure the safety and soundness of the UFJ organization. Based on all the facts of record, the Board has concluded that Sanwa, Tokai, and Toyo are subject to comprehensive supervision and regulation on a consolidated basis by their home country supervisor.

The BHC Act also requires the Board to determine that the applicants 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 disclosures in jurisdictions where Sanwa, Tokai, and Toyo have and UFJ would have material operations and has communicated with relevant government authorities concerning access to information. UFJ has committed that, to the extent not prohibited by applicable law, it will make available to the Board such information on the operations of UFJ and any of its affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act and other applicable federal law. UFJ also has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary in order to enable UFJ to make any such information available to the Board. In light of these commitments and other facts of record, the Board has concluded that UFJ 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 of the BHC Act are consistent with approval.

Financial, Managerial, and Convenience and Needs Considerations

The Board also has considered carefully the financial and managerial resources and future prospects of UFJ 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. The Board has consulted with and considered the views regarding this transaction of the home country supervisor for the banking organizations involved. 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 Sanwa, Tokai, and Toyo would issue no debt as part of the transaction. UFJ's stated pro forma capital levels would 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.

In addition, the Board has reviewed supervisory information from the home country authorities responsible for supervising Sanwa, Tokai, and Toyo concerning the proposal and the condition of the parties; confidential financial information from Sanwa, Tokai, and Toyo; and reports of examination from the appropriate federal and state supervisors of the affected organizations assessing the financial and managerial resources of the organizations. Based on all the facts of record, the Board has concluded that the financial and managerial resources and future prospects of the organizations involved in the proposal are consistent with approval.

Sanwa Bank received an "outstanding" CRA performance rating from the Federal Deposit Insurance Corporation ("FDIC") at its most recent examination, as of August 1998. Tokai Bank also received an "outstanding" CRA performance rating from the FDIC at its most recent examination, as of June 2000. Toyo has no operation in the United States that is subject to examination under the CRA.[12] In light of all the facts of record, the Board has

10. 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).

11. *See Mizuho Holdings*, Inc., 86 *Federal Reserve Bulletin* 776 (2000); *The Sanwa Bank, Limited*, 86 *Federal Reserve Bulletin* 54 (2000); *The Fuji Bank, Limited*, 85 *Federal Reserve Bulletin* 338 (1999).

12. Until recently, Toyo Trust Company of New York, New York, New York ("Toyo Trust"), which performs trust company functions, was an insured depository institution. Toyo Trust received an "outstanding" CRA performance rating from the FDIC at its last examination, as of September 1998.

concluded that considerations relating to the convenience and needs of the communities to be served, including the records of performance of the relevant depository institutions under the CRA, are consistent with approval.

Nonbanking Activities

UFJ also has filed notices under section 4(c)(8) and 4(j) of the BHC Act to acquire the U.S. nonbanking subsidiaries of Sanwa and Toyo and to engage in the United States in various permissible nonbanking activities. Sanwa engages in bank-ineligible securities activities in the United States through its section 20 subsidiary, Sanwa Universal Securities Co, L.L.C., New York, New York ("Sanwa Universal"). Sanwa Universal is and would continue to be registered as a broker-dealer with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 ("1934 Act").[13] Accordingly, Sanwa Universal is and would continue to be subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the SEC and the 1934 Act.

Underwriting and Dealing in Bank-Ineligible Securities

The Board determined by order before November 12, 1999, that, subject to the prudential framework of limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, or other adverse effects, underwriting and dealing in bank-ineligible securities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[14] The Board has permitted such securities activities on the condition that the company engaged in the activities derives no more than 25 percent of its gross revenues from underwriting and dealing in bank- ineligible securities over a two-year period.[15] UFJ has committed that it will conduct its bank-ineligible securities underwriting and dealing activities subject to the 25-percent revenue limitation and the limitations previously established by the Board. As a condition of this order, UFJ and Sanwa Universal are required to conduct their bank-ineligible securities activities subject to the Operating Standards established for section 20 subsidiaries ("Operating Standards").[16]

Other Activities Approved by Regulation or Order

The Board determined by regulation before November 12, 1999, that extending credit and engaging in activities related to extending credit; leasing activities; trust company functions; providing financial and investment advisory services; providing securities brokerage, riskless principal, private placement, futures commission merchant, and other agency transactional services; and engaging in investment transactions as a principal are closely related to banking for purposes of section 4(c)(8) of the BHC Act.[17] UFJ has committed that it will conduct these activities in accordance with the Board's regulations and prior Board decisions relating to the activities.

In order to approve the notice, the Board also must determine that the acquisition of the U.S. nonbanking subsidiaries of Sanwa, Tokai, and Toyo and the performance of the proposed activities by UFJ 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.[18]

UFJ has indicated that the proposal would improve the financial position and future business prospects of the current banking and nonbanking subsidiaries of Sanwa, Tokai, and Toyo. In addition, the proposal would make available a broader range of services to customers of Sanwa, Tokai, and Toyo.

The Board has carefully considered the competitive effects of the proposed transaction under section 4 of the BHC Act.[19] To the extent that Sanwa, Tokai, and Toyo offer different types of nonbanking products, the proposal would result in no loss of competition. Certain nonbanking subsidiaries of Sanwa, Tokai, and Toyo compete, however, in the market for providing trust company functions. The market for this nonbanking activity is regional or national. The record in this case also indicates that there are numerous providers of trust services and that the market for trust services is 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

13. 15 U.S.C. § 78a *et seq.*

14. *See Canadian Imperial Bank of Commerce, et al.*, 76 *Federal Reserve Bulletin* 158 (1990); *J.P. Morgan & Co., Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir. 1990); *Citicorp, et al.*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir. 1988), *cert. denied*, 486 U.S. 1059 (1988) (collectively, "Section 20 Orders").

15. *See* Section 20 Orders. Compliance with the revenue limitation shall be calculated in accordance with the method stated in the Section 20 Orders, as modified by the *Order Approving Modifications to the Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989), and *10 Percent Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 48,953 (1996); and *Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 68,750 (1996) (collectively, "Modification Orders").

16. 12 C.F.R. 225.200. Sanwa Universal may provide services that are necessary incidents to the proposed underwriting and dealing activities. Unless Sanwa Universal receives specific approval under section 4(c)(8) of the BHC Act to conduct the incidental activities independently, any revenues from such activities must be treated as ineligible revenues subject to the Board's revenue limitation.

17. *See* 12 C.F.R. 225.28(b)(1), (2), (3), (5), (6), (7), and (8).

18. *See* 12 U.S.C. § 1843(j)(2)(A).

19. The Board approved previously the acquisition by Sanwa of up to 32 percent of the voting shares of Toyo. *See The Sanwa Bank, Limited*, 86 Federal Reserve Bulletin 54 (2000).

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 of the proposal.

Conclusion

Based on the foregoing, the Board has determined that the transaction should be, and hereby is, approved, subject to all the terms and conditions in this order and the Section 20 Orders, as modified by the Modification Orders. The Board's approval of the proposal extends only to activities conducted within the limitations of those orders and this order, including the Board's reservation of authority to establish additional limitations to ensure that the activities of UFJ are consistent with safety and soundness, avoidance of conflicts of interests, and other relevant considerations under the BHC Act. Underwriting and dealing in any manner other than as approved in this order and the Section 20 Orders (as modified by the Modification Orders) is not within the scope of the Board's approval and is not authorized for UFJ or Sanwa Universal.

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 federal statutes. The Board's approval is specifically conditioned on compliance by UFJ with all the commitments made in connection with this application and notice, including the commitments discussed in this 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 UFJ and any of its affiliates that the Board determines to be appropriate to determine and enforce compliance by UFJ 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 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 Sanwa and Tokai 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 Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 5, 2001.

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 Sanwa, Tokai, and Toyo in which UFJ 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 the Board's Regulation Y (12 C.F.R. 225.28(b)(3));
(4) Performing trust company functions, in accordance with section 225.28(b)(5) of the Board's Regulation Y (12 C.F.R. 225.28(b)(5));
(5) Providing financial and investment advisory services, in accordance with section 225.28(b)(6) of the Board's 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) Engaging in investment transactions as principal, in accordance with section 225.28(b)(8) of Regulation Y (12 C.F.R. 225.28(b)(8)); and
(8) Engaging in underwriting and dealing to a limited extent in municipal revenue bonds, 1–4 family mortgage-related securities, commercial paper, and consumer receivable-related securities, as approved by the Board in *The Sanwa Bank, Limited*, 76 *Federal Reserve Bulletin* 568 (1990).

ORDERS ISSUED UNDER BANK MERGER ACT

Allfirst Bank
Baltimore, Maryland

Order Approving Establishment of Branches

Allfirst Bank, Baltimore, Maryland ("Allfirst"), a state member bank, has given notice under section 9 of the Federal Reserve Act ("Act") (12 U.S.C. § 321 *et seq.*), of its intention to establish branches at Central Avenue & Campus Way South, Largo, Maryland; and Broadcast Square Center, Broadcast Road & Papermill Road, Reading, Pennsylvania.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the Board's Rules of Procedure (12 C.F.R. 262.3(b)). The time for filing comments has expired, and the Board has considered the notices and all comments received in light of the factors specified in the Act.

Allfirst is the largest commercial banking organization in Maryland, controlling deposits of approximately $11.6 billion, representing 34.6 percent of commercial banking deposits in the state.[1] Allfirst is a wholly owned subsidiary of Allfirst Financial Inc., Baltimore, Maryland, and Allied Irish Banks, P.L.C., Dublin, Ireland.

Community Reinvestment Act Considerations

In acting on an application to establish a branch, the Board is required to take into account the bank's record under the Community Reinvestment Act ("CRA").[2] The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation, and requires the appropriate federal supervisory authority to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating branch applications.

The Board has received a comment from the Maryland Center for Community Development ("MCCD"), a statewide nonprofit organization, that criticizes Allfirst's record of opening branches in Baltimore. MCCD alleges that Allfirst has failed to serve the LMI areas of the city, and that residents in these areas must obtain transportation to reach a bank branch or use check cashing outlets when seeking financial services. MCCD also encourages Allfirst to establish alternative delivery systems to provide banking services in low-income areas. Allfirst has responded that most of its branches serve LMI neighborhoods and that it has loaned more than $30 million to finance the construction of multifamily residences and approximately $10 million in equity investments to support affordable housing in Baltimore. Allfirst also has represented that it has worked successfully with community groups and nonprofit organizations to provide credit products and services in disadvantaged areas and to revitalize underserved communities in its assessment area.

A. CRA Performance Examination

As provided in the CRA, the Board evaluates the performance of an institution in light of examinations by the appropriate federal supervisors of the CRA performance record of the institution. 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.[3] Allfirst received a "satisfactory" rating at its most recent CRA examination by its then primary federal supervisory agency, the Office of the Comptroller of the Currency, as of October 1998.[4]

B. CRA Performance Record

Examiners found that Allfirst was responsive to the credit needs of its assessment area, including the Baltimore Metropolitan Statistical Area ("Baltimore MSA").[5] Examiners commended Allfirst for its responsiveness to the credit needs of borrowers of all income levels, including LMI borrowers. For example, while LMI families accounted for 36 percent of all families in its assessment area, and lenders in the aggregate made 25 percent of all their housing-related loans to LMI families in 1997, Allfirst made 40 percent of its housing-related loans to LMI families during this period.[6] Allfirst also had a good record of lending in LMI census tracts. Allfirst made 16 percent by number and 13 percent by dollar volume of its housing-related loans in LMI census tracts in its assessment area in 1997, compared with 14 percent and 9 percent, respectively, by lenders in the aggregate.[7] In addition, Allfirst's lending to small businesses in LMI census tracts exceeded

1. Deposit and state ranking data are as of June 30, 2000.

2. 12 U.S.C. § 2901 *et seq.*

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

4. Allfirst, formerly The First National Bank of Maryland, converted from a national charter to a state charter in December 1998.

5. Allfirst's assessment area consists of all Maryland counties, except Allegheny and Garrett Counties; Washington, D.C.; and Arlington, Fairfax, and Loudoun Counties and the cities of Alexandria, Fairfax, and Falls Church in Virginia.

6. In the Baltimore MSA, LMI households accounted for 26 percent of all households, and Allfirst made 34 percent of all its housing-related loans in the MSA to LMI households during the CRA examination period, which covered all of 1997 and the first nine months of 1998 ("CRA examination period"). Allfirst also made 53 percent of its home purchase mortgage loans in the Baltimore MSA to LMI borrowers in 1997, and it made 62 percent of these loans to LMI borrowers in the first nine months of 1998.

7. LMI census tracts accounted for 28 percent of all census tracts in Allfirst's assessment area. Allfirst made 16 percent by number and 13 percent by dollar volume of its housing-related loans in the Baltimore MSA in LMI census tracts in 1997, compared with 15 percent by number and 8 percent by dollar volume for lenders in the aggregate. LMI census tracts accounted for 31 percent of all census tracts in the Baltimore MSA. For the City of Baltimore, the area addressed by MCCD in its comments, data collected under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) for 1998 and 1999 indicate that Allfirst has maintained a similar record. Allfirst made 55 percent of its housing-related loans to borrowers in LMI census tracts in 1998 and 55.2 percent in 1999, compared with 57.5 percent and 60.1 percent by lenders in the aggregate during these periods. LMI census tracts accounted for 72 percent of all census tracts in the city and 70 percent of the total population of the city resided in these areas.

the distribution of small business loans in these census tracts by lenders in the aggregate.[8]

Allfirst was found by examiners to be an active community development lender. During the CRA examination period, Allfirst extended 25 community development loans and lines of credit, totaling $52.5 million, throughout its assessment area. Seventeen of these loans, totaling $41.6 million, were made in the Baltimore MSA. Allfirst also made $8.6 million of qualified community development investments in its assessment area, and made commitments to invest an additional $30 million. These projects included a commitment made in 1998 to invest $2.7 million, of which $1.5 million was funded during the CRA examination period, to create an affordable elderly housing facility in a moderate-income census tract in Baltimore County, Maryland, and a commitment of $250,000 to a nonprofit organization to help to purchase and renovate a shopping center in a low-income area of the City of Baltimore.[9] Qualified investments in the Baltimore MSA totaled $2.6 million, which was a reasonable amount according to examiners.

Allfirst's distribution of branches and ATMs was considered by examiners to be reasonable and to serve all income-level areas of its assessment area. Twenty-six percent of Allfirst's branches and 29 percent of its nonbranch ATMs were in LMI census tracts. Branch openings and closings did not adversely effect accessibility by LMI individuals. In the City of Baltimore, ten of Allfirst's 14 branches are in LMI census tracts, and a bank branch operates within one mile of each of the LMI neighborhoods identified by MCCD in its comment. Examiners found that all branches offered a common set of traditional banking products and services.[10] During the CRA examination period, Allfirst also participated in 24 community development events in Baltimore and surrounding counties to promote home ownership and small business development.

A fair lending review of Allfirst conducted during the CRA examination period did not identify any violations of antidiscrimination laws and regulations. Examiners stated that the bank had an effective system in place to ensure compliance with fair lending laws and regulations.

C. Conclusion on CRA Performance

The Board has considered carefully the entire record of Allfirst's CRA performance, including MCCD's comments, Allfirst's response, Allfirst's most recent CRA performance examination, and supplemental information concerning Allfirst's housing-related lending and small business lending. Based on all the facts of record, the Board concludes that CRA considerations are consistent with approval of the proposal.

Other Considerations

The Board also has concluded that the factors it is required to consider under section 9 of the Act, including Allfirst's financial condition, the general character of its management, and the proposed exercise of corporate powers, are consistent with approval of these notices.[11]

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the notices should be, and hereby are, approved. The Board's approval is specifically conditioned on Allfirst's compliance with all commitments made in connection with the proposal. The commitments and conditions relied on by the Board 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 Board's approval is subject to the establishment of the proposed branches within one year of the date of this Order, unless such period is extended by the Board or the Federal Reserve Bank of Richmond, acting pursuant to delegated authority, and to approval of the proposal by the appropriate state authorities.

By order of the Board of Governors, effective February 5, 2001.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

8. In 1997, Allfirst made 21 percent by number and dollar volume of its loans to small businesses in its assessment area to small businesses located in LMI census tracts, compared with 17 percent by number and dollar volume for lenders in the aggregate. Data collected after the CRA examination period indicate that Allfirst has maintained this level of performance in Baltimore. In 1998, Allfirst made 77.8 percent by number of its loans to small businesses in the city to small businesses located in LMI census tracts, compared with 67.2 percent for lenders in the aggregate. In 1999, Allfirst made 78.8 percent of these loans in LMI census tracts, compared with 65.7 percent for lenders in the aggregate.

9. According to Allfirst, it has made $39.9 million of community development loans after the CRA examination period, including $18.4 million to finance the construction of 947 affordable housing units in LMI areas in Baltimore.

10. Deposit products included a basic checking account that requires no minimum balance and allows limited check writing for a nominal fee; a direct deposit checking account that requires no minimum balance, charges no monthly fee, and allows unlimited check writing; and a checking account for customers over age 50 that requires a minimum balance of $100 and charges no monthly fee.

11. 12 U.S.C. § 322

INDEX OF ORDERS ISSUED OR ACTIONS TAKEN BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (OCTOBER 1, 2000- DECEMBER 31, 2000)

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
Banco Itaú S.A., Sao Paolo, Brazil	To establish a representative office in Miami, Florida	October 16, 2000	86, 851
The Chase Manhattan Corporation, New York, New York	J.P. Morgan & Co. Incorporated, New York, New York Morgan Guaranty Trust Company of New York, New York, New York	December 11, 2000	87, 76
Euroclear Bank, Brussels, Belgium	To establish a representative office in New York, New York	December 21, 2000	87, 90
Queens County Bancorp, Inc., Flushing, New York	Haven Bancorp, Inc., Westbury, New York CFS Bank, Woodhaven, New York CFS Investments, Inc., Woodhaven, New York Columbia Preferred Capital Corporation, Woodhaven, New York	November 29, 2000	87, 30
UniCredito Italiano S.p.A., Milan, Italy	The Pioneer Group, Inc., Boston, Massachusetts	October 23, 2000	86, 825
Wells Fargo & Company, San Francisco, California	Brenton Banks, Inc., Des Moines, Iowa Brenton Bank, Des Moines, Iowa Brenton Savings Bank, FSB, Ames, Iowa	October 23, 2000	86, 828
Wells Fargo & Company, San Francisco, California	First Security Corporation, Salt Lake City, Utah First Security Bank, National Association, West Covina, California First Security Bank of Nevada, Las Vegas, Nevada First Security Bank of New Mexico National Association, Albuquerque, New Mexico	October 10, 2000	86, 832

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT
By the Secretary of the Board

Recent applications have been approved by the Secretary of the Board as listed below. Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant(s)	Bank(s)	Effective Date
Colorado Business Bancshares, Inc., Denver, Colorado	First Capital Bank of Arizona, Phoenix, Arizona	February 15, 2001

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
American Bancorporation, Cedar Falls, Iowa	The Newburg Corporation, Saint Ansgar, Iowa Cedar Valley State Bank, Saint Ansgar, Iowa	Chicago	February 16, 2001
American National Corporation, Omaha, Nebraska	American National Bank, Lincoln, Nebraska	Kansas City	January 31, 2001
Century Bancshares, Inc., Washington, D.C.	GrandBanc, Inc., Rockville, Maryland	Richmond	January 29, 2001
Colorado Business Bankshares, Inc., Denver, Colorado	First Capital Bank of Arizona, Phoenix, Arizona	Kansas City	January 31, 2001
Comanche National Corporation, Commanche, Texas Comanche National Corporation of Delaware, Wilmington, Delaware	Comanche National Bank, Comanche, Texas	Dallas	January 4, 2001
CreditAmerica Holding Company, Brainerd, Minnesota	CreditAmerica Savings Company, Brainerd, Minnesota American National Bank of Minnesota, Brainerd, Minnesota	Minneapolis	February 5, 2001
First Bancorp, Troy, North Carolina	Century Bancorp, Inc., Thomasville, North Carolina Home Savings, Inc., SSB, Thomasville, North Carolina	Richmond	February 16, 2001
First BancTrust Corporation, Paris, Illinois	First Bank & Trust, S.B., Paris, Illinois	Chicago	February 16, 2001
First Capital Bankshares, Inc., Peoria, Illinois	Community Bank of Lemont, Lemont, Illinois	Chicago	February 8, 2001
Firstrust Corporation, New Orleans, Louisiana	Metro Bank, Kenner, Louisiana	Atlanta	February 13, 2001
Frandsen Financial Corporation, Forest Lake, Minnesota	Oslo Bancorporation, Inc., Oslo, Minnesota Valley State Bank of Oslo, Oslo, Minnesota	Minneapolis	February 6, 2001
Midwest Community Bancshares, Inc., Marion, Illinois	The Egyptian State Bank, Carrier Mills, Illinois	St. Louis	February 6, 2001
MountainBank Financial Corporation, Hendersonville, North Carolina	MountainBank, Hendersonville, North Carolina	Richmond	February 15, 2001
Palm Beach National Holding Company Palm Beach Bank, Florida	Park National Corporation, Newark, Ohio Security Banc Corporation, Springfield, Ohio	Cleveland	February 8, 2001
Republic Bancorp, Inc., Louisville, Kentucky	Republic Bank & Trust Company of Indiana, Clarksville, Indiana	St. Louis	February 1, 2001

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Savings Bancorp, Inc., Circleville, Ohio	Savings Bank, Circleville, Ohio	Cleveland	January 24, 2001
Security Bancshares, Inc., Witt, Illinois	Security National Bank, Witt, Illinois	St. Louis	February 2, 2001
Sierra Bancorp, Porterville, California	Bank of the Sierra, Porterville, California	San Francisco	February 2, 2001
Summit Bank Corporation, Atlanta, Georgia	Global Commerce Bank, Doraville, Georgia	Atlanta	February 8, 2001
Thumb National Bank & Trust Company Employee Stock Ownership Plan and Trust, Pigeon, Michigan	Thumb Bancorp, Inc., Pigeon, Michigan Thump National Bank and Trust Company, Pigeon, Michigan	Chicago	February 1, 2001
Urban Financial Group, Inc., Bridgeport, Connecticut	The Community's Bank, Bridgeport, Connecticut	New York	February 8, 2001
Viking Corporation, Omaha, Nebraska	K.B.J. Enterprises, Inc., Omaha, Nebraska	Kansas City	January 31, 2001
Waukomis Bancshares, Inc., Yukon, Oklahoma	Covington First State Bancshares, Inc., Covington, Oklahoma First State Bank, Covington, Oklahoma	Kansas City	February 1, 2001

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Boston Private Financial Holdings, Inc., Boston, Massachusetts	E.R. Taylor Investments, Inc., Concord, New Hampshire	Boston	February 14, 2001
Glacier Bancorp, Inc., Kalispell, Montana	COAD Limited Partnership #2, Missoula, Montana COAD Limited Partnership #3, Missoula, Montana	Minneapolis	February 16, 2001
Highlands Bankshares, Inc., Petersburg, West Virginia	Highlands Bankshares Trust Company, Petersburg, West Virginia	Richmond	February 1, 2001
National Australia Bank Limited, Melbourne, Australia 02-e Limited, Melbourne, Australia	thinkorswim, Inc., Melbourne, Australia	Chicago	February 16, 2001
Northern Trust Corporation, Chicago, Illinois	myCFO, Inc., Mountain View, California	Chicago	February 8, 2001
Northwest Suburban Bancorp, Inc., Mount Prospect, Illinois	To engage in the activity of purchasing loan participations from its subsidiary banks	Chicago	February 5, 2001
PSB Bancorp, Inc., Philadelphia, Pennsylvania	Jade Financial Corp., Feasterville, Pennsylvania	Philadelphia	January 26, 2001
Regions Financial Corporation, Birmingham, Alabama	Morgan Keegan Inc., Memphis, Tennessee Morgan Keegan Trust Company, F.S.B., Memphis, Tennessee	Atlanta	February 8, 2001
Westdeutsche Landesbank Gironzentrale, Duesseldorf, Germany	Boullioun Aviation Services, Inc., Bellevue, Washington	New York	February 1, 2001

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Alpha Financial Group, Inc. Employee Stock Ownership Plan, Toluca, Illnois	Alpha Financial Group, Inc., Minonk, Illinois Alpha Community Bank, Toluca, Illinois Alpha Insurance Services, Inc., Washburn, Illinois	Chicago	February 8, 2001
Gateway Financial Corporation, Elizabeth City, North Carolina	Gateway Bank & Trust Co., Elizabeth, North Carolina	Richmond	February 2, 2001
Humboldt Bancorp, Eureka, California	Tehama Bancorp, Red Bluff, California Tehama Bank Red Bluff, California Bancorp Financial Services, Sacramento, California	San Francisco	February 1, 2001

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
Security State Bank, New Hampton, Iowa	Security State Bank, Calmar, Iowa	Chicago	February 20, 2001
SouthTrust Bank, Birmingham, Alabama	Bayshore National Bank, La Porte, Texas	Atlanta	February 2, 2001

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.

Artis v. Greenspan, No. 01-CV-0400(ESG) (D.D.C., complaint filed February 22, 2001. Employment discrimination action.

Dime Bancorp, Inc. v. Board of Governors 00–4249 (2d Cir., filed December 11, 2000). Petition for review of a Board order dated September 27, 2000, approving the applications of North Fork Corporation, Inc., Melville, New York, to acquire control of Dime Bancorp, Inc. and to thereby acquire its wholly owned subsidiary, The Dime Savings Bank of New York, FSB, both of New York, New York.

Nelson v. Greenspan, No. 99–215(EGS) (D.D.C., amended complaint filed December 8, 2000). Employment discrimination action.

Howe v. Bank for International Settlements, No. 00CV12485 RCL (D. Mass., filed December 7, 2000). Action seeking damages in connection with gold market activities and the repurchase of privately-owned shares of the Bank for International Settlements.

Barnes v. Reno, No. 1:00CV02900 (D.D.C., filed December 4, 2000). Civil rights action.

El Bey v. United States, No. 00–5293 (D.C. Cir., filed August 31, 2000). Appeal from district court order dismissing *pro se* action as lacking arguable basis in law. On January 11, 2001, the court dismissed the appeal.

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.

Bettersworth v. Board of Governors, No. 00–50262 (5th Cir., filed April 14, 2000). Appeal of district court's dismissal of Privacy Act claims.

Albrecht v. Board of Governors, No. 00-CV-317 (CKK) (D.D.C., filed February 18, 2000). Action challenging the method of funding of the retirement plan for certain Board employees.

Guerrero v. United States, No. CV-F-99–6771(OWW) (E.D. Cal., filed November 29, 1999). Prisoner suit.

Artis v. Greenspan, No. 1:99CV02073 (EGS) (D.D.C., filed August 3, 1999). Employment discrimination action.

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.

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. On January 29, 2001, the District Court approved a settlement and terminated the action.

Financial and Business Statistics

Guide to Tabular Presentation

SYMBOLS AND ABBREVIATIONS

c	Corrected
e	Estimated
n.a.	Not available
n.e.c.	Not elsewhere classified
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
. . .	Cell not applicable
ABS	Asset-backed security
ATS	Automatic transfer service
BIF	Bank insurance fund
CD	Certificate of deposit
CMO	Collateralized mortgage obligation
CRA	Community Reinvestment Act of 1977
FAMC	Federal Agricultural Mortgage Corporation
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	2000				2000				2001
	Q1	Q2	Q3	Q4	Sept.	Oct.	Nov.	Dec.	Jan.
Reserves of depository institutions[2]									
1 Total	1.8	−9.5	−7.1	−8.0	−2.5	−9.7	−3.0	−22.9	8.2
2 Required	.1	−5.9	−7.4	−9.8	−5.3	−10.8	−5.3	−27.5	10.9
3 Nonborrowed	2.4	−11.1	−8.8	−5.7	6	−8.0	1.1	−20.8	12.5
4 Monetary base[3]	4.5	−3.9	2.7	2.8	3.3	3.2	3	7.1	14.0
Concepts of money and debt[4]									
5 M1	2.0	−1.8	−3.7	−2.7	−4.3	.7	−7.8	2.3	12.1
6 M2	5.8	6.4	5.8	6.7	8.2	5.6	4.3	9.7	12.3
7 M3	10.6	9.0	8.9	7.1	9.2	4.6	4.4	12.7	16.6
8 Debt	5.6	6.1	4.8	4.0	5.1	2.8	4.2	4.7	n.a
Nontransaction components									
9 In M2[5]	7.0	8.9	8.6	9.4	11.9	7.1	7.9	11.9	12.4
10 In M3 only[6]	22.6	15.3	16.4	8.3	11.4	2.1	4.5	19.7	26.4
Time and savings deposits									
Commercial banks									
11 Savings, including MMDAs	2.5	7.8	11.8	12.0	19.4	5.1	10.5	16.4	13.1
12 Small time[7]	9.4	13.2	10.5	5.7	4.9	3.3	7.0	8.6	4.6
13 Large time[8,9]	20.2	17.1	11.5	2.4	−4.1	−8.2	4.8	26.2	27.8
Thrift institutions									
14 Savings, including MMDAs	−2.9	1.6	3.2	.6	.0	4.2	−2.4	−8.2	2.1
15 Small time[7]	7.2	3.3	11.2	10.1	10.0	10.2	9.5	5.6	13.8
16 Large time[8]	14.5	.4	20.8	16.1	14.5	22.6	11.7	1.2	37.0
Money market mutual funds									
17 Retail	17.6	13.3	4.2	12.6	12.6	13.3	9.2	19.6	21.4
18 Institution-only	23.0	18.0	29.4	18.7	28.8	10.2	12.9	24.7	52.4
Repurchase agreements and eurodollars									
19 Repurchase agreements[10]	20.2	11.1	8.2	−3.5	2.3	−3.3	−14.5	12.7	−11.3
20 Eurodollars[10]	39.8	15.6	6	9.1[r]	19.3	7.6	3.1	−1.9[r]	−17.6
Debt components[4]									
21 Federal	−4.8	−7.5	−7.2	−7.9	−4.8	−10.0	−9.2	−6.7	n.a.
22 Nonfederal	8.4	9.6	7.8	6.8	7.4	5.8	7.3	7.3	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		2001	2000		2001				
	Nov.	Dec.	Jan.	Dec. 20	Dec. 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	568,061	578,891[r]	577,991	578,282	584,314	590,821	578,350	577,821	577,550	573,706
U.S. government securities[2]										
2 Bought outright—System account[3]	512,368	514,072	515,712	514,737	515,595	512,158	514,112	516,288	516,988	516,799
3 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
Federal agency obligations										
4 Bought outright	130	130	130	130	130	130	130	130	130	130
5 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
6 Repurchase agreements—triparty[4]	19,549	27,923	24,662	25,021	31,759	40,939	27,116	24,228	22,429	18,986
7 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
8 Adjustment credit	121	96	43	295	41	25	85	4	79	12
9 Seasonal credit	157	114	32	121	112	73	36	26	23	31
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	962	1,502[r]	873	2,975	1,182	1,105	752	731	1,172	675
13 Other Federal Reserve assets	34,774	35,054	36,539	35,002	35,494	36,390	36,119	36,415	36,730	37,072
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	3,200	2,652	2,200	2,343	2,200	2,200	2,200	2,200	2,200	2,200
16 Treasury currency outstanding	31,286	31,528	31,800	31,543	31,593	31,643	31,745	31,793	31,841	31,888
ABSORBING RESERVE FUNDS										
17 Currency in circulation	576,006	584,582	584,006	583,205	589,803	593,612	588,511	584,339	580,581	578,487
18 Reverse repurchase agreements—triparty[4]	0	0	0	0	0	0	0	0	0	0
19 Treasury cash holdings	289	403	452	404	416	450	454	456	445	455
Deposits, other than reserve balances, with Federal Reserve Banks										
20 Treasury	5,093	5,758	6,682	8,105	4,340	5,312	4,795	6,529	7,078	8,903
21 Foreign	86	115	104	160	103	156	108	106	85	110
22 Service-related balances and adjustments	6,767	6,959	6,843	6,697[r]	7,237[r]	7,428	6,956	6,632	6,947	6,578
23 Other	234	355	305	222	258	1,054	179	199	267	277
24 Other Federal Reserve liabilities and capital	17,529	18,401	18,124	18,581	18,417	17,884	17,982	18,265	18,248	18,198
25 Reserve balances with Federal Reserve Banks[5]	7,589	7,543[r]	6,520	5,840	8,578[r]	9,812	4,356	6,333	8,985	5,832

Factor	End-of-month figures			Wednesday figures						
	Nov.	Dec.	Jan.	Dec. 20	Dec. 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	575,908	593,092	573,194	579,269	597,301	581,870	579,624	578,853	589,511	573,194
U.S. government securities[2]										
2 Bought outright—System account[3]	512,327	511,703	516,018	514,539	515,491	513,278	515,478	516,778	518,441	516,018
3 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
Federal agency obligations										
4 Bought outright	130	130	130	130	130	130	130	130	130	130
5 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
6 Repurchase agreements—triparty[4]	27,270	43,375	18,920	25,710	43,985	30,475	27,875	22,520	33,000	18,920
7 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
8 Adjustment credit	6	33	5	5	21	10	7	1	4	5
9 Seasonal credit	130	77	30	120	96	49	25	24	24	30
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	2,096	901	1,536	3,541	1,828	2,158	−209	2,902	924	1,536
13 Other Federal Reserve assets	33,949	36,873	36,555	35,225	35,750	35,771	36,318	36,498	36,989	36,555
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	3,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
16 Treasury currency outstanding	31,401	31,643	31,888	31,543	31,593	31,643	31,745	31,793	31,841	31,888
ABSORBING RESERVE FUNDS										
17 Currency in circulation	579,782	593,694	579,781	586,969	593,356	593,133	586,085	583,690	580,073	579,781
18 Reverse repurchase agreements—triparty[4]	0	0	0	0	0	0	0	0	0	0
19 Treasury cash holdings	344	450	477	410	450	453	458	445	451	477
Deposits, other than reserve balances, with Federal Reserve Banks										
20 Treasury	4,382	5,149	5,256	4,781	5,320	3,832	5,160	7,979	7,357	5,256
21 Foreign	104	216	199	227	83	76	122	103	69	199
22 Service-related balances and adjustments	6,606	7,428	6,578	6,697[r]	7,237[r]	7,428	6,956	6,632	6,947	6,578
23 Other	276	1,382	306	211	235	204	174	283	262	306
24 Other Federal Reserve liabilities and capital	18,199	17,962	17,648	18,140	18,062	17,543	17,985	17,936	17,937	17,648
25 Reserve balances with Federal Reserve Banks[5]	11,861	11,701	8,082	6,625	17,395[r]	4,090	7,675	6,824	21,502	8,082

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									
	1998	1999	2000	2000						2001
	Dec.	Dec.	Dec.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 Reserve balances with Reserve Banks[2]	9,026	5,263	7,160	6,582	6,875	6,829	6,782	7,157	7,160	7,195
2 Total vault cash[3]	44,294	60,619	45,120	45,473	45,319	44,807	45,178	44,546	45,120	47,506
3 Applied vault cash[4]	36,183	36,392	31,381	33,086	32,611	32,429	32,072	31,632	31,381	32,605
4 Surplus vault cash[5]	8,111	24,227	13,739	12,387	12,708	12,378	13,106	12,914	13,739	14,902
5 Total reserves[6]	45,209	41,655	38,541	39,668	39,486	39,257	38,854	38,789	38,541	39,800
6 Required reserves	43,695	40,348	37,215	38,600	38,471	38,155	37,725	37,587	37,215	38,547
7 Excess reserve balances at Reserve Banks[7]	1,514	1,307	1,325	1,068	1,014	1,102	1,129	1,202	1,325	1,252
8 Total borrowing at Reserve Banks	117	320	210	570	579	477	418	283	210	73
9 Adjustment	101	179	99	60	25	50	119	124	99	39
10 Seasonal	15	67	111	510	554	427	299	159	111	34
11 Special Liquidity Facility[8]	0	74	0	0	0	0	0	0	0	0
12 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

Reserve classification	Biweekly averages of daily figures for two-week periods ending on dates indicated									
	2000									
	Oct. 4	Oct. 18	Nov. 1	Nov. 15	Nov. 29	Dec. 13	Dec. 27	Jan. 10	Jan. 24	Feb. 7
1 Reserve balances with Reserve Banks[2]	7,131	6,502	6,976	6,709	7,620	7,131	7,208	7,085	7,656	6,431
2 Total vault cash[3]	45,210	45,778	44,523	44,633	44,539	43,452	46,220	46,696	45,558	52,561
3 Applied vault cash[4]	33,068	31,601	32,274	31,056	32,261	30,255	32,370	31,579	32,316	34,648
4 Surplus vault cash[5]	12,142	14,177	12,249	13,577	12,278	13,197	13,850	15,117	13,243	17,913
5 Total reserves[6]	40,198	38,103	39,250	37,765	39,881	37,386	39,578	38,664	39,972	41,079
6 Required reserves	38,938	37,073	38,056	36,762	38,474	36,253	38,124	37,165	38,866	39,887
7 Excess reserve balances at Reserve Banks[7]	1,260	1,030	1,194	1,003	1,407	1,133	1,454	1,499	1,106	1,191
8 Total borrowing at Reserve Banks	409	480	355	190	380	159	285	110	66	34
9 Adjustment	26	167	97	25	232	37	169	56	42	9
10 Seasonal	383	313	259	165	148	123	117	55	25	25
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 3/16/01	Effective date	Previous rate	On 3/16/01	Effective date	Previous rate	On 3/16/01	Effective date	Previous rate
Boston	5.00	1/31/01	5.50	5.30	3/8/01	5.40	5.80	3/8/01	5.90
New York		1/31/01	5.50						
Philadelphia		1/31/01	5.50						
Cleveland		1/31/01	5.50						
Richmond		1/31/01	5.50						
Atlanta		1/31/01	5.50						
Chicago		1/31/01	5.50						
St. Louis		2/1/01	5.50						
Minneapolis		1/31/01	5.50						
Kansas City		2/1/01	5.50						
Dallas		1/31/01	5.50						
San Francisco	5.00	1/31/01	5.50	5.30	3/8/01	5.40	5.80	3/8/01	5.90

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
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
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
2001—Jan. 3	5.75–6.00	5.75
4	5.50–5.75	5.50
5	5.50	5.50
31	5.00–5.50	5.00
Feb. 1	5.00	5.00
In effect Mar. 16, 2001	5.00	5.00

1. Available on a short-term basis to help depository institutions meet temporary needs for funds that cannot be met through reasonable alternative sources. The highest rate established for loans to depository institutions may be charged on adjustment credit loans of unusual size that result from a major operating problem at the borrower's facility.

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period; however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

4. For earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, and *1941–1970*; and the *Annual Statistical Digest, 1970–1979*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov. 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Type of deposit	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[2]		
1 $0 million–$42.8 million[3]	3	12/28/00
2 More than $42.8 million[4]	10	12/28/00
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 28, 2000, for depository institutions that report weekly, and with the period beginning January 18, 2001, for institutions that report quarterly, the amount was decreased from $44.3 million to $42.8 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 28, 2000, for depository institutions that report weekly, and with the period beginning January 18, 2001, for institutions that report quarterly, the exemption was raised from $5.0 million to $5.5 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 1.5 years was reduced from 3 percent to 1.5 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 1.5 years was reduced from 3 percent to zero on Jan. 17, 1991.

The reserve requirement on nonpersonal time deposits with an original maturity of 1.5 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 1.5 years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1998	1999	2000	2000						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.
U.S. TREASURY SECURITIES[2]										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	3,550	0	8,676	0	1,825	531	231	779	2,507	509
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	450,835	464,218	477,904	44,008	33,718	42,797	37,006	38,142	45,182	39,428
4 For new bills	450,835	464,218	477,904	44,008	33,718	42,797	37,006	38,142	45,182	39,428
5 Redemptions	2,000	0	24,522	4,188	4,902	3,438	3,898	2,656	1,021	1,145
Others within one year										
6 Gross purchases	6,297	11,895	8,809	1,875	1,284	2,770	716	0	580	1,420
7 Gross sales	0	0	0	0	0	0	0	0	0	0
8 Maturity shifts	46,062	50,590	62,025	4,672	5,152	7,040	0	8,663	7,957	0
9 Exchanges	−49,434	−53,315	−54,656	−3,109	−3,333	−7,396	0	−6,608	−7,012	0
10 Redemptions	2,676	1,429	3,779	0	367	887	0	787	780	0
One to five years										
11 Gross purchases	12,901	19,731	14,482	706	2,259	2,508	2,385	734	1,332	1,045
12 Gross sales	0	0	0	0	0	0	0	0	0	0
13 Maturity shifts	−37,777	−44,032	−52,068	−4,672	−5,152	−3,439	0	−8,663	−5,997	0
14 Exchanges	37,154	42,604	46,177	3,109	3,333	5,418	0	6,608	5,737	0
Five to ten years										
15 Gross purchases	2,294	4,303	5,871	0	0	1,914	448	0	510	771
16 Gross sales	0	0	0	0	0	0	0	0	0	0
17 Maturity shifts	−5,908	−5,841	−6,801	0	0	−3,601	0	0	−699	0
18 Exchanges	7,439	7,583	6,585	0	0	1,254	0	0	1,275	0
More than ten years										
19 Gross purchases	4,884	9,428	5,833	1,151	500	727	547	982	0	0
20 Gross sales	0	0	0	0	0	0	0	0	0	0
21 Maturity shifts	−2,377	−717	−3,155	0	0	0	0	0	−1,261	0
22 Exchanges	4,842	3,139	1,894	0	0	724	0	0	0	0
All maturities										
23 Gross purchases	29,926	45,357	43,670	3,732	5,868	8,450	4,326	2,495	4,929	3,745
24 Gross sales	0	0	0	0	0	0	0	0	0	0
25 Redemptions	4,676	1,429	28,301	4,188	5,269	4,325	3,898	3,443	1,802	1,145
Matched transactions										
26 Gross purchases	4,430,457	4,413,430	4,399,257	368,396	344,935	381,349	335,321	344,920	351,391	345,680
27 Gross sales	4,434,358	4,431,685	4,381,188	369,739	344,384	381,475	334,530	346,428	351,232	348,917
Repurchase agreements										
28 Gross purchases	512,671	281,599	0	0	0	0	0	0	0	0
29 Gross sales	514,186	301,273	0	0	0	0	0	0	0	0
30 Net change in U.S. Treasury securities	19,835	5,999	33,439	−1,800	1,150	3,999	1,219	−2,457	3,286	−637
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
31 Gross purchases	0	0	0	0	0	0	0	0	0	0
32 Gross sales	25	0	0	0	0	0	0	0	0	0
33 Redemptions	322	157	51	0	0	0	10	0	0	0
Repurchase agreements										
34 Gross purchases	284,316	360,069	0	0	0	0	0	0	0	0
35 Gross sales	276,266	370,772	0	0	0	0	0	0	0	0
36 Net change in federal agency obligations	7,703	−10,859	−51	0	0	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	304,989	890,236	70,850	66,485	47,265	66,080	64,428	87,125	95,470
40 Gross sales	0	164,349	987,501	70,315	75,925	46,230	67,285	62,308	79,295	79,365
41 Net change in triparty obligations	0	140,640	−97,265	535	−9,440	1,035	−1,205	2,120	7,830	16,105
42 Total net change in System Open Market Account	**27,538**	**135,780**	**−63,877**	**−1,265**	**−8,290**	**5,034**	**4**	**−337**	**11,116**	**15,468**

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		
	2001					2000		2001
	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31	Nov. 30	Dec. 31	Jan. 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	2,200	2,200	2,200	2,200	2,200	3,200	2,200	2,200
3 Coin	935	955	987	1,028	1,066	901	949	1,066
Loans								
4 To depository institutions	58	32	25	28	35	136	110	35
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]	30,475	27,875	22,520	33,000	18,920	27,270	43,375	18,920
Federal agency obligations[3]								
8 Bought outright	130	130	130	130	130	130	130	130
9 Held under repurchase agreements	0	0	0	0	0	0	0	0
10 **Total U.S. Treasury securities**[3]	**513,278**	**515,478**	**516,778**	**518,441**	**516,018**	**512,327**	**511,703**	**516,018**
11 Bought outright[4]	513,278	515,478	516,778	518,441	516,018	512,327	511,703	516,018
12 Bills	181,876	183,365	184,010	184,510	182,949	182,615	178,741	182,949
13 Notes	238,618	239,192	239,847	240,586	239,725	237,025	240,178	239,725
14 Bonds	92,784	92,921	92,921	93,345	93,345	92,687	92,784	93,345
15 Held under repurchase agreements	0	0	0	0	0	0	0	0
16 **Total loans and securities**	**543,941**	**543,516**	**539,453**	**551,598**	**535,103**	**539,863**	**555,318**	**535,103**
17 Items in process of collection	13,884	8,148	15,495	8,815	10,023	5,237	7,105	10,023
18 Bank premises	1,461	1,462	1,463	1,463	1,467	1,440	1,461	1,467
Other assets								
19 Denominated in foreign currencies[5]	15,672	15,680	15,688	15,695	15,495	15,348	15,670	15,495
20 All other[6]	18,732	19,184	19,401	19,860	19,673	17,083	19,766	19,673
21 **Total assets**	**607,871**	**602,190**	**605,734**	**611,706**	**596,072**	**594,118**	**613,514**	**596,072**
LIABILITIES								
22 Federal Reserve notes	562,879	555,753	553,329	549,711	549,436	549,627	563,450	549,436
23 Reverse repurchase agreements—triparty[2]	0	0	0	0	0	0	0	0
24 **Total deposits**	**16,169**	**20,334**	**21,990**	**36,366**	**21,182**	**20,621**	**25,792**	**21,182**
25 Depository institutions	12,058	14,878	13,624	28,678	15,420	15,858	19,045	15,420
26 U.S. Treasury—General account	3,832	5,160	7,979	7,357	5,256	4,382	5,149	5,256
27 Foreign—Official accounts	76	122	103	69	199	104	216	199
28 Other	204	174	283	262	306	276	1,382	306
29 Deferred credit items	11,280	8,118	12,479	7,692	7,806	5,672	6,310	7,806
30 Other liabilities and accrued dividends[7]	4,091	4,139	4,079	4,023	3,960	4,590	4,170	3,960
31 **Total liabilities**	**594,419**	**588,345**	**591,877**	**597,792**	**582,384**	**580,510**	**599,723**	**582,384**
CAPITAL ACCOUNTS								
32 Capital paid in	6,997	6,999	7,000	7,011	7,014	7,076	6,997	7,014
33 Surplus	6,188	6,189	6,190	6,298	6,265	2,679	6,794	6,265
34 Other capital accounts	267	658	667	605	409	3,853	0	409
35 **Total liabilities and capital accounts**	**607,871**	**602,190**	**605,734**	**611,706**	**596,072**	**594,118**	**613,514**	**596,072**
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)	751,176	750,186	749,177	748,172	746,920	756,527	751,714	746,920
38 LESS: Held by Federal Reserve Banks	188,297	194,433	195,848	198,461	197,484	206,900	188,264	197,484
39 Federal Reserve notes, net	562,879	555,753	553,329	549,711	549,436	549,627	563,450	549,436
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	2,200	2,200	2,200	2,200	2,200	3,200	2,200	2,200
42 Other eligible assets	5,750	0	655	0	1,122	0	0	1,122
43 U.S. Treasury and agency securities	543,883	542,508	539,428	536,465	535,068	535,381	550,205	535,068
44 **Total collateral**	**562,879**	**555,753**	**553,329**	**549,711**	**549,436**	**549,627**	**563,450**	**549,436**

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	2001				2000		2001
	Dec 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Nov. 30	Dec. 31	Jan. 31
1 **Total loans**	**117**	**58**	**33**	**25**	**28**	**136**	**110**	**35**
2 Within fifteen days[1]	110	28	13	25	0	86	96	30
3. Sixteen days to ninety days	7	31	20	0	0	50	14	5
4. 91 days to 1 year	0	0	0	0	0	0	0	0
5 **Total U.S. Treasury securities[2]**	**515,491**	**513,278**	**515,478**	**516,778**	**518,441**	**512,327**	**511,702**	**516,018**
6 Within fifteen days[1]	19,889	17,020	14,881	20,094	22,272	4,706	18,053	20,921
7 Sixteen days to ninety days	110,832	113,973	116,369	112,438	111,129	119,433	108,961	112,430
8 Ninety-one days to one year	125,620	124,691	125,924	125,287	124,918	130,868	125,539	124,617
9 One year to five years	132,792	131,235	131,501	131,501	132,160	131,745	132,792	130,088
10 Five years to ten years	55,461	55,462	55,907	56,561	56,750	54,682	55,461	56,750
11 More than ten years	70,896	70,897	70,897	70,897	71,212	70,893	70,896	71,212
12 **Total federal agency obligations**	**130**	**130**	**130**	**130**	**130**	**130**	**130**	**130**
13 Within fifteen days[1]	0	0	0	0	0	0	0	0
14 Sixteen days to ninety days	0	0	0	0	0	0	0	0
15 Ninety-one days to one year	0	0	0	0	0	0	0	0
16 One year to five years	30	130	130	130	130	30	130	130
17 Five years to ten years	0	0	0	0	0	100	0	0
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	1997 Dec.	1998 Dec.	1999 Dec.	2000 Dec.	2000 June	July	Aug.	Sept.	Oct.	Nov.	Dec.	2001 Jan.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	46.87	45.19	41.74	38.69	39.96	40.26	39.94	39.86	39.54	39.44	38.69	38.95
2 Nonborrowed reserves[4]	46.54	45.07	41.42	38.48	39.48	39.69	39.37	39.38	39.12	39.16	38.48	38.88
3 Nonborrowed reserves plus extended credit[5]	46.54	45.07	41.42	38.48	39.48	39.69	39.37	39.38	39.12	39.16	38.48	38.88
4 Required reserves	45.18	43.68	40.44	37.36	38.89	39.19	38.93	38.76	38.41	38.24	37.36	37.70
5 Monetary base[6]	479.37	513.19	592.03	584.10	575.06	576.75	577.43	579.01	580.55	580.69	584.10	590.93
	Not seasonally adjusted											
6 Total reserves[7]	48.01	45.31	41.89	38.58	39.24	39.70	39.52	39.29	38.90	38.83	38.58	39.80
7 Nonborrowed reserves	47.69	45.19	41.57	38.37	38.76	39.13	38.94	38.82	38.48	38.55	38.37	39.72
8 Nonborrowed reserves plus extended credit[5]	47.69	45.19	41.57	38.37	38.76	39.13	38.94	38.82	38.48	38.55	38.37	39.72
9 Required reserves[8]	46.33	43.80	40.58	37.26	38.18	38.63	38.50	38.19	37.77	37.63	37.26	38.54
10 Monetary base[9]	484.98	518.27	600.63	590.20	574.55	577.19	576.60	576.79	578.34	582.36	590.20	591.41
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	47.92	45.21	41.66	38.54	39.22	39.67	39.49	39.26	38.85	38.79	38.54	39.80
12 Nonborrowed reserves	47.60	45.09	41.33	38.33	38.74	39.10	38.91	38.78	38.44	38.51	38.33	39.73
13 Nonborrowed reserves plus extended credit[5]	47.60	45.09	41.33	38.33	38.74	39.10	38.91	38.78	38.44	38.51	38.33	39.73
14 Required reserves	46.24	43.70	40.35	37.22	38.15	38.60	38.47	38.16	37.73	37.59	37.22	38.55
15 Monetary base[12]	491.79	525.06	607.94	597.12	581.44	583.99	583.34	583.48	585.07	589.12	597.12	598.27
16 Excess reserves[13]	1.69	1.51	1.31	1.33	1.06	1.07	1.01	1.10	1.13	1.20	1.33	1.25
17 Borrowings from the Federal Reserve	.32	.12	.32	.21	.48	.57	.58	.48	.42	.28	.21	.07

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	1997 Dec.	1998 Dec.	1999 Dec.	2000 Dec.	2000 Oct.	2000 Nov.	2000 Dec.	2001 Jan
				Seasonally adjusted				
Measures[2]								
1 M1	1,073.4	1,097.0	1,124.3	1,091.3	1,096.3	1,089.2	1,091.3	1,102.3
2 M2	4,029.9	4,382.6	4,648.2	4,945.7	4,888.2	4,905.9	4,945.7	4,996.5
3 M3	5,428.3	6,028.2	6,524.1	7,090.4[r]	6,990.5	7,016.0	7,090.4[r]	7,188.4
4 Debt	15,223.1	16,276.0	17,376.7	18,253.9	18,119.8	18,183.2	18,253.9	n.a.
M1 components								
5 Currency[3]	424.3	459.2	516.7	530.5	526.4	528.0	530.5	534.9
6 Travelers checks[4]	8.1	8.2	8.2	8.0	8.4	8.0	8.0	8.1
7 Demand deposits[5]	395.4	379.4	355.6	313.7	322.1	315.2	313.7	317.5
8 Other checkable deposits[6]	245.7	250.1	243.7	239.1	239.4	238.0	239.1	241.8
Nontransaction components								
9 In M2[7]	2,956.6	3,285.6	3,523.9	3,854.4	3,791.8	3,816.7	3,854.4	3,894.2
10 In M3 only[8]	1,398.3	1,645.7	1,875.9	2,144.7	2,102.3	2,110.1	2,144.7	2,191.9
Commercial banks								
11 Savings deposits, including MMDAs	1,021.1	1,185.8	1,287.0	1,420.6	1,389.4	1,401.5	1,420.6	1,436.1
12 Small time deposits[9]	625.5	626.4	635.2	698.8	689.8	693.8	698.8	701.5
13 Large time deposits[10, 11]	517.7	575.5	648.8	720.1	701.9	704.7	720.1	736.8
Thrift institutions								
14 Savings deposits, including MMDAs	376.8	414.1	449.3	452.7	456.7	455.8	452.7	453.5
15 Small time deposits[9]	342.9	325.8	320.9	347.0	342.7	345.4	347.0	351.0
16 Large time deposits[10]	85.5	88.7	91.3	103.7	102.6	103.6	103.7	106.9
Money market mutual funds								
17 Retail	590.2	733.5	831.6	935.3	913.3	920.3	935.3	952.0
18 Institution-only	389.9	530.0	622.0	767.7	744.2	752.2	767.7	801.2
Repurchase agreements and eurodollars								
19 Repurchase agreements[12]	255.3	299.6	343.0	362.5	363.1	358.7	362.5	359.1
20 Eurodollars[12]	150.0	151.8	170.8	190.7[r]	190.5	191.0	190.7[r]	187.9
Debt components								
21 Federal debt	3,800.6	3,751.2	3,660.2	3,400.6	3,446.0	3,419.7	3,400.6	n.a.
22 Nonfederal debt	11,422.5	12,524.7	13,716.5	14,853.2	14,673.9	14,763.5	14,853.2	n.a.
				Not seasonally adjusted				
Measures[2]								
23 M1	1,096.9	1,120.4	1,147.8	1,115.7	1,093.7	1,095.3	1,115.7	1,102.5
24 M2	4,051.3	4,404.9	4,672.2	4,974.4[r]	4,865.7	4,898.1	4,974.4[r]	5,005.9
25 M3	5,453.6	6,060.3	6,561.4	7,135.5[r]	6,948.5	7,011.6	7,135.5[r]	7,218.5
26 Debt	15,218.5	16,271.3	17,372.0	18,248.6	18,070.7	18,161.9	18,248.6	n.a.
M1 components								
27 Currency[3]	428.1	463.3	521.5	535.8	525.1	528.6	535.8	532.7
28 Travelers checks[4]	8.3	8.4	8.4	8.1	8.4	8.2	8.1	8.2
29 Demand deposits[5]	412.4	395.9	371.2	329.1	322.2	320.5	329.1	317.6
30 Other checkable deposits[6]	248.2	252.8	246.6	242.6	238.1	238.1	242.6	244.1
Nontransaction components								
31 In M2[7]	2,954.4	3,284.5	3,524.5	3,858.8	3,772.0	3,802.8	3,858.8	3,903.3
32 In M3 only[8]	1,402.3	1,655.4	1,889.2	2,161.0[r]	2,082.8	2,113.5	2,161.0[r]	2,212.7
Commercial banks								
33 Savings deposits, including MMDAs	1,020.4	1,186.0	1,288.5	1,425.3	1,380.0	1,397.2	1,425.3	1,433.8
34 Small time deposits[9]	625.3	626.5	635.4	699.0	690.8[r]	695.1[r]	699.0	702.7
35 Large time deposits[10, 11]	517.1	574.9	648.2	719.5	698.9[r]	705.8	719.5	730.5
Thrift institutions								
36 Savings deposits, including MMDAs	376.5	414.2	449.8	454.2	453.6	454.4	454.2	452.8
37 Small time deposits[9]	342.8	325.8	321.0	347.1	343.2	346.1	347.1	351.7
38 Large time deposits[10]	85.4	88.6	91.2	103.6	102.1	103.8	103.6	105.9
Money market mutual funds								
39 Retail	589.4	731.9	829.7	933.1	904.4	909.9	933.1	962.3
40 Institution-only	397.0	541.9	636.9	785.6	734.7	755.9	785.6	828.1
Repurchase agreements and eurodollars								
41 Repurchase agreements[12]	250.5	295.4	339.5	359.4	358.0	357.9	359.4	358.5
42 Eurodollars[12]	152.3	154.5	173.4	193.0	189.1	190.2	193.0	189.6
Debt components								
43 Federal debt	3,805.8	3,754.9	3,663.1	3,403.7	3,395.5	3,401.3	3,403.7	n.a.
44 Nonfederal debt	11,412.7	12,516.3	13,709.0	14,844.9	14,675.3	14,760.7	14,844.9	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			
	2000	2000[r]						2001	2001			
	Jan.[r]	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Jan. 10	Jan. 17	Jan. 24	Jan. 31
	Seasonally adjusted											
Assets												
1 Bank credit	4,792.6	5,081.0	5,124.9	5,174.2	5,148.5	5,160.7	5,223.5	5,263.2	5,267.3	5,250.4	5,259.2	5,276.4
2 Securities in bank credit	1,268.6	1,317.4	1,321.7	1,333.1	1,310.3	1,302.8	1,335.2	1,356.3	1,364.9	1,354.0	1,351.1	1,354.2
3 U.S. government securities	812.7	820.7	814.7	809.7	794.7	784.7	786.5	787.4	789.5	785.4	783.3	788.6
4 Other securities	455.9	496.7	507.0	523.4	515.5	518.1	548.6	569.0	575.4	568.6	567.7	565.7
5 Loans and leases in bank credit[2]	3,523.9	3,763.6	3,803.2	3,841.1	3,838.2	3,857.9	3,888.4	3,906.8	3,902.4	3,896.5	3,908.2	3,922.1
6 Commercial and industrial	1,010.2	1,073.6	1,081.1	1,080.8	1,080.0	1,081.4	1,090.3	1,105.6	1,100.2	1,104.2	1,112.5	1,111.0
7 Real estate	1,491.3	1,615.1	1,626.5	1,638.1	1,635.8	1,647.2	1,653.8	1,652.6	1,652.3	1,648.1	1,652.1	1,658.6
8 Revolving home equity	104.3	119.2	120.4	122.1	125.4	127.0	128.5	129.5	129.2	129.3	129.6	130.1
9 Other	1,387.0	1,495.9	1,506.1	1,516.0	1,510.4	1,520.2	1,525.4	1,523.0	1,523.1	1,518.7	1,522.5	1,528.5
10 Consumer	496.7	520.1	529.1	533.1	533.1	536.6	538.0	540.6	537.7	540.9	541.7	541.8
11 Security[3]	143.2	151.4	157.9	178.4	176.6	178.1	186.5	184.2	187.1	178.5	179.8	187.5
12 Other loans and leases	382.5	403.4	408.5	410.6	412.7	414.7	419.8	423.9	425.1	424.8	422.1	423.3
13 Interbank loans	218.9	239.9	245.9	237.3	247.9	247.2	252.8	270.3	264.4	257.0	286.2	276.8
14 Cash assets[4]	293.1	271.9	271.7	269.3	267.7	255.3	267.1	274.6	273.9	285.1	264.9	276.5
15 Other assets[5]	375.6	396.4	400.3	402.7	418.0	407.5	407.4	422.1	425.1	419.8	425.1	421.9
16 **Total assets**[6]	**5,620.9**	**5,927.9**	**5,980.7**	**6,021.1**	**6,020.1**	**6,008.3**	**6,087.3**	**6,165.9**	**6,166.7**	**6,148.0**	**6,170.8**	**6,187.1**
Liabilities												
17 Deposits	3,492.3	3,725.1	3,752.2	3,769.5	3,784.4	3,772.1	3,848.7	3,891.7	3,895.3	3,911.0	3,858.8	3,891.9
18 Transaction	645.7	611.4	616.6	608.9	612.5	597.8	597.1	607.0	584.0	612.5	611.1	631.1
19 Nontransaction	2,846.6	3,113.7	3,135.5	3,160.6	3,171.8	3,174.3	3,251.7	3,284.7	3,311.3	3,298.5	3,247.8	3,260.7
20 Large time	844.5	921.4	930.9	920.3	914.8	911.8	929.2	943.2	954.1	947.5	936.3	932.4
21 Other	2,002.1	2,192.3	2,204.6	2,240.3	2,257.1	2,262.5	2,322.5	2,341.5	2,357.2	2,351.0	2,311.5	2,328.4
22 Borrowings	1,138.2	1,222.3	1,229.3	1,222.5	1,213.6	1,209.9	1,241.4	1,270.7	1,258.2	1,236.4	1,291.5	1,299.9
23 From banks in the U.S.	359.6	390.3	389.6	374.2	370.2	365.8	392.1	403.3	406.0	390.8	406.1	407.9
24 From others	778.6	832.0	839.7	848.3	843.4	844.1	849.3	867.3	852.1	845.5	885.5	892.0
25 Net due to related foreign offices	227.2	261.9	269.7	269.2	251.9	241.5	224.3	223.0	228.9	219.2	222.8	217.9
26 Other liabilities	291.0	298.6	318.2	340.3	349.8	350.0	348.4	367.7	380.0	377.1	357.7	362.5
27 **Total liabilities**	**5,148.6**	**5,507.9**	**5,569.4**	**5,601.4**	**5,599.7**	**5,573.5**	**5,662.8**	**5,753.0**	**5,762.4**	**5,743.7**	**5,730.9**	**5,772.2**
28 Residual (assets less liabilities)[7]	472.3	420.0	411.4	419.7	420.4	434.9	424.5	412.9	404.2	404.3	440.0	414.9
	Not seasonally adjusted											
Assets												
29 Bank credit	4,816.8	5,049.4	5,096.1	5,160.8	5,162.0	5,191.4	5,257.0	5,287.0	5,292.3	5,281.2	5,270.8	5,296.8
30 Securities in bank credit	1,277.2	1,299.8	1,308.9	1,327.7	1,314.6	1,317.6	1,344.9	1,365.7	1,375.8	1,363.8	1,357.6	1,364.2
31 U.S. government securities	814.4	812.3	805.8	801.6	789.6	787.2	788.3	789.0	791.3	787.2	783.6	792.0
32 Other securities	462.8	487.6	503.2	526.1	525.0	530.4	556.6	576.7	584.5	576.5	574.0	572.2
33 Loans and leases in bank credit[2]	3,539.5	3,749.6	3,787.1	3,833.0	3,847.4	3,873.8	3,912.1	3,921.3	3,916.5	3,917.4	3,913.2	3,932.6
34 Commercial and industrial	1,007.8	1,068.8	1,070.8	1,076.7	1,080.8	1,085.5	1,092.9	1,103.0	1,096.3	1,101.3	1,107.1	1,109.3
35 Real estate	1,495.3	1,611.4	1,626.5	1,638.5	1,641.5	1,655.1	1,659.1	1,656.7	1,657.6	1,655.4	1,654.7	1,660.0
36 Revolving home equity	104.5	119.3	120.6	122.8	125.9	127.5	128.9	129.8	129.5	129.7	129.9	130.3
37 Other	1,390.8	1,492.1	1,506.0	1,515.7	1,515.6	1,527.7	1,530.1	1,526.9	1,528.1	1,525.6	1,524.8	1,529.7
38 Consumer	503.8	516.6	528.0	533.9	530.8	535.6	543.9	546.8	544.1	547.4	547.7	547.0
39 Credit cards and related plans	n.a.	197.0	205.1	209.0	205.6	209.3	218.5	219.3	218.1	219.9	219.6	217.8
40 Other	n.a.	319.6	322.9	324.9	325.2	326.3	325.4	327.5	326.0	327.5	328.1	329.2
41 Security[3]	147.3	148.5	152.8	171.6	180.4	180.4	190.7	188.6	191.1	184.3	182.4	193.1
42 Other loans and leases	385.3	404.3	409.0	412.3	413.8	417.1	425.6	426.3	427.5	429.1	421.2	423.4
43 Interbank loans	219.6	235.9	235.9	231.1	241.7	252.1	260.2	271.3	267.2	261.5	279.7	276.3
44 Cash assets[4]	307.1	262.5	259.4	264.9	268.7	263.3	286.1	288.3	274.3	321.6	269.4	276.8
45 Other assets[5]	374.2	395.7	398.5	401.1	410.8	404.5	407.2	420.6	419.8	417.4	417.9	427.4
46 **Total assets**[6]	**5,658.8**	**5,882.5**	**5,927.7**	**5,995.3**	**6,021.2**	**6,048.8**	**6,146.9**	**6,203.2**	**6,190.0**	**6,217.7**	**6,173.7**	**6,213.0**
Liabilities												
47 Deposits	3,506.0	3,700.5	3,719.9	3,753.4	3,777.5	3,801.5	3,889.8	3,903.8	3,915.5	3,945.1	3,835.0	3,885.1
48 Transaction	657.2	604.9	601.0	602.6	604.5	605.5	628.1	617.4	591.7	641.9	597.3	626.8
49 Nontransaction	2,848.8	3,095.6	3,118.9	3,150.8	3,173.0	3,196.1	3,261.7	3,286.4	3,323.8	3,303.2	3,237.7	3,258.3
50 Large time	855.6	904.7	914.0	909.4	912.1	922.6	945.5	956.2	968.4	959.4	949.0	945.3
51 Other	1,993.2	2,190.9	2,205.0	2,241.4	2,260.9	2,273.5	2,316.2	2,330.2	2,355.3	2,343.8	2,288.7	2,313.0
52 Borrowings	1,156.7	1,209.9	1,202.0	1,218.2	1,215.4	1,219.0	1,252.2	1,288.2	1,252.6	1,260.3	1,322.6	1,326.0
53 From banks in the U.S.	363.5	387.4	385.2	373.8	369.3	369.3	397.8	406.3	402.4	396.0	412.7	412.3
54 From others	793.3	822.5	816.8	844.4	846.2	849.7	854.4	881.9	850.3	864.3	909.9	913.6
55 Net due to related foreign offices	230.8	253.4	267.0	264.1	253.0	246.6	230.7	225.5	225.1	216.3	239.8	221.7
56 Other liabilities	292.4	296.2	317.7	339.6	348.8	351.1	350.8	369.2	381.9	377.8	358.8	364.3
57 **Total liabilities**	**5,185.9**	**5,460.0**	**5,506.7**	**5,575.3**	**5,594.7**	**5,618.3**	**5,723.4**	**5,786.6**	**5,775.1**	**5,799.6**	**5,756.2**	**5,797.0**
58 Residual (assets less liabilities)[7]	472.9	422.5	421.1	420.0	426.5	430.5	423.4	416.6	414.9	418.0	417.5	416.0

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			
	2000	2000[r]						2001	2001			
	Jan.[r]	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Jan. 10	Jan. 17	Jan. 24	Jan. 31
	Seasonally adjusted											
Assets												
1 Bank credit	4,243.8	4,498.7	4,537.9	4,579.6	4,566.7	4,584.3	4,624.1	4,649.1	4,654.9	4,645.5	4,642.9	4,651.9
2 Securities in bank credit	1,065.4	1,107.3	1,110.4	1,123.0	1,116.5	1,117.2	1,132.2	1,149.9	1,153.1	1,150.3	1,147.1	1,150.0
3 U.S. government securities	731.6	741.4	734.9	732.0	724.5	718.1	718.6	720.8	721.4	720.3	716.5	723.0
4 Other securities	333.8	365.9	375.4	391.0	392.0	399.1	413.5	429.1	431.7	430.1	430.6	427.0
5 Loans and leases in bank credit[2]	3,178.4	3,391.4	3,427.5	3,456.7	3,450.3	3,467.1	3,492.0	3,499.3	3,501.8	3,495.1	3,495.7	3,501.9
6 Commercial and industrial	815.5	868.5	874.6	876.7	878.3	879.5	885.1	893.3	891.5	892.8	896.1	895.2
7 Real estate	1,474.0	1,596.5	1,607.9	1,619.2	1,617.6	1,628.4	1,635.0	1,634.0	1,633.8	1,629.5	1,633.4	1,639.9
8 Revolving home equity	104.3	119.2	120.4	122.1	125.4	127.0	128.5	129.5	129.2	129.3	129.6	130.1
9 Other	1,369.7	1,477.3	1,487.6	1,497.1	1,492.3	1,501.4	1,506.6	1,504.5	1,504.6	1,500.2	1,503.8	1,509.8
10 Consumer	496.7	520.1	529.1	533.1	533.1	536.6	538.0	540.6	537.7	540.9	541.7	541.8
11 Security[3]	76.4	70.0	76.4	84.5	75.0	75.3	80.4	73.9	80.5	73.2	69.2	68.6
12 Other loans and leases	315.8	336.3	339.4	343.1	346.2	347.3	353.4	357.5	358.2	358.7	355.4	356.5
13 Interbank loans	190.0	216.4	223.6	213.7	220.9	220.5	226.0	241.2	233.1	230.2	255.7	248.1
14 Cash assets[4]	241.2	225.9	226.3	223.5	224.3	215.5	225.8	230.2	228.1	240.7	221.1	232.4
15 Other assets[5]	337.5	353.5	356.6	358.7	376.5	367.6	371.6	385.1	388.5	383.8	388.6	383.2
16 **Total assets**[6]	**4,953.7**	**5,233.7**	**5,282.8**	**5,313.5**	**5,326.8**	**5,325.9**	**5,384.3**	**5,441.7**	**5,441.0**	**5,436.3**	**5,444.0**	**5,451.4**
Liabilities												
17 Deposits	3,113.3	3,335.0	3,357.4	3,382.5	3,401.7	3,391.0	3,465.1	3,500.4	3,496.1	3,514.2	3,472.6	3,510.0
18 Transaction	634.9	600.1	605.8	599.1	602.0	587.2	586.7	596.7	573.4	602.4	600.5	621.3
19 Nontransaction	2,478.3	2,734.9	2,751.6	2,783.4	2,799.7	2,803.8	2,878.4	2,903.8	2,922.8	2,911.8	2,872.1	2,888.7
20 Large time	475.0	544.9	549.5	545.8	545.3	543.9	559.2	563.2	567.7	561.5	560.4	560.4
21 Other	2,003.3	2,190.0	2,202.2	2,237.7	2,254.4	2,259.8	2,319.2	2,340.6	2,355.1	2,350.2	2,311.7	2,328.3
22 Borrowings	960.2	1,019.3	1,028.9	1,005.5	992.0	984.9	998.7	1,025.4	1,011.7	1,003.0	1,049.1	1,041.0
23 From banks in the U.S.	339.8	369.2	372.4	354.2	350.7	345.8	367.4	375.4	374.8	368.3	380.7	377.0
24 From others	620.4	650.1	656.5	651.3	641.3	639.2	631.3	649.9	636.9	634.7	668.4	664.0
25 Net due to related foreign offices	191.4	243.7	246.4	245.0	235.3	235.4	226.3	218.3	232.0	216.9	210.9	208.8
26 Other liabilities	219.1	223.9	242.8	260.4	269.3	275.3	275.7	290.0	300.1	300.0	282.8	282.1
27 **Total liabilities**	**4,483.9**	**4,821.9**	**4,875.5**	**4,893.3**	**4,898.4**	**4,886.6**	**4,965.8**	**5,034.0**	**5,040.0**	**5,034.0**	**5,015.4**	**5,041.9**
28 Residual (assets less liabilities)[7]	469.8	411.9	407.2	420.2	428.5	439.3	418.5	407.7	401.0	402.3	428.6	409.5
	Not seasonally adjusted											
Assets												
29 Bank credit	4,260.1	4,478.0	4,518.9	4,567.1	4,571.4	4,601.0	4,646.6	4,663.8	4,670.1	4,666.3	4,649.1	4,663.4
30 Securities in bank credit	1,070.0	1,096.8	1,103.4	1,117.5	1,113.4	1,121.3	1,137.8	1,154.2	1,158.1	1,154.9	1,150.1	1,154.6
31 U.S. government securities	732.8	734.0	727.7	726.1	719.8	719.3	719.2	721.8	722.1	721.1	717.1	726.1
32 Other securities	337.3	362.8	375.8	391.5	393.6	402.1	418.6	432.4	436.0	433.8	433.0	428.5
33 Loans and leases in bank credit[2]	3,190.1	3,381.2	3,415.5	3,449.5	3,458.1	3,479.6	3,508.8	3,509.6	3,512.0	3,511.4	3,499.0	3,508.8
34 Commercial and industrial	811.5	866.2	866.9	872.7	877.7	880.3	883.7	889.1	885.5	888.4	890.2	892.5
35 Real estate	1,477.9	1,592.9	1,608.2	1,619.9	1,623.0	1,636.3	1,640.3	1,637.9	1,638.9	1,636.5	1,635.8	1,641.1
36 Revolving home equity	104.5	119.3	120.6	122.8	125.9	127.5	128.9	129.8	129.5	129.7	129.9	130.3
37 Other	1,373.3	1,473.6	1,487.6	1,497.0	1,497.1	1,508.9	1,511.4	1,508.0	1,509.3	1,506.8	1,506.0	1,510.8
38 Consumer	503.8	516.6	528.0	533.9	530.8	535.6	543.9	546.8	544.1	547.4	547.7	547.0
39 Credit cards and related plans	n.a.	197.0	205.1	209.0	205.6	209.3	218.5	219.3	218.1	219.9	219.6	217.8
40 Other	n.a.	319.6	322.9	324.9	325.2	326.3	325.4	327.5	326.0	327.5	328.1	329.2
41 Security[3]	80.1	67.3	71.1	77.8	79.4	78.4	84.2	77.7	84.7	78.0	71.8	73.0
42 Other loans and leases	316.8	338.1	341.2	345.3	347.1	349.0	356.7	358.2	358.8	361.1	353.4	355.2
43 Interbank loans	190.7	212.5	213.7	207.4	214.7	225.4	233.3	242.2	235.9	234.8	249.2	247.6
44 Cash assets[4]	253.1	218.3	215.5	220.0	224.5	221.0	241.3	242.0	226.0	274.8	224.0	231.9
45 Other assets[5]	334.7	354.8	355.6	357.9	370.1	364.6	369.3	382.0	381.2	379.8	380.2	387.0
46 **Total assets**[6]	**4,980.1**	**5,202.8**	**5,241.9**	**5,290.1**	**5,319.1**	**5,349.8**	**5,427.3**	**5,466.3**	**5,450.0**	**5,492.1**	**5,438.8**	**5,466.0**
Liabilities												
47 Deposits	3,120.1	3,319.2	3,337.1	3,372.7	3,399.2	3,417.2	3,497.3	3,504.4	3,508.6	3,541.5	3,439.6	3,494.4
48 Transaction	646.3	593.7	590.2	592.3	593.8	594.7	617.2	607.0	581.0	631.6	586.9	616.9
49 Nontransaction	2,473.8	2,725.5	2,746.9	2,780.5	2,805.4	2,822.5	2,880.1	2,897.4	2,927.6	2,909.9	2,852.7	2,877.4
50 Large time	480.6	536.8	544.1	541.3	546.8	551.2	566.1	569.4	574.4	568.3	566.2	566.6
51 Other	1,993.2	2,188.7	2,202.8	2,239.2	2,258.7	2,271.3	2,314.0	2,328.0	2,353.1	2,341.6	2,286.5	2,310.8
52 Borrowings	978.8	1,006.9	1,001.7	1,001.3	993.9	994.0	1,009.4	1,042.9	1,006.1	1,027.0	1,080.2	1,067.1
53 From banks in the U.S.	343.7	366.4	368.0	353.9	349.8	349.3	373.1	378.4	371.1	373.5	387.3	381.5
54 From others	635.1	640.5	633.7	647.4	644.1	644.8	636.4	664.5	635.0	653.5	692.8	685.7
55 Net due to related foreign offices	192.7	236.1	243.8	240.6	236.3	239.0	227.7	218.7	226.1	212.8	224.9	212.2
56 Other liabilities	218.8	223.1	242.8	260.1	268.9	275.3	276.0	289.6	300.4	299.1	282.0	281.6
57 **Total liabilities**	**4,510.4**	**4,785.3**	**4,825.4**	**4,874.7**	**4,898.2**	**4,925.5**	**5,010.4**	**5,055.6**	**5,041.3**	**5,080.3**	**5,026.7**	**5,055.4**
58 Residual (assets less liabilities)[7]	469.7	417.5	416.5	415.4	420.9	424.2	416.9	410.7	408.7	411.7	412.1	410.7

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			
	2000	2000[r]						2001	2001			
	Jan.[r]	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Jan. 10	Jan. 17	Jan. 24	Jan. 31
	Seasonally adjusted											
Assets												
1 Bank credit	2,395.4	2,522.4	2,540.0	2,562.6	2,539.0	2,537.8	2,556.4	2,564.1	2,573.4	2,561.3	2,556.4	2,563.1
2 Securities in bank credit	556.4	580.5	578.7	586.7	576.9	572.8	580.8	591.5	594.1	592.4	588.6	591.7
3 U.S. government securities	361.6	366.3	362.2	360.3	354.1	347.6	350.8	352.5	352.0	352.3	349.6	354.9
4 Trading account	20.5	24.4	23.8	23.3	21.2	20.5	29.1	33.3	36.4	29.7	29.8	36.4
5 Investment account	341.0	341.9	338.4	337.0	333.0	327.1	321.7	319.1	315.6	322.6	319.8	318.5
6 Other securities	194.8	214.2	216.5	226.4	222.7	225.2	230.0	239.0	242.1	240.1	239.0	236.9
7 Trading account	81.5	97.2	102.5	114.5	112.7	116.0	122.0	127.6	133.3	130.0	125.8	122.3
8 Investment account	113.3	117.0	113.9	112.0	110.1	109.3	108.0	111.4	108.8	110.1	113.2	114.6
9 State and local government	24.4	26.1	25.9	25.8	26.1	26.3	26.7	27.2	27.3	27.1	27.2	27.2
10 Other	89.0	90.9	88.1	86.2	83.9	82.9	81.3	84.2	81.5	83.1	86.0	87.4
11 Loans and leases in bank credit[2]	1,839.0	1,941.9	1,961.3	1,975.9	1,962.1	1,964.9	1,975.6	1,972.6	1,979.3	1,968.9	1,967.8	1,971.4
12 Commercial and industrial	559.3	586.6	589.7	590.0	589.3	587.5	592.4	597.3	596.1	596.9	600.1	598.6
13 Bankers acceptances	1.0	1.0	.9	.9	.8	.9	.9	.8	.8	.9	.8	.8
14 Other	558.3	585.7	588.8	589.1	588.5	586.7	591.5	596.5	595.3	596.0	599.3	597.8
15 Real estate	759.7	816.9	822.7	823.7	815.8	818.5	817.0	813.4	814.5	810.0	812.3	816.9
16 Revolving home equity	66.9	78.0	78.9	77.8	79.8	81.0	81.9	82.2	82.0	82.1	82.3	82.5
17 Other	692.8	739.0	743.8	746.0	735.9	737.5	735.1	731.2	732.5	727.9	730.1	734.4
18 Consumer	221.5	230.8	233.0	234.1	236.2	237.8	237.0	236.2	235.3	236.0	236.2	237.0
19 Security[3]	70.2	63.2	69.3	77.5	67.7	68.0	72.6	66.4	72.9	65.6	62.0	61.0
20 Federal funds sold to and repurchase agreements with broker–dealers	49.9	44.6	50.7	58.2	49.1	50.0	56.1	49.0	55.9	47.7	44.1	43.4
21 Other	20.3	18.6	18.6	19.3	18.6	17.9	16.5	17.4	16.9	17.9	17.9	17.5
22 State and local government	12.2	12.4	12.5	12.6	12.6	12.6	12.4	12.6	12.7	12.6	12.6	12.7
23 Agricultural	9.3	9.5	9.6	9.4	9.4	9.5	9.7	9.8	9.7	9.8	9.8	9.8
24 Federal funds sold to and repurchase agreements with others	11.9	12.9	14.1	16.2	16.9	19.0	20.9	25.7	27.7	26.4	23.6	24.5
25 All other loans	76.8	84.4	84.3	85.5	85.5	83.0	84.4	83.0	82.4	83.6	83.1	82.6
26 Lease-financing receivables	118.1	125.0	126.1	126.7	128.6	129.0	129.0	128.2	128.1	128.1	128.1	128.3
27 Interbank loans	131.5	142.6	141.0	131.5	137.0	140.8	140.4	153.6	147.1	143.5	168.5	159.0
28 Federal funds sold to and repurchase agreements with commercial banks	54.9	74.7	66.9	57.2	58.3	61.5	64.1	77.3	71.6	65.8	94.9	80.6
29 Other	76.5	67.9	74.1	74.3	78.7	79.3	76.3	76.4	75.6	77.7	73.6	78.4
30 Cash assets[4]	149.3	145.1	145.1	142.0	142.5	137.4	144.3	146.3	143.7	154.5	140.8	147.4
31 Other assets[5]	238.2	243.2	246.9	249.5	263.3	259.4	257.2	264.1	263.0	266.2	264.7	263.2
32 **Total assets[6]**	**2,879.3**	**3,018.1**	**3,037.5**	**3,049.9**	**3,046.4**	**3,039.9**	**3,061.8**	**3,090.8**	**3,090.4**	**3,088.2**	**3,092.9**	**3,095.4**
Liabilities												
33 Deposits	1,614.9	1,649.7	1,644.8	1,644.5	1,647.7	1,631.6	1,662.2	1,670.5	1,668.1	1,682.2	1,651.3	1,673.1
34 Transaction	317.8	303.7	305.7	301.9	304.1	294.0	294.9	299.6	286.5	305.6	298.1	313.6
35 Nontransaction	1,297.1	1,346.0	1,339.1	1,342.7	1,343.6	1,337.6	1,367.3	1,370.9	1,381.7	1,376.6	1,353.2	1,359.6
36 Large time	233.4	268.3	266.6	258.6	255.5	251.3	261.4	263.5	267.0	263.4	261.8	259.2
37 Other	1,063.7	1,077.7	1,072.4	1,084.0	1,088.1	1,086.3	1,105.9	1,107.4	1,114.7	1,113.2	1,091.5	1,100.3
38 Borrowings	634.8	679.4	689.9	672.0	665.0	662.0	670.6	682.6	668.4	665.4	700.6	697.6
39 From banks in the U.S.	188.6	205.3	207.7	192.3	196.6	194.0	212.5	215.6	213.5	211.4	218.0	217.8
40 From others	446.2	474.1	482.3	479.7	468.3	468.0	458.2	467.1	454.9	454.1	482.6	479.8
41 Net due to related foreign offices	191.4	221.3	222.7	224.4	211.9	211.8	205.4	201.4	212.4	201.9	195.1	192.3
42 Other liabilities	160.0	178.0	194.8	209.6	216.5	221.1	221.6	236.0	246.7	245.7	228.1	228.5
43 **Total liabilities**	**2,601.1**	**2,728.3**	**2,752.2**	**2,750.5**	**2,741.0**	**2,726.5**	**2,759.9**	**2,790.6**	**2,795.5**	**2,795.2**	**2,775.1**	**2,791.6**
44 Residual (assets less liabilities)[7]	278.2	289.8	285.3	299.4	305.4	313.4	301.9	300.3	294.8	293.0	317.8	303.8

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			
	2000	2000[r]						2001	2001			
	Jan.[r]	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Jan. 10	Jan. 17	Jan. 24	Jan. 31
	Not seasonally adjusted											
Assets												
45 Bank credit	2,418.2	2,500.9	2,517.6	2,545.7	2,541.7	2,553.9	2,577.1	2,585.7	2,596.1	2,587.6	2,569.9	2,584.3
46 Securities in bank credit	562.7	571.0	572.2	582.7	576.4	578.6	586.4	597.2	600.0	597.9	592.9	599.1
47 U.S. government securities	364.3	359.1	355.6	355.2	352.0	350.6	351.9	355.3	353.9	354.6	351.9	360.8
48 Trading account	21.2	22.6	23.1	22.6	21.1	21.8	28.9	34.5	36.7	31.6	31.2	38.5
49 Investment account	343.1	336.4	332.5	332.7	330.9	328.8	323.0	320.8	317.1	323.0	320.7	322.3
50 Mortgage-backed securities	218.5	212.4	208.0	208.4	210.4	210.8	212.7	219.0	218.0	220.6	218.7	220.1
51 Other	124.6	124.0	124.5	124.3	120.5	118.1	110.3	101.8	99.1	102.4	102.0	102.2
52 One year or less	24.2	31.4	32.5	33.2	32.0	32.6	31.3	31.4	29.8	31.4	32.3	32.6
53 One to five years	59.4	55.2	54.1	53.7	51.6	49.9	44.9	38.4	37.2	38.8	38.0	37.8
54 More than five years	41.0	37.5	37.9	37.4	37.0	35.6	34.1	32.0	32.1	32.1	31.7	31.8
55 Other securities	198.4	212.0	216.6	227.5	224.4	228.0	234.5	241.9	246.2	243.3	241.0	238.3
56 Trading account	81.5	97.2	102.5	114.5	112.7	116.0	122.0	127.6	133.3	130.0	125.8	122.3
57 Investment account	116.9	114.7	114.1	113.0	111.7	112.0	112.5	114.3	112.8	113.3	115.3	116.0
58 State and local government	24.6	25.6	25.6	25.7	26.1	26.6	26.9	27.5	27.6	27.3	27.5	27.4
59 Other	92.3	89.2	88.5	87.3	85.6	85.4	85.6	86.8	85.2	86.0	87.8	88.6
60 Loans and leases in bank credit[2]	1,855.5	1,929.9	1,945.5	1,963.0	1,965.3	1,975.4	1,990.8	1,988.5	1,996.1	1,989.7	1,977.0	1,985.2
61 Commercial and industrial	556.3	584.2	584.0	587.6	589.1	589.8	591.5	594.4	591.5	593.8	595.7	597.4
62 Bankers acceptances	1.0	1.0	.9	.9	8	.9	.9	.8	.8	.9	.8	.8
63 Other	555.2	583.3	583.1	586.8	588.2	588.9	590.6	593.6	590.6	592.9	594.9	596.6
64 Real estate	765.9	812.3	820.2	821.3	817.7	823.7	823.0	819.9	823.2	818.8	816.9	821.0
65 Revolving home equity	67.2	78.2	79.2	78.1	80.1	81.2	82.1	82.6	82.5	82.5	82.6	82.8
66 Other	426.3	451.6	456.9	459.3	453.2	456.4	454.8	453.3	456.7	452.8	450.4	453.6
67 Commercial	272.4	282.4	284.1	283.9	284.4	286.2	286.1	284.0	284.0	283.5	283.8	284.6
68 Consumer	228.1	228.3	231.2	233.1	234.2	236.2	239.7	241.6	241.1	241.6	241.5	241.8
69 Credit cards and related plans	n.a.	73.2	74.3	75.4	76.5	78.0	82.3	83.3	83.5	83.4	82.9	82.1
70 Other	n.a.	155.2	156.9	157.7	157.7	158.2	157.5	158.4	157.5	158.2	158.7	159.7
71 Security[3]	73.9	60.6	64.0	70.8	72.1	71.0	76.4	70.2	77.1	70.4	64.6	65.4
72 Federal funds sold to and repurchase agreements with broker–dealers	54.3	41.9	45.7	51.8	53.8	53.6	59.7	53.4	60.9	52.7	47.3	48.6
73 Other	19.7	18.7	18.3	19.0	18.4	17.5	16.7	16.8	16.2	17.7	17.3	16.8
74 State and local government	12.2	12.4	12.7	12.8	12.8	12.7	12.5	12.6	12.6	12.6	12.5	12.6
75 Agricultural	9.3	9.7	9.7	9.6	9.6	9.6	9.7	9.8	9.8	9.8	9.7	9.7
76 Federal funds sold to and repurchase agreements with others	11.9	12.9	14.1	16.2	16.9	19.0	20.9	25.7	27.7	26.4	23.6	24.5
77 All other loans	77.7	85.1	84.5	86.4	85.4	85.5	88.4	84.0	82.8	85.9	82.3	82.5
78 Lease-financing receivables	120.3	124.3	125.1	125.1	127.5	127.7	128.6	130.4	130.4	130.5	130.2	130.3
79 Interbank loans	132.0	142.7	135.1	127.9	131.1	139.2	141.2	154.7	145.4	146.9	167.8	161.0
80 Federal funds sold to and repurchase agreements with commercial banks	56.4	74.0	63.1	55.5	56.5	62.2	65.2	79.1	71.3	69.6	94.7	83.9
81 Other	75.6	68.7	72.0	72.5	74.6	77.0	76.0	75.6	74.1	77.3	73.1	77.2
82 Cash assets[4]	159.9	138.8	137.1	138.9	142.9	139.7	155.0	156.4	142.8	182.3	145.4	148.8
83 Other assets[5]	237.2	242.6	244.1	249.0	256.9	254.9	255.4	263.9	259.5	265.2	262.5	268.2
84 **Total assets**[6]	**2,912.5**	**2,989.9**	**2,998.3**	**3,025.7**	**3,037.3**	**3,052.0**	**3,092.1**	**3,123.7**	**3,107.1**	**3,145.0**	**3,108.6**	**3,125.1**
Liabilities												
85 Deposits	1,626.3	1,639.2	1,629.1	1,636.8	1,642.3	1,644.8	1,685.2	1,681.5	1,682.2	1,710.0	1,639.3	1,672.1
86 Transaction	327.5	299.9	294.6	297.2	298.3	297.7	314.0	308.3	290.2	328.0	292.9	313.9
87 Nontransaction	1,298.8	1,339.3	1,334.5	1,339.6	1,344.0	1,347.1	1,371.3	1,373.2	1,391.9	1,382.0	1,346.4	1,358.2
88 Large time	239.0	260.2	261.3	254.1	257.0	258.6	268.3	269.7	273.7	270.2	267.5	265.4
89 Other	1,059.8	1,079.1	1,073.2	1,085.4	1,087.0	1,088.5	1,103.0	1,103.5	1,118.2	1,111.8	1,078.8	1,092.8
90 Borrowings	655.0	664.5	659.6	661.9	663.9	669.0	677.2	702.7	671.9	690.3	730.4	724.4
91 From banks in the U.S.	193.1	200.0	200.4	188.4	193.1	196.5	215.5	219.8	214.0	216.9	224.0	223.4
92 From nonbanks in the U.S.	461.9	464.5	459.2	473.6	470.8	472.5	461.7	482.9	457.9	473.5	506.3	501.0
93 Net due to related foreign offices	192.7	213.7	220.1	220.0	212.8	215.3	206.8	201.9	206.4	197.8	209.1	195.8
94 Other liabilities	160.0	178.0	194.8	209.6	216.5	221.1	221.6	236.0	246.7	245.7	228.1	228.5
95 **Total liabilities**	**2,634.0**	**2,695.4**	**2,703.6**	**2,728.3**	**2,735.5**	**2,750.3**	**2,790.9**	**2,822.1**	**2,807.1**	**2,843.8**	**2,806.8**	**2,820.8**
96 Residual (assets less liabilities)[7]	278.6	294.6	294.7	297.4	301.9	301.7	301.3	301.6	300.0	301.3	301.7	304.3

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			
	2000	2000[r]						2001	2001			
	Jan.[r]	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Jan. 10	Jan. 17	Jan. 24	Jan. 31
	Seasonally adjusted											
Assets												
1 Bank credit	1,848.5	1,976.3	1,997.9	2,017.1	2,027.8	2,046.6	2,067.7	2,085.1	2,081.5	2,084.2	2,086.5	2,088.8
2 Securities in bank credit	509.1	526.8	531.7	536.3	539.6	544.3	551.4	558.4	559.0	557.9	558.5	558.3
3 U.S. government securities	370.0	375.1	372.7	371.7	370.3	370.5	367.8	368.3	369.3	368.0	366.9	368.1
4 Other securities	139.0	151.6	159.0	164.6	169.3	173.9	183.6	190.1	189.6	189.9	191.6	190.1
5 Loans and leases in bank credit[2]	1,339.4	1,449.5	1,466.2	1,480.8	1,488.2	1,502.2	1,516.3	1,526.6	1,522.5	1,526.3	1,527.9	1,530.5
6 Commercial and industrial	256.2	281.9	284.9	286.7	289.0	292.0	292.7	295.9	295.4	295.9	296.0	296.6
7 Real estate	714.3	779.5	785.2	795.4	801.8	809.9	818.0	820.6	819.3	819.5	821.1	823.0
8 Revolving home equity	37.4	41.3	41.5	44.3	45.5	45.9	46.5	47.3	47.2	47.2	47.3	47.6
9 Other	677.0	738.3	743.8	751.1	756.3	763.9	771.5	773.3	772.1	772.3	773.7	775.4
10 Consumer	275.2	289.3	296.1	299.0	296.9	298.8	300.9	304.4	302.4	305.0	305.5	304.7
11 Security[3]	6.2	6.7	7.1	7.1	7.3	7.4	7.8	7.6	7.7	7.6	7.2	7.6
12 Other loans and leases	87.5	92.0	92.9	92.6	93.1	94.2	96.9	98.2	97.7	98.3	98.2	98.6
13 Interbank loans	58.5	73.8	82.6	82.2	83.9	79.7	85.6	87.5	85.9	86.8	87.2	89.0
14 Cash assets[4]	91.9	80.8	81.2	81.5	81.8	78.1	81.5	84.0	84.4	86.2	80.3	85.0
15 Other assets[5]	99.4	110.4	109.7	109.3	113.3	108.1	114.4	121.0	125.5	117.7	123.9	120.0
16 **Total assets**[6]	**2,074.4**	**2,215.7**	**2,245.3**	**2,263.6**	**2,280.5**	**2,286.0**	**2,322.5**	**2,350.9**	**2,350.7**	**2,348.1**	**2,351.0**	**2,356.1**
Liabilities												
17 Deposits	1,498.3	1,685.3	1,712.6	1,738.0	1,754.0	1,759.4	1,802.9	1,829.9	1,828.0	1,832.0	1,821.3	1,836.9
18 Transaction	317.2	296.4	300.0	297.2	297.8	293.3	291.8	297.1	286.9	296.8	302.5	307.8
19 Nontransaction	1,181.2	1,388.9	1,412.6	1,440.8	1,456.2	1,466.1	1,511.1	1,532.8	1,541.1	1,535.2	1,518.8	1,529.1
20 Large time	241.6	276.6	282.8	287.1	289.8	292.6	297.8	299.7	300.7	298.1	298.7	301.2
21 Other	939.6	1,112.3	1,129.7	1,153.6	1,166.4	1,173.5	1,213.2	1,233.1	1,240.4	1,237.1	1,220.2	1,228.0
22 Borrowings	325.5	340.0	339.0	333.5	327.1	322.9	328.0	342.7	343.3	337.5	348.5	343.4
23 From banks in the U.S.	151.2	164.0	164.7	161.9	154.1	151.8	154.9	159.9	161.3	156.9	162.7	159.3
24 From others	174.3	176.0	174.2	171.6	173.0	171.1	173.1	182.9	182.0	180.6	185.8	184.2
25 Net due to related foreign offices	0.0	22.4	23.7	20.6	23.4	23.7	20.9	16.8	19.7	15.0	15.7	16.4
26 Other liabilities	59.1	45.9	48.1	50.8	52.8	54.2	54.1	54.0	53.5	54.3	54.7	53.5
27 **Total liabilities**	**1,882.9**	**2,093.6**	**2,123.3**	**2,142.8**	**2,157.4**	**2,160.2**	**2,205.9**	**2,243.5**	**2,244.5**	**2,238.8**	**2,240.3**	**2,250.3**
28 Residual (assets less liabilities)[7]	191.6	122.1	122.0	120.8	123.1	125.8	116.6	107.4	106.2	109.3	110.8	105.8
	Not seasonally adjusted											
Assets												
29 Bank credit	1,842.0	1,977.1	2,001.3	2,021.4	2,029.7	2,047.0	2,069.5	2,078.1	2,074.0	2,078.8	2,079.2	2,079.1
30 Securities in bank credit	507.3	525.8	531.3	534.8	537.0	542.8	551.4	557.0	558.0	557.0	557.2	555.5
31 U.S. government securities	368.5	375.0	372.1	370.8	367.8	368.7	367.3	366.5	368.2	366.5	365.2	365.3
32 Other securities	138.8	150.9	159.2	164.0	169.2	174.1	184.1	190.5	189.8	190.5	192.0	190.2
33 Loans and leases in bank credit[2]	1,334.6	1,451.3	1,470.0	1,486.6	1,492.8	1,504.3	1,518.0	1,521.1	1,515.9	1,521.7	1,522.0	1,523.6
34 Commercial and industrial	255.3	282.0	282.9	285.0	288.6	290.5	292.2	294.7	294.1	294.6	294.5	295.2
35 Real estate	712.0	780.6	788.0	798.6	805.3	812.6	817.3	818.0	815.6	817.7	819.0	820.1
36 Revolving home equity	37.3	41.1	41.4	44.7	45.8	46.3	46.8	47.2	47.0	47.2	47.2	47.4
37 Other	674.7	739.5	746.6	753.8	759.4	766.3	770.5	770.8	768.6	770.5	771.7	772.6
38 Consumer	275.8	288.3	296.8	300.7	296.6	299.4	304.2	305.1	303.0	305.9	306.2	305.1
39 Credit cards and related plans	n.a.	123.9	130.9	133.6	129.1	131.3	136.2	136.0	134.5	136.5	136.8	135.7
40 Other	n.a.	164.4	165.9	167.1	167.5	168.1	168.0	169.1	168.5	169.3	169.5	169.5
41 Security[3]	6.2	6.7	7.1	7.1	7.3	7.4	7.8	7.6	7.7	7.6	7.2	7.6
42 Other loans and leases	85.5	93.6	95.2	95.2	94.9	94.4	96.6	95.7	95.6	95.9	95.1	95.6
43 Interbank loans	58.7	69.8	78.6	79.5	83.6	86.3	92.1	87.5	90.5	87.9	81.4	86.5
44 Cash assets[4]	93.3	79.4	78.4	81.1	81.6	81.3	86.3	85.6	83.2	92.5	78.6	83.1
45 Other assets[5]	97.5	112.3	111.5	108.9	113.2	109.6	113.9	118.2	121.7	114.6	117.7	118.9
46 **Total assets**[6]	**2,067.6**	**2,212.9**	**2,243.6**	**2,264.4**	**2,281.8**	**2,297.8**	**2,335.1**	**2,342.6**	**2,342.8**	**2,347.0**	**2,330.2**	**2,340.9**
Liabilities												
47 Deposits	1,493.8	1,680.0	1,707.9	1,736.0	1,756.9	1,772.4	1,812.0	1,822.9	1,826.4	1,831.5	1,800.3	1,822.3
48 Transaction	318.8	293.8	295.6	295.0	295.5	297.0	303.2	298.7	290.8	303.6	294.0	303.1
49 Nontransaction	1,175.0	1,386.2	1,412.4	1,440.9	1,461.4	1,475.4	1,508.8	1,524.2	1,535.6	1,528.0	1,506.3	1,519.2
50 Large time	241.6	276.6	282.8	287.1	289.8	292.6	297.8	299.7	300.7	298.1	298.7	301.2
51 Other	933.4	1,109.6	1,129.5	1,153.8	1,171.6	1,182.8	1,211.0	1,224.5	1,234.9	1,229.9	1,207.7	1,218.0
52 Borrowings	323.8	342.4	342.1	339.3	330.0	325.1	332.2	340.1	334.3	336.6	349.8	342.8
53 From banks in the U.S.	150.6	166.4	167.6	165.5	156.7	152.8	157.6	158.6	157.1	156.6	163.3	158.1
54 From others	173.2	176.0	174.5	173.8	173.3	172.3	174.7	181.6	177.2	180.0	186.5	184.7
55 Net due to related foreign offices	0.0	22.4	23.7	20.6	23.4	23.7	20.9	16.8	19.7	15.0	15.7	16.4
56 Other liabilities	58.8	45.1	48.0	50.5	52.4	54.2	54.4	53.6	53.8	53.4	54.0	53.1
57 **Total liabilities**	**1,876.4**	**2,090.0**	**2,121.8**	**2,146.4**	**2,162.8**	**2,175.3**	**2,219.5**	**2,233.5**	**2,234.2**	**2,236.6**	**2,219.9**	**2,234.6**
58 Residual (assets less liabilities)[7]	191.2	122.9	121.8	118.1	119.0	122.5	115.6	109.1	108.7	110.5	110.3	106.3

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			
	2000	2000r						2001	2001			
	Jan.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Jan. 10	Jan. 17	Jan. 24	Jan. 31
	Seasonally adjusted											
Assets												
1 Bank credit	548.7r	582.3	587.0	594.5	581.7	576.3	599.4	614.0	612.4	604.9	616.4	624.5
2 Securities in bank credit	203.2r	210.1	211.3	210.1	193.8	185.6	203.0	206.5	211.8	203.6	203.9	204.2
3 U.S. government securities	81.1	79.3	79.7	77.7	70.2	66.6	67.9	66.6	68.1	65.1	66.8	65.6
4 Other securities	122.1r	130.8	131.5	132.5	123.5	119.0	135.1	139.8	143.7	138.5	137.2	138.6
5 Loans and leases in bank credit[2]	345.6	372.3	375.7	384.4	388.0	390.8	396.4	407.6	400.6	401.3	412.4	420.3
6 Commercial and industrial	194.7	205.1	206.5	204.1	201.7	201.9	205.1	212.3	208.7	211.4	216.5	215.8
7 Real estate	17.3r	18.7	18.6	18.9	18.2	18.8	18.8	18.6	18.5	18.6	18.7	18.7
8 Security[3]	66.8	81.4	81.5	93.9	101.6	102.8	106.0	110.3	106.6	105.3	110.6	119.0
9 Other loans and leases	66.8	67.1	69.1	67.5	66.5	67.4	66.4	66.4	66.8	66.1	66.7	66.8
10 Interbank loans	29.0	23.5	22.2	23.6	27.0	26.7	26.8	29.1	31.3	26.7	30.5	28.7
11 Cash assets[4]	51.8	45.9	45.4	45.8	43.4	39.8	41.3	44.4	45.8	44.4	43.8	44.1
12 Other assets[5]	38.0r	42.8	43.7	44.0	41.5	39.9	35.8	37.0	36.6	36.0	36.5	38.7
13 **Total assets**[6]	**667.2r**	**694.2**	**698.0**	**707.6**	**693.3**	**682.4**	**703.0**	**724.1**	**725.6**	**711.7**	**726.9**	**735.7**
Liabilities												
14 Deposits	379.0r	390.1	394.8	387.0	382.7	381.1	383.6	391.3	399.2	396.8	386.2	381.9
15 Transaction	10.7r	11.3	10.9	9.8	10.6	10.6	10.3	10.3	10.7	10.1	10.5	9.8
16 Nontransaction	368.3	378.8	383.9	377.2	372.1	370.5	373.3	381.0	388.5	386.7	375.7	372.0
17 Borrowings	177.9	203.0	200.3	217.0	221.6	225.0	242.7	245.3	246.5	233.4	242.4	258.8
18 From banks in the U.S.	19.8r	21.1	17.2	20.0	19.5	20.0	24.7	27.9	31.2	22.5	25.3	30.9
19 From others	158.2r	181.9	183.1	197.0	202.1	204.9	218.0	217.4	215.2	210.9	217.1	228.0
20 Net due to related foreign offices	35.8r	18.2	23.3	24.2	16.6	6.0	−2.0	4.7	−3.1	2.3	12.0	9.2
21 Other liabilities	71.9r	74.7	75.4	79.9	80.6	74.7	72.7	77.7	79.9	77.1	74.9	80.4
22 **Total liabilities**	**664.7r**	**686.0**	**693.8**	**708.0**	**701.4**	**686.8**	**697.1**	**718.9**	**722.4**	**709.7**	**715.5**	**730.3**
23 Residual (assets less liabilities)[7]	2.5r	8.2	4.2	−.5	−8.1	−4.4	5.9	5.2	3.2	2.0	11.4	5.4
	Not seasonally adjusted											
Assets												
24 Bank credit	556.6r	571.4	577.2	593.7	590.5	590.4	610.4	623.2	622.2	614.9	621.7	633.4
25 Securities in bank credit	207.2r	203.0	205.5	210.2	201.2	196.3	207.1	211.5	217.7	208.9	207.5	209.6
26 U.S. government securities	81.6	78.2	78.1	75.6	69.8	68.0	69.1	67.2	69.2	66.1	66.5	65.9
27 Trading account	7.9	12.0	13.8	14.1	11.8	10.8	11.7	11.1	10.3	10.6	11.3	11.9
28 Investment account	73.8	66.2	64.3	61.4	58.1	57.1	57.4	56.1	58.9	55.5	55.2	53.9
29 Other securities	125.6r	124.8	127.4	134.7	131.4	128.3	138.0	144.3	148.5	142.7	141.0	143.7
30 Trading account	81.1r	80.6	82.0	90.4	89.3	86.7	89.2	94.5	96.7	93.0	92.7	95.4
31 Investment account	44.5r	44.2	45.4	44.2	42.2	41.6	48.8	49.8	51.8	49.7	48.3	48.3
32 Loans and leases in bank credit[2]	349.4	368.4	371.7	383.5	389.3	394.2	403.3	411.7	404.5	406.0	414.2	423.8
33 Commercial and industrial	196.2	202.6	203.8	204.1	203.1	205.2	209.2	213.9	210.7	212.9	216.9	216.7
34 Real estate	17.5	18.4	18.4	18.7	18.5	18.8	18.7	18.8	18.7	18.8	18.9	18.9
35 Security[3]	67.2	81.2	81.7	93.7	101.0	102.0	106.5	110.9	106.4	106.3	110.6	120.0
36 Other loans and leases	68.5	66.2	67.8	67.0	66.7	68.1	68.9	68.2	68.7	68.0	67.7	68.2
37 Interbank loans	29.0	23.5	22.2	23.6	27.0	26.7	26.8	29.1	31.3	26.7	30.5	28.7
38 Cash assets[4]	54.0	44.3	43.9	44.9	44.2	42.3	44.8	46.4	48.3	46.8	45.5	44.9
39 Other assets[5]	39.5r	40.9	42.9	43.2	40.7	40.0	37.9	38.5	38.6	37.6	37.7	40.3
40 **Total assets**[6]	**678.7r**	**679.6**	**685.8**	**705.1**	**702.1**	**699.1**	**719.6**	**736.9**	**740.1**	**725.6**	**734.9**	**746.9**
Liabilities												
41 Deposits	385.9	381.3	382.9	380.6	378.2	384.3	392.5	399.4	406.9	403.7	395.4	390.8
42 Transaction	10.9	11.2	10.8	10.3	10.7	10.8	10.9	10.4	10.7	10.4	10.4	9.9
43 Nontransaction	375.0	370.1	372.0	370.3	367.5	373.6	381.6	389.0	396.2	393.3	384.9	380.9
44 Borrowings	177.9	203.0	200.3	217.0	221.6	225.0	242.7	245.3	246.5	233.4	242.4	258.8
45 From banks in the U.S.	19.8r	21.1	17.2	20.0	19.5	20.0	24.7	27.9	31.2	22.5	25.3	30.9
46 From others	158.2r	181.9	183.1	197.0	202.1	204.9	218.0	217.4	215.2	210.9	217.1	228.0
47 Net due to related foreign offices	38.1r	17.3	23.2	23.5	16.7	7.6	3.0	6.8	−1.0	3.5	14.9	9.4
48 Other liabilities	73.6r	73.1	74.9	79.5	79.9	75.9	74.8	79.5	81.5	78.7	76.8	82.6
49 **Total liabilities**	**675.5r**	**674.7**	**681.3**	**700.6**	**696.5**	**692.8**	**713.0**	**731.0**	**733.8**	**719.3**	**729.5**	**741.6**
50 Residual (assets less liabilities)[7]	3.2r	5.0	4.5	4.5	5.6	6.3	6.5	5.9	6.2	6.3	5.4	5.3

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

F. Memo items

Billions of dollars

Account	Monthly averages								Wednesday figures			
	2000	2000[r]						2001	2001			
	Jan.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Jan. 10	Jan. 17	Jan. 24	Jan. 31
	Not seasonally adjusted											
MEMO												
Large domestically chartered banks, adjusted for mergers												
51 Revaluation gains on off-balance-sheet items[8]	62.4	63.1	66.5	74.4	70.9	68.0	78.4	80.6	88.4	83.1	77.8	71.9
52 Revaluation losses on off-balance-sheet items[8]	61.7	62.9	67.3	73.9	72.8	72.6	83.1	82.5	91.0	85.1	79.0	73.5
53 Mortage-backed securities[9]	253.3	242.5	238.0	238.2	239.7	239.8	241.8	247.2	246.4	248.7	246.7	248.2
54 Pass-through	175.7[r]	173.3	170.0	170.6	173.5	173.9	177.2	182.4	181.7	184.0	181.9	183.2
55 CMO, REMIC, and other	77.6[r]	69.2	68.0	67.6	66.2	66.0	64.6	64.8	64.7	64.7	64.8	65.1
56 Net unrealized gains (losses) on available-for-sale securities[10]	−13.2	−12.4	−6.0	−4.2	−8.4	−7.5	−5.3	−3.0	−3.4	−3.4	−3.1	−2.1
57 Off-shore credit to U.S. residents[11]	23.2	22.2	22.1	22.1	22.3	23.1	23.4	23.0	23.2	22.9	23.0	23.0
58 Securitized consumers loans[12]	n.a.	87.3	86.6	85.9	80.8	80.5	82.2	82.4	82.6	83.0	82.1	82.3
59 Credit cards and related plans	n.a.	72.4	72.0	71.8	67.2	67.3	68.6	68.5	68.5	69.0	68.2	68.5
60 Other	n.a.	15.0	14.6	14.1	13.6	13.2	13.6	13.9	14.1	14.0	13.9	13.8
61 Securitized business loans[12]	n.a.	17.0	16.2	15.3	15.2	17.8	18.6	18.4	18.5	18.3	18.2	18.6
Small domestically chartered commercial banks, adjusted for mergers												
62 Mortgage-backed securities[9]	199.8[r]	207.2	210.1	211.6	212.4	213.7	214.9	217.7	218.2	216.7	216.5	219.4
63 Securitized consumer loans[12]	n.a.	221.4	221.8	222.4	224.6	225.5	230.9	231.1	231.9	229.9	230.3	231.7
64 Credit cards and related plans	n.a.	212.5	213.0	214.0	215.2	215.9	221.6	222.0	222.8	220.7	221.3	222.8
65 Other	n.a.	8.9	8.7	8.4	9.4	9.6	9.3	9.1	9.2	9.2	9.0	8.9
Foreign-related institutions												
66 Revaluation gains on off-balance-sheet items[8]	42.4[r]	41.3	42.9	48.4	47.3	44.7	45.6	51.0	51.8	51.1	50.7	52.2
67 Revaluation losses on off-balance-sheet items[8]	41.2[r]	38.2	40.2	45.1	44.7	41.0	41.7	47.5	48.3	47.5	46.3	49.9
68 Securitized business loans[12]	n.a.	23.9	23.7	23.1	23.0	22.8	23.1	23.2	23.3	23.4	23.2	22.9

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					
	1996	1997	1998	1999	2000	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 **All issuers**	**775,371**	**966,699**	**1,163,303**	**1,403,023**	**1,615,341**	**1,551,668**	**1,559,054**	**1,557,700**	**1,587,591**	**1,624,421**	**1,615,341**
Financial companies[1]											
2 Dealer-placed paper, total[2]	361,147	513,307	614,142	786,643	973,060	900,651	905,634	899,853	912,739	960,701	973,060
3 Directly placed paper, total[3]	229,662	252,536	322,030	337,240	298,848	309,076	303,307	315,039	328,049	312,438	298,848
4 Nonfinancial companies[4]	184,563	200,857	227,132	279,140	343,433	341,941	350,113	342,809	346,803	351,282	343,433

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	1997	1998	1999	2000
1 **Total amount of reporting banks' acceptances in existence**	**25,774**	**14,363**	**10,094**	**9,881**
2 Amount of other banks' eligible acceptances held by reporting banks	736	523	461	462
3 Amount of own eligible acceptances held by reporting banks (included in item 1)	6,862	4,884	4,261	3,789
4 Amount of eligible acceptances representing goods stored in, or shipped between, foreign countries (included in item 1)	10,467	5,413	3,498	3,689

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 40 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
1998—Jan. 1	8.50	1998	8.35	1999—Jan.	7.75	2000—Jan.	8.50
Sept. 30	8.25	1999	8.00	Feb.	7.75	Feb.	8.73
Oct. 16	8.00	2000	9.23	Mar.	7.75	Mar.	8.83
Nov. 18	7.75			Apr.	7.75	Apr.	9.00
		1998—Jan.	8.50	May	7.75	May	9.24
1999—July 1	8.00	Feb.	8.50	June	7.75	June	9.50
Aug. 25	8.25	Mar.	8.50	July	8.00	July	9.50
Nov. 17	8.50	Apr.	8.50	Aug.	8.06	Aug.	9.50
		May	8.50	Sept.	8.25	Sept.	9.50
2000—Feb. 3	8.75	June	8.50	Oct.	8.25	Oct.	9.50
Mar. 22	9.00	July	8.50	Nov.	8.37	Nov.	9.50
May 17	9.50	Aug.	8.50	Dec.	8.50	Dec.	9.50
		Sept.	8.49				
2001—Jan. 4	9.00	Oct.	8.12			2001—Jan.	9.05
Feb. 1	8.50	Nov.	7.89				
		Dec.	7.75				

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	1998	1999	2000	2000			2001	2000, week ending	2001, week ending			
				Oct.	Nov.	Dec.	Jan.	Dec. 29	Jan. 5	Jan. 12	Jan. 19	Jan. 26
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	5.35	4.97	6.24	6.51	6.51	6.40	5.98	6.48	5.88	5.91	6.02	5.96
2 Discount window borrowing[2,4]	4.92	4.62	5.73	6.00	6.00	6.00	5.52	6.00	5.96	5.50	5.50	5.50
Commercial paper[3,5,6]												
Nonfinancial												
3 1-month	5.40	5.09	6.27	6.48	6.49	6.51	5.74	6.45	6.12	5.73	5.74	5.60
4 2-month	5.38	5.14	6.29	6.48	6.52	6.42	5.59	6.36	5.94	5.56	5.60	5.47
5 3-month	5.34	5.18	6.31	6.51	6.50	6.34	5.49	6.28	5.85	5.45	5.47	5.35
Financial												
6 1-month	5.42	5.11	6.28	6.48	6.49	6.52	5.75	6.45	6.12	5.76	5.78	5.59
7 2-month	5.40	5.16	6.30	6.47	6.54	6.42	5.62	6.33	5.98	5.59	5.60	5.50
8 3-month	5.37	5.22	6.33	6.52	6.52	6.33	5.51	6.21	5.84	5.46	5.51	5.42
Commercial paper (historical)[3,5,7]												
9 1-month	n.a.	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	n.a.	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	n.a.	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	n.a.	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	n.a.	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	n.a.	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	5.39	5.24	6.23	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
16 6-month	5.30	5.30	6.37	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Certificates of deposit, secondary market[3,10]												
17 1-month	5.49	5.19	6.35	6.55	6.56	6.62	5.83	6.55	6.19	5.85	5.83	5.68
18 3-month	5.47	5.33	6.46	6.67	6.65	6.45	5.62	6.32	5.96	5.58	5.62	5.52
19 6-month	5.44	5.46	6.59	6.65	6.63	6.30	5.45	6.11	5.76	5.40	5.46	5.35
20 Eurodollar deposits, 3-month[3,11]	5.45	5.31	6.45	6.66	6.64	6.43	5.62	6.31	5.96	5.57	5.61	5.51
U.S. Treasury bills												
Secondary market[3,5]												
21 3-month	4.78	4.64	5.82	6.11	6.17	5.77	5.15	5.66	5.36	5.13	5.17	5.11
22 6-month	4.83	4.75	5.90	6.04	6.06	5.68	4.95	5.50	5.10	4.94	4.99	4.92
23 1-year	4.80	4.81	5.78	5.72	5.84	5.33	4.63	5.11	4.71	4.60	4.67	4.64
Auction high[3,5,12]												
24 3-month	4.81	4.66	5.66	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
25 6-month	4.85	4.76	5.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
26 1-year	4.85	4.78	5.85	n.a.	n.a.	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	5.05	5.08	6.11	6.01	6.09	5.60	4.81	5.34	4.89	4.79	4.85	4.83
28 2-year	5.13	5.43	6.26	5.91	5.88	5.35	4.76	5.12	4.78	4.72	4.80	4.79
29 3-year	5.14	5.49	6.22	5.85	5.79	5.26	4.77	5.06	4.77	4.73	4.81	4.81
30 5-year	5.15	5.55	6.16	5.78	5.70	5.17	4.86	4.98	4.80	4.81	4.85	4.94
31 7-year	5.28	5.79	6.20	5.84	5.78	5.28	5.13	5.16	5.04	5.07	5.14	5.23
32 10-year	5.26	5.65	6.03	5.74	5.72	5.24	5.16	5.10	5.01	5.08	5.19	5.29
33 20-year	5.72	6.20	6.23	6.04	5.98	5.64	5.65	5.58	5.54	5.61	5.65	5.75
34 30-year	5.58	5.87	5.94	5.80	5.78	5.49	5.54	5.44	5.42	5.50	5.54	5.64
Composite												
35 More than 10 years (long-term)	5.69	6.14	6.41	n.a.	n.a.	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	4.93	5.28	5.58	5.46	5.38	5.11	4.99	5.07	5.00	4.90	4.96	5.10
37 Baa	5.14	5.70	6.19	6.22	6.17	5.85	5.76	5.79	5.74	5.70	5.74	5.85
38 *Bond Buyer* series[15]	5.09	5.43	5.71	5.59	5.54	5.22	5.10	5.14	5.09	5.00	5.10	5.20
CORPORATE BONDS												
39 Seasoned issues, all industries[16]	6.87	7.45	7.98	7.95	7.90	7.65	7.55	7.59	7.52	7.55	7.55	7.60
Rating group												
40 Aaa	6.53	7.05	7.62	7.55	7.45	7.21	7.15	7.15	7.09	7.13	7.14	7.21
41 Aa	6.80	7.36	7.83	7.81	7.75	7.48	7.38	7.40	7.33	7.36	7.38	7.44
42 A	6.93	7.53	8.11	8.11	8.09	7.88	7.75	7.83	7.72	7.75	7.75	7.80
43 Baa	7.22	7.88	8.36	8.34	8.28	8.02	7.93	7.97	7.94	7.95	7.90	7.95
MEMO												
Dividend–price ratio[17]												
44 Common stocks	1.49	1.25	1.15	1.15	1.16	1.19	1.16	1.18	1.16	1.19	1.17	1.15

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	1998	1999	2000	2000								2001
				May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	550.65	619.52	643.71	640.07	649.61	653.27	666.14	667.05	646.53	646.64	645.44	650.55
2 Industrial	684.35	775.29	809.40	814.75	819.54	825.28	837.23	829.99	797.00	800.88	792.66	796.74
3 Transportation	468.61	491.62	414.73	411.50	395.09	410.67	419.84	404.23	403.20	434.92	457.53	471.21
4 Utility	190.52	284.82	478.99	487.17	501.93	484.19	459.91	463.76	469.16	455.66	444.16	440.36
5 Finance	516.65	530.97	552.48	523.22	544.51	556.32	597.17	616.89	587.76	600.45	621.62	634.17
6 Standard & Poor's Corporation (1941–43 = 10)[1]	1,085.50	1,327.33	1,427.22	1,418.48	1,461.96	1,473.00	1,485.46	1,468.06	1,390.14	1,375.04	1,330.93	1,335.63
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	682.69	770.90	922.22	917.76	934.90	930.66	920.54	952.74	913.64	892.60	870.16	898.18
Volume of trading (thousands of shares)												
8 New York Stock Exchange	666,534	799,554	1,026,867	893,896	971,137	941,694	875,087	1,026,597	1,167,025	1,015,606	1,183,149	1,299,986
9 American Stock Exchange	28,870	32,629	50,604	44,146	42,490	36,486	35,695	47,047	57,915	58,541	73,759	72,312
	Customer financing (millions of dollars, end-of-period balances)											
10 Margin credit at broker–dealers[3]	**140,980[c]**	**228,530[c]**	**198,790[c]**	**240,660**	**247,200**	**244,970**	**247,560**	**250,780**	**233,376**	**219,110**	**198,790**	**197,110**
Free credit balances at brokers[4]												
11 Margin accounts[5]	40,250[c]	55,130[c]	100,680[c]	66,170	64,970	71,730	68,020	70,959	83,131	96,730	100,680	90,380
12 Cash accounts	62,450[c]	79,070[c]	84,400[c]	73,500	74,140	74,970	72,640	74,766	73,271	74,050	84,400	80,470

	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			Calendar year					
				2000					2001
	1998	1999	2000	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
U.S. budget[1]									
1 Receipts, total	1,721,798	1,827,454	2,025,197	138,128	219,471	135,111	125,666	200,489	219,215
2 On-budget	1,305,999	1,382,986	1,544,614	101,429	176,692	101,121	89,216	161,737	171,001
3 Off-budget	415,799	444,468	480,583	36,699	42,779	33,990	36,450	38,752	48,214
4 Outlays, total	1,652,224	1,702,942	1,788,953	148,555	153,744	146,431	149,356	167,823	142,836
5 On-budget	1,335,948	1,382,262	1,458,188	115,539	114,748	115,840	116,737	132,747	144,448
6 Off-budget	316,604	320,778	330,765	33,016	38,901	30,592	32,619	35,075	−1,613
7 Surplus or deficit (−), total	69,246	124,414	236,244	−10,427	65,727	−11,321	−23,690	32,666	76,379
8 On-budget	−29,949	724	86,426	−14,110	61,944	−14,719	−27,521	28,990	26,553
9 Off-budget	99,195	123,690	149,818	3,683	3,878	3,398	3,831	3,677	49,827
Source of financing (total)									
10 Borrowing from the public	−51,211	−88,674	−222,672	9,995	−32,334	−29,666	41,325	−36,689	−23,990
11 Operating cash (decrease, or increase (−))	4,743	−17,580	3,799	20,873	−39,479	42,653	−1,431	−9,632	−45,761
12 Other[2]	−22,778	−18,160	−17,327	−20,441	6,086	−1,666	−16,204	13,655	−6,628
MEMO									
13 Treasury operating balance (level, end of period)	38,878	56,458	52,659	13,180	52,659	10,006	11,437	21,069	66,830
14 Federal Reserve Banks	4,952	6,641	8,459	5,961	8,459	5,360	4,382	5,149	5,256
15 Tax and loan accounts	33,926	49,817	44,199	7,218	44,199	4,646	7,055	15,920	61,574

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* when available.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year		Calendar year						
	1999	2000	1999		2000		2000		2001
			H1	H2	H1	H2	Nov.	Dec.	Jan.
RECEIPTS									
1 **All sources**	**1,827,454**	**2,025,200**	**966,045**	**892,266**	**1,089,760**	**952,939**	**125,666**	**200,489**	**219,215**
2 Individual income taxes, net	879,480	1,004,500	481,907	425,451	550,208	458,679	60,489	83,485	135,702
3 Withheld	693,940	780,397	351,068	372,012	388,526	395,572	62,855	78,133	84,319
4 Nonwithheld	308,185	358,049	240,278	68,302	281,103	77,732	2,320	6,468	52,713
5 Refunds	122,706	134,046	109,467	14,841	119,477	14,628	4,686	1,116	1,330
Corporation income taxes									
6 Gross receipts	216,324	235,655	106,861	110,111	119,166	123,962	4,292	53,192	7,778
7 Refunds	31,645	28,367	17,092	13,996	13,781	15,776	2,245	1,886	2,066
8 Social insurance taxes and contributions, net	611,833	652,900	324,831	292,551	353,514	310,122	51,383	53,559	64,214
9 Employment taxes and contributions[2]	580,880	620,447	306,235	280,059	333,584	297,665	48,536	52,932	62,259
10 Unemployment insurance	26,480	27,641	16,378	10,173	17,562	10,097	2,431	260	1,596
11 Other net receipts[3]	4,473	4,763	2,216	2,319	2,368	2,360	416	367	359
12 Excise taxes	70,414	68,900	31,015	34,262	33,532	35,501	6,030	5,865	5,307
13 Customs deposits	18,336	19,900	8,440	10,287	9,218	10,676	1,640	1,461	1,694
14 Estate and gift taxes	27,782	29,000	14,915	14,001	15,073	13,216	2,141	1,863	2,403
15 Miscellaneous receipts[4]	34,929	42,800	15,140	19,569	22,831	16,556	1,935	2,949	4,183
OUTLAYS									
16 **All types**	**1,702,942**	**1,789,000**	**817,227**	**882,465**	**892,947**	**894,922**	**149,356**	**167,823**	**142,836**
17 National defense	274,873	294,500	134,414	149,573	143,476	147,651	24,445	29,176	21,792
18 International affairs	15,243	17,200	6,879	8,530	7,250	11,902	1,326	4,828	1,289
19 General science, space, and technology	18,125	18,600	9,319	10,089	9,601	10,389	1,776	1,868	1,383
20 Energy	912	−1,100	797	−90	−893	−595	74	182	−378
21 Natural resources and environment	23,970	25,000	10,351	12,100	10,814	12,907	2,100	2,083	1,708
22 Agriculture	23,011	36,600	9,803	20,887	11,164	20,977	3,547	3,618	3,870
23 Commerce and housing credit	2,649	3,200	−1,629	7,353	−2,497	4,408	−709	555	−943
24 Transportation	42,531	46,900	17,082	23,199	21,054	25,841	4,221	4,035	3,323
25 Community and regional development	11,870	10,600	5,368	6,806	5,050	5,962	1,133	822	722
26 Education, training, employment, and social services	56,402	59,400	29,003	27,532	31,234	29,263	5,014	6,122	5,660
27 Health	141,079	154,500	69,320	74,490	75,871	81,413	13,111	12,975	14,087
28 Social security and Medicare	580,488	606,500	261,146	295,030	306,966	307,473	51,481	54,224	50,633
29 Income security	237,707	247,900	126,552	113,504	133,915	113,212	18,950	23,882	18,473
30 Veterans benefits and services	43,212	47,100	20,105	23,412	23,174	22,615	3,644	5,520	2,101
31 Administration of justice	25,924	28,000	13,149	13,459	13,981	14,635	2,741	2,495	2,602
32 General government	15,771	13,200	6,641	7,010	6,198	6,461	1,134	1,205	707
33 Net interest[5]	229,735	223,200	116,655	112,420	115,545	104,685	18,916	17,122	19,575
34 Undistributed offsetting receipts[6]	−40,445	−42,600	−17,724	−22,850	−19,346	−24,070	−3,547	−2,889	−3,767

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			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 **Federal debt outstanding**	**5,643**	**5,681**	**5,668**	**5,685**	**5,805**	**5,802**	**5,714**	**5,702**	**5,690**
2 Public debt securities	5,614	5,652	5,639	5,656	5,776	5,773	5,686	5,674	5,662
3 Held by public	3,787	3,795	3,685	3,667	3,716	3,688	3,496	3,438	3,413
4 Held by agencies	1,827	1,857	1,954	1,989	2,061	2,085	2,190	2,236	2,249
5 Agency securities	29	29	29	29	29	28	28	28	27
6 Held by public	29	28	28	28	28	28	28	28	27
7 Held by agencies	1	1	1	1	1	0	0	0	0
8 **Debt subject to statutory limit**	**5,530**	**5,566**	**5,552**	**5,568**	**5,687**	**5,687**	**5,601**	**5,592**	**5,581**
9 Public debt securities	5,530	5,566	5,552	5,568	5,687	5,686	5,601	5,591	5,580
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	1997	1998	1999	2000	2000			
					Q1	Q2	Q3	Q4
1 **Total gross public debt**	**5,502.4**	**5,614.2**	**5,776.1**	**5,662.2**	**5,773.4**	**5,685.9**	**5,674.2**	**5,662.2**
By type								
2 Interest-bearing	5,494.9	5,605.4	5,766.1	5,618.1	5,763.8	5,675.9	5,622.1	5,618.1
3 Marketable	3,456.8	3,355.5	3,281.0	2,966.9	3,261.2	3,070.7	2,992.8	2,966.9
4 Bills	715.4	691.0	737.1	646.9	753.3	629.9	616.2	646.9
5 Notes	2,106.1	1,960.7	1,784.5	1,557.3	1,732.6	1,679.1	1,611.3	1,557.3
6 Bonds	587.3	621.2	643.7	626.5	653.0	637.7	635.3	626.5
7 Inflation-indexed notes and bonds[1]	33.0	67.6	100.7	121.2	107.4	109.0	115.0	121.2
8 Nonmarketable[2]	2,038.1	2,249.9	2,485.1	2,651.2	2,502.6	2,605.2	2,629.3	2,651.2
9 State and local government series	124.1	165.3	165.7	151.0	161.9	160.4	153.3	151.0
10 Foreign issues[3]	36.2	34.3	31.3	27.2	28.8	27.7	25.4	27.2
11 Government	36.2	34.3	31.3	27.2	28.8	27.7	25.4	27.2
12 Public	.0	0	.0	0	.0	.0	.0	.0
13 Savings bonds and notes	181.2	180.3	179.4	176.9	178.6	177.7	177.7	176.9
14 Government account series[4]	1,666.7	1,840.0	2,078.7	2,266.1	2,103.3	2,209.4	2,242.9	2,266.1
15 Non-interest-bearing	7.5	8.8	10.0	44.2	9.6	10.1	52.1	44.2
By holder[5]								
16 U.S. Treasury and other federal agencies and trust funds	1,655.7	1,826.8	2,060.6	n.a.	2,085.4	2,190.2	2,235.7	n.a.
17 Federal Reserve Banks	451.9	471.7	477.7	n.a.	501.7	505.0	511.4	n.a.
18 Private investors	3,414.6	3,334.0	3,233.9	n.a.	3,182.8	2,987.4	2,936.2	n.a.
19 Depository institutions	300.3	237.3	246.3	n.a.	235.1	219.7	n.a.	n.a.
20 Mutual funds	321.5	343.2	348.6	n.a.	338.9	318.6	n.a.	n.a.
21 Insurance companies	176.6	144.5	125.3	n.a.	124.0	120.9	n.a.	n.a.
22 State and local treasuries[6]	239.3	269.3	266.8	n.a.	257.2	256.4	n.a.	n.a.
Individuals								
23 Savings bonds	186.5	186.7	186.5	n.a.	185.3	184.6	184.7	n.a.
24 Pension funds	359.4	374.4	384.5	n.a.	385.9	384.5	n.a.	n.a.
25 Private	142.5	157.8	171.3	n.a.	174.8	175.5	n.a.	n.a.
26 State and Local	216.9	216.6	213.2	n.a.	211.1	209.0	n.a.	n.a.
27 Foreign and international[7]	1,241.6	1,278.7	1,268.8	n.a.	1,273.9	1,248.9	1,225.2	n.a.
28 Other miscellaneous investors[6,8]	589.5	498.8	407.1	n.a.	382.5	253.8	n.a.	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				2001, week ending				
	Oct	Nov	Dec.	Dec. 6	Dec. 13	Dec. 20	Dec. 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	26,999	33,213	33,972	44,451	28,399	30,087	29,272	46,063	31,026	31,192	25,294	28,501
Coupon securities, by maturity												
2 Five years or less	139,243	116,403	142,810	200,827	140,926	136,050	97,687	138,635	233,089	167,473	184,622	169,233
3 More than five years	67,524	62,146	80,454	95,819	90,414	89,936	45,923	70,178	108,729	88,749	83,347	97,040
4 Inflation-indexed	1,987	1,033	1,441	1,420	1,563	1,527	907	2,034	5,306	2,310	2,387	1,411
Federal agency												
5 Discount notes	51,052	52,139	54,545	56,732	48,781	52,063	58,338	63,200	53,350	66,652	61,610	67,509
Coupon securities, by maturity												
6 One year or less	1,082	1,094	1,821	1,980	1,415	1,962	2,292	1,225	1,246	2,800	793	1,324
7 More than one year, but less than or equal to five years	12,597	9,936	10,987	17,403	11,269	9,880	6,012	10,168	21,825	13,689	13,104	13,901
8 More than five years	11,659	7,450	12,455	14,019	17,255	13,377	6,324	7,280	17,020	10,642	13,583	12,505
9 Mortgage-backed	80,367	80,031	77,576	90,154	123,014	68,876	30,729	54,267	144,559	114,402	104,151	60,919
By type of counterparty												
With interdealer broker												
10 U.S Treasury	102,544	92,335	117,395	152,034	114,749	123,851	77,852	117,676	178,968	139,148	135,431	137,738
11 Federal agency	10,680	8,654	11,965	13,370	13,645	13,157	7,330	11,240	18,578	11,889	12,816	12,066
12 Mortgage-backed	26,882	23,812	26,775	29,402	37,557	26,804	13,004	22,031	44,970	30,924	30,977	21,504
With other												
13 U.S. Treasury	133,209	120,459	141,282	190,483	146,553	133,748	95,936	139,234	199,182	150,575	160,220	158,446
14 Federal agency	65,710	61,966	67,843	76,763	65,076	64,125	65,636	70,633	74,862	81,895	76,273	83,173
15 Mortgage-backed	53,485	56,219	50,801	60,752	85,457	42,072	17,725	32,236	99,589	83,479	73,174	39,415
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
16 U.S. Treasury bills	0	0	n.a.	n.a.	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	2,497	3,309	3,629	5,012	4,666	3,474	1,641	2,637	4,007	3,831	4,256	3,666
18 More than five years	10,472	13,051	14,020	17,887	14,870	15,733	8,092	11,731	17,813	15,512	15,182	14,893
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	n.a.	0
23 More than five years	86	72	325	464	304	235	n.a.	n.a.	118	55	20	58
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	1,217	1,548	1,380	1,361	1,940	1,317	1,265	407	1,628	1,553	754	902
27 More than five years	3,829	3,619	4,111	3,105	5,870	4,757	2,419	3,491	6,201	4,420	3,853	3,590
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	n.a.	0	0	0	0	0	0	0	0	20	0
32 More than five years	102	124	14	36	n.a.	12	0	0	n.a.	n.a.	55	197
33 Mortgage-backed	1,189	1,272	1,228	1,242	945	1,674	1,077	1,092	2,105	692	1,206	1,029

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				2001, week ending			
	Oct.	Nov.	Dec.	Dec. 6	Dec. 13	Dec. 20	Dec. 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	4,172	6,870	15,431	25,627	24,064	7,224	7,857	12,648	11,859	6,987	12,609
Coupon securities, by maturity											
2 Five years or less	−30,472	−28,545	−18,515	−24,136	−21,555	−16,746	−15,218	−13,626	−10,388	−12,565	−13,972
3 More than five years	−17,380	−11,005	−13,463	−11,230	−14,317	−13,971	−14,071	−13,363	−10,442	−10,434	−9,383
4 Inflation-indexed	3,125	3,015	1,713	1,560	1,872	1,867	1,709	1,400	4,458	3,628	3,733
Federal agency											
5 Discount notes	33,428	29,599	31,098	34,622	30,133	28,910	32,335	29,166	29,422	33,806	31,531
Coupon securities, by maturity											
6 One year or less	13,990	16,088	16,590	16,245	15,876	16,878	16,970	17,187	15,160	17,826	17,686
7 More than one year, but less than or equal to five years	5,672	7,057	7,293	6,499	10,167	7,357	6,048	5,520	6,757	6,822	6,942
8 More than five years	1,978	4,043	5,114	4,163	3,742	6,157	5,626	6,217	6,649	8,113	6,255
9 Mortgage-backed	14,541	12,132	14,596	12,297	13,939	13,899	14,803	20,050	17,785	16,521	13,052
NET FUTURES POSITIONS[4]											
By type of deliverable security											
10 U.S. Treasury bills	n.a.	n.a.	0	n.a.	n.a.	0	n.a.	n.a.	n.a.	n.a.	n.a.
Coupon securities, by maturity											
11 Five years or less	1,995	1,921	−252	−657	−423	20	−495	601	−859	−475	2,870
12 More than five years	1,365	−2,745	−3,090	−2,879	−3,901	−2,960	−3,438	−1,608	−4,660	−6,726	−8,017
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	n.a.
17 More than five years	−1,232	−1,364	−521	−1,004	−740	−317	−269	−215	−68	−56	−62
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	1,541	−1,768	−684	−1,229	−283	98	−1,594	−344	1,248	1,421	1,634
21 More than five years	771	−203	−93	−1,201	−467	110	378	1,043	1,021	1,294	1,100
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	41	−209	−528	−148	−597	−610	−629	−660	−586	−561	−448
26 More than five years	208	259	533	427	378	534	664	731	836	268	383
27 Mortgage-backed	3,895	2,892	2,031	1,575	2,767	2,494	2,691	−537	−207	360	2,357
	Financing[5]										
Reverse repurchase agreements											
28 Overnight and continuing	289,809	310,115	337,035	348,676	328,712	335,487	332,586	344,636	350,308	345,504	338,748
29 Term	832,733	824,867	821,860	821,004	826,114	845,610	854,643	716,768	771,154	802,742	837,898
Securities borrowed											
30 Overnight and continuing	289,467	271,420	263,010	257,697	261,575	263,144	266,023	267,982	279,724	273,126	267,133
31 Term	117,801	123,967	137,491	132,603	135,102	138,700	142,393	138,307	132,370	128,726	128,360
Securities received as pledge											
32 Overnight and continuing	2,228	2,748	2,848	2,971	2,742	n.a.	n.a.	n.a.	n.a.	n.a.	3,042
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	729,081	724,736	769,296	786,976	776,360	766,948	745,335	776,455	784,701	802,850	784,444
35 Term	772,976	796,328	785,387	769,715	778,736	803,143	840,669	692,715	744,867	766,159	791,009
Securities loaned											
36 Overnight and continuing	7,252	8,221	8,521	8,109	7,839	7,989	9,674	9,249	9,866	9,091	9,182
37 Term	5,314	4,465	4,284	4,459	4,478	4,143	4,141	4,179	4,168	4,171	4,103
Securities pledged											
38 Overnight and continuing	60,045	56,285	56,936	53,519	55,368	57,569	59,095	59,920	58,480	54,970	51,671
39 Term	4,689	3,981	4,207	4,109	4,315	4,227	4,158	4,212	4,228	3,786	3,878
Collateralized loans											
40 Total	27,796	26,695	25,778	30,783	24,367	26,876	20,426	28,184	26,103	25,033	26,837

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 July	2000 Aug.	2000 Sept.	2000 Oct.	2000 Nov.
1 **Federal and federally sponsored agencies**	**925,823**	**1,022,609**	**1,296,477**	**1,616,492**	**1,726,016**	**1,763,089**	**1,776,334**	n.a.	↑
2 Federal agencies	29,380	27,792	26,502	26,376	26,094	25,892	25,993	25,523	
3 Defense Department[1]	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	205	210	227	237	
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.	
7 Postal Service[6]	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	26,088	25,886	25,987	25,517	
9 United States Railway Association[6]	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	1,699,922	1,737,197	1,750,341	1,777,824	1,807,600
11 Federal Home Loan Banks	263,404	313,919	382,131	529,005	565,037	572,836	580,579	576,689	580,957
12 Federal Home Loan Mortgage Corporation	156,980	169,200	287,396	360,711	399,370	412,656	406,936	422,960	429,617
13 Federal National Mortgage Association	331,270	369,774	460,291	547,619	579,448	595,117	607,000	615,463	633,100
14 Farm Credit Banks[8]	60,053	63,517	63,488	68,883	69,757	70,139	71,055	71,345	71,667
15 Student Loan Marketing Association[9]	44,763	37,717	35,399	41,988	44,223	44,113	42,423	48,988	50,016
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**	**38,143**	**38,040**	**42,837**	**41,280**	n.a.
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	5,760	5,660	5,540	5,540	
26 Rural Electrification Administration	16,702	14,898	14,091	14,085	13,165	13,238	12,989	12,891	
27 Other	21,714	20,110	20,538	21,402	19,218	19,142	24,308	22,849	↓

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	1998	1999	2000	2000							2001
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 **All issues, new and refunding**[1]	**262,342**	**215,427**	**180,403**	**20,208**	**12,827**	**15,284**	**15,598**	**18,035**	**18,079**	**15,348**	**11,255**
By type of issue											
2 General obligation	87,015	73,308	64,475	8,581	4,256	5,194	6,888	5,871	5,044	5,060	6,256
3 Revenue	175,327	142,120	115,928	11,628	8,572	10,090	8,710	12,163	13,036	10,288	4,999
By type of issuer											
4 State	23,506	16,376	19,944	2,907	783	1,011	2,022	3,005	1,942	1,640	1,738
5 Special district or statutory authority[2]	178,421	152,418	111,695	13,520	8,545	10,728	10,152	11,224	12,311	1,053	7,061
6 Municipality, county, or township	60,173	46,634	39,273	3,782	3,500	3,545	3,424	3,806	3,827	3,165	2,456
7 **Issues for new capital**	**160,568**	**161,065**	**154,257**	**16,987**	**11,297**	**12,402**	**13,968**	**16,387**	**14,520**	**13,286**	**8,758**
By use of proceeds											
8 Education	36,904	36,563	38,665	4,465	3,185	3,630	3,210	3,492	3,446	2,919	2,786
9 Transportation	19,926	17,394	19,730	1,093	1,947	1,979	1,574	2,575	2,124	1,381	780
10 Utilities and conservation	21,037	15,098	11,917	1,141	353	1,409	1,408	1,272	1,973	1,307	678
11 Social welfare	n.a.	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Industrial aid	8,594	9,099	7,122	1,150	632	281	387	730	500	615	63
13 Other purposes	42,450	47,896	47,309	5,776	2,543	3,564	5,243	6,558	3,787	4,264	3,013

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	1998	1999	2000	2000							
				May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.
1 **All issues**[1]	**1,128,491**	**1,072,866**	**944,414**	**62,939**	**100,615**	**65,511**	**82,752**	**94,492**	**62,466**	**95,595**	**63,594**
2 **Bonds**[2]	**1,001,736**	**941,298**	**809,497**	**58,233**	**92,742**	**57,476**	**69,875**	**88,102**	**53,345**	**84,094**	**58,713**
By type of offering											
3 Sold in the United States	923,771	818,683	684,662	45,986	75,271	40,753	56,133	73,516	47,415	76,383	57,189
4 Sold abroad	77,965	122,615	124,835	12,247	17,471	16,723	13,742	14,586	5,930	7,712	1,525
MEMO											
5 Private placements, domestic	n.a.	n.a.	n.a.	2,694	3,391	1,038	241	376	127	5,534	3,709
By industry group											
6 Nonfinancial	307,935	293,963	244,092	20,832	29,412	15,885	17,947	24,483	12,547	25,784	18,219
7 Financial	693,801	647,335	565,404	37,401	63,331	41,592	51,928	63,619	40,799	58,310	40,495
8 **Stocks**[3]	**205,605**	**217,868**	**134,917**	**4,706**	**7,873**	**8,035**	**12,877**	**6,390**	**9,121**	**11,501**	**2,665**
By type of offering											
9 Public	126,755	131,568	134,917	4,706	7,873	8,035	12,877	6,390	9,121	11,501	2,665
10 Private placement[4]	78,850	86,300	n.a.	n.a.	n.a.	n.a.	n.a	n.a.	n.a.	n.a.	n.a.
By industry group											
11 Nonfinancial	74,113	110,284	118,369	4,522	6,521	7,773	8,645	6,205	8,278	10,794	2,146
12 Financial	52,642	21,284	16,548	184	1,352	262	4,232	185	843	707	519

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	1999	2000[r]	2000 June	July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	2001 Jan.
1 **Sales of own shares**[2]	**1,791,894**	**2,279,315**	**181,866**	**166,815**	**179,890**	**159,809**	**169,071**	**143,412**	**170,255**	**208,194**
2 Redemptions of own shares	1,621,987	2,057,277	161,462	151,717	159,027	147,644	153,067	138,791	160,918	173,833
3 Net sales[3]	169,906	222,038	20,404	15,098	20,864	12,166	16,004	4,621	9,337	34,361
4 **Assets**[4]	**5,233,191**	**5,123,747**	**5,458,914**	**5,392,308**	**5,745,264**	**5,550,176**	**5,442,937**	**4,993,008**	**5,123,747**	**5,278,863**
5 Cash[5]	219,189	277,386	259,241	258,472	261,967	280,192	302,682	300,133	277,386	280,477
6 Other	5,014,002	4,846,361	5,199,673	5,133,836	5,483,298	5,269,984	5,140,255	4,692,875	4,846,361	4,998,386

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	1998	1999	2000	1999 Q1	1999 Q2	1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4
1 Profits with inventory valuation and capital consumption adjustment	815.0	856.0	n.a.	852.0	836.8	842.0	893.2	936.3	963.6	970.3	n.a.
2 Profits before taxes	758.2	823.0	n.a.	797.6	804.5	819.0	870.7	920.7	942.5	945.1	n.a.
3 Profits-tax liability	244.6	255.9	n.a.	247.8	250.8	254.2	270.8	286.3	292.0	290.6	n.a.
4 Profits after taxes	513.6	567.1	n.a.	549.9	553.7	564.8	599.9	634.4	650.4	654.4	n.a.
5 Dividends	351.5	370.7	397.0	361.1	367.2	373.9	380.6	387.3	393.0	400.1	407.6
6 Undistributed profits	162.1	196.4	n.a.	188.7	186.5	190.9	219.3	247.1	257.4	254.4	n.a.
7 Inventory valuation	17.0	−9.1	n.a.	11.4	−8.9	−19.7	−19.2	−25.0	−13.6	−4.5	n.a.
8 Capital consumption adjustment	39.9	42.1	33.6	42.9	41.2	42.7	41.6	40.6	34.7	29.7	29.5

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	1998	1999	2000	1999 Q2	1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4
ASSETS										
1 Accounts receivable, gross[2]	711.7	811.5	915.3	756.5	776.3	811.5	848.7	884.4	900.1[r]	915.3
2 Consumer	261.8	279.8	296.1	269.2	271.0	279.8	285.4	294.1	301.9[r]	296.1
3 Business	347.5	405.2	471.1	373.7	383.0	405.2	434.6	454.1	455.7	471.1
4 Real estate	102.3	126.5	148.1	113.5	122.3	126.5	128.8	136.2	142.4	148.1
5 LESS: Reserves for unearned income	56.3	53.5	59.9	53.4	54.0	53.5	54.0	57.1	58.8	59.9
6 Reserves for losses	13.8	13.5	14.7	13.4	13.6	13.5	14.0	14.4	14.2	14.7
7 Accounts receivable, net	641.6	744.6	840.6	689.7	708.6	744.6	780.7	813.0	827.1[r]	840.6
8 All other	337.9	406.3	463.0	373.2	368.5	406.3	412.7	418.3	441.4	463.0
9 **Total assets**	**979.5**	**1,150.9**	**1,303.7**	**1,062.9**	**1,077.2**	**1,150.9**	**1,193.4**	**1,231.3**	**1,268.4**	**1,303.7**
LIABILITIES AND CAPITAL										
10 Bank loans	26.3	35.1	35.6	25.1	27.0	35.1	28.5	32.5	35.4	35.6
11 Commercial paper	231.5	227.9	235.2	231.0	205.3	227.9	230.2	221.3	215.6	235.2
Debt										
12 Owed to parent	61.8	123.8	145.8	65.4	84.5	123.8	145.1	137.1	144.3	145.8
13 Not elsewhere classified	339.7	397.0	464.1	383.1	396.2	397.0	412.0	445.4	465.5	464.1
14 All other liabilities	203.2	222.7	280.4	226.1	216.0	222.7	247.6	259.3	269.2	280.4
15 Capital, surplus, and undivided profits	117.0	144.5	142.6	132.2	148.2	144.5	130.1	135.6	138.3	142.6
16 **Total liabilities and capital**	**979.5**	**1,150.9**	**1,303.6**	**1,062.9**	**1,077.2**	**1,150.9**	**1,193.4**	**1,231.3**	**1,268.4**	**1,303.6**

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	1998	1999	2000	2000 July	2000 Aug.	2000 Sept.	2000 Oct.	2000 Nov.	2000 Dec.
	Seasonally adjusted								
1 **Total**	**875.8**	**993.9**	**1,145.0**	**1,089.1**	**1,094.1**	**1,112.1**	**1,134.9r**	**1,136.2r**	**1,145.0**
2 Consumer	352.8	385.3	439.3	405.9	411.1	419.7	437.3	439.8r	439.3
3 Real estate	131.4	154.7	174.7	167.5	169.0	170.9	174.4r	176.6r	174.7
4 Business	391.6	453.9	531.0	515.8	514.1	521.6	523.2r	519.7r	531.0
	Not seasonally adjusted								
5 **Total**	**884.0**	**1,003.2**	**1,155.7**	**1,082.2**	**1,087.9**	**1,106.8**	**1,132.9r**	**1,137.9r**	**1,155.7**
6 Consumer	356.1	388.8	443.4	408.3	412.3	421.0	437.9	441.4r	443.4
7 Motor vehicles loans	103.1	114.7	122.5	129.4	130.7	130.1	131.8	127.8	122.5
8 Motor vehicle leases	93.3	98.3	102.9	104.4	105.4	104.6	104.3	104.0	102.9
9 Revolving[2]	32.3	33.8	38.3	33.6	33.6	35.4	37.1	38.0r	38.3
10 Other[3]	33.1	33.1	32.4	31.5	32.3	31.7	31.9	32.0	32.4
Securitized assets[4]									
11 Motor vehicle loans	54.8	71.1	97.1	74.5	76.2	78.8	84.3	91.5	97.1
12 Motor vehicle leases	12.7	9.7	6.6	7.6	7.4	7.2	7.0	6.8	6.6
13 Revolving	8.7	10.5	27.5	10.9	10.7	17.2	25.8	25.8	27.5
14 Other	18.1	17.7	16.0	16.4	16.2	16.0	15.7	15.5	16.0
15 Real estate	131.4	154.7	174.7	167.5	169.0	170.9	174.4r	176.6r	174.7
16 One- to four-family	75.7	88.3	105.2	100.5	101.7	100.9	104.6	107.0	105.2
17 Other	26.6	38.3	42.9	39.7	40.2	41.5	42.1r	42.7r	42.9
Securitized real estate assets[4]									
18 One- to four-family	29.0	28.0	24.7	27.1	26.8	26.5	25.7	25.0	24.7
19 Other	.1	.2	1.9	.2	.2	1.9	1.9	1.9	1.9
20 Business	396.5	459.6	537.7	506.4	506.7	514.9	520.6r	519.9r	537.7
21 Motor vehicles	79.6	87.8	95.2	89.4	89.6	94.1	95.9	93.3	95.2
22 Retail loans	28.1	33.2	31.0	34.1	34.3	34.8	34.7	32.3	31.0
23 Wholesale loans[5]	32.8	34.7	39.6	32.9	32.6	35.5	37.5	37.3	39.6
24 Leases	18.7	19.9	24.6	22.3	22.7	23.7	23.7	23.8	24.6
25 Equipment	198.0	221.9	267.3	248.6	250.0	256.7	259.4r	259.3r	267.3
26 Loans	50.4	52.2	56.2	54.8	54.3	55.8	56.1	54.7	56.2
27 Leases	147.6	169.7	211.1	193.9	195.8	200.9	203.3r	204.6r	211.1
28 Other business receivables[6]	69.9	95.5	108.6	109.4	108.3	104.9	103.7	103.2	108.6
Securitized assets[4]									
29 Motor vehicles	29.2	31.5	37.8	29.8	29.6	31.9	34.2	37.0	37.8
30 Retail loans	2.6	2.9	3.2	2.8	2.7	2.4	2.3	3.1	3.2
31 Wholesale loans	24.7	26.4	32.5	24.6	24.5	27.1	29.5	31.5	32.5
32 Leases	1.9	2.1	2.2	2.4	2.4	2.4	2.4	2.4	2.2
33 Equipment	13.0	14.6	23.1	22.5	22.4	21.4	21.7	21.3	23.1
34 Loans	6.6	7.9	15.5	16.0	15.9	15.1	14.9	14.6	15.5
35 Leases	6.4	6.7	7.6	6.5	6.5	6.4	6.7	6.7	7.6
36 Other business receivables[6]	6.8	8.4	5.6	6.8	6.8	5.8	5.8	5.8	5.6

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	1998	1999	2000	2000 July	2000 Aug	2000 Sept.	2000 Oct.	2000 Nov.	2000 Dec.	2001 Jan.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	195.2	210.7	234.5	235.8	237.0	241.9	240.2	247.2	250.0	238.7
2 Amount of loan (thousands of dollars)	151.1	161.7	177.0	178.3	179.7	182.5	180.4	184.2	187.3	181.6
3 Loan-to-price ratio (percent)	80.0	78.7	77.4	77.7	77.7	77.1	77.2	76.2	76.5	78.2
4 Maturity (years)	28.4	28.8	29.2	29.3	29.3	29.2	29.2	29.2	29.1	29.4
5 Fees and charges (percent of loan amount)[2]	.89	.77	.70	.66	.68	.70	.69	.69	.73	.71
Yield (percent per year)										
6 Contract rate[1]	6.95	6.94	7.41	7.41	7.44	7.41	7.43	7.36	7.29	7.09
7 Effective rate[1,3]	7.08	7.06	7.52	7.51	7.54	7.52	7.53	7.47	7.40	7.20
8 Contract rate (HUD series)[4]	7.00	7.45	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	7.04	7.74	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 GNMA securities[6]	6.43	7.03	7.57	7.59	7.44	7.43	7.30	7.22	6.83	6.57
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	414,515	523,941	610,122	561,045	568,187	574,087	586,756	598,951	610,122	623,950
12 FHA/VA insured	33,770	55,318	61,539	60,397	60,150	59,961	60,329	60,694	61,539	62,970
13 Conventional	380,745	468,623	548,583	500,648	508,037	514,126	526,427	538,257	548,583	560,980
14 Mortgage transactions purchased (during period)	188,448	195,210	154,231	15,128	13,352	11,501	18,444	17,322	17,193	20,598
Mortgage commitments (during period)										
15 Issued[7]	193,795	187,948	163,689	16,660	14,253	16,143	17,435	15,287	20,120	27,325
16 To sell[8]	1,880	5,900	11,786	436	236	693	268	676	1,436	766
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	255,010	324,443	385,693	354,020	357,002	361,624	365,198	372,819	385,693	391,679
18 FHA/VA insured	785	1,836	3,332	2,858	2,903	3,517	3,530	3,321	3,332	3,307
19 Conventional	254,225	322,607	382,361	351,162	354,099	358,107	361,668	369,498	382,361	388,372
Mortgage transactions (during period)										
20 Purchases	267,402	239,793	174,043	10,912	16,056	21,748	16,195	19,402	24,313	15,658
21 Sales	250,565	233,031	166,901	10,539	15,558	21,189	15,614	18,823	22,277	15,364
22 Mortgage commitments contracted (during period)[9]	281,899	228,432	169,231	10,803	17,468	19,481	17,915	20,012	21,780	18,685

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		2000		
				Q3	Q4	Q1	Q2	Q3[p]
1 **All holders**	**4,868,298[r]**	**5,204,119[r]**	**5,737,161[r]**	**6,236,316[r]**	**6,385,916[r]**	**6,481,515[r]**	**6,651,208[r]**	**6,803,226**
By type of property								
2 One- to four-family residences	3,718,683[r]	3,973,692[r]	4,362,699[r]	4,698,263[r]	4,793,966[r]	4,853,759[r]	4,977,879[r]	5,104,650
3 Multifamily residences	288,837[r]	302,291[r]	332,121[r]	360,939[r]	374,596[r]	382,386[r]	392,595[r]	399,882
4 Nonfarm, nonresidential	773,643	837,837[r]	945,836[r]	1,075,719[r]	1,114,392[r]	1,141,622[r]	1,174,687[r]	1,191,463
5 Farm	87,134	90,299	96,506	101,395	102,962	103,748	106,047[r]	107,232
By type of holder								
6 Major financial institutions	1,981,886	2,083,981[r]	2,194,813	2,321,356	2,394,923	2,456,786	2,548,570[r]	2,603,713
7 Commercial banks[2]	1,145,389	1,245,315	1,337,217	1,418,819	1,495,502	1,546,816	1,614,307	1,648,734
8 One- to four-family	677,603	745,510	797,492	827,291	879,552	904,581	948,496	968,069
9 Multifamily	45,451	49,670	54,116	63,964	67,591	72,431	75,713	76,945
10 Nonfarm, nonresidential	397,452	423,148	456,574	496,246	516,520	537,131	556,382	569,801
11 Farm	24,883	26,986	29,035	31,320	31,839	32,673	33,717	33,919
12 Savings institutions[3]	628,335	631,826[r]	643,957	676,346	668,634	680,745	701,992	721,488
13 One- to four-family	513,712	520,782[r]	533,918	560,622	549,072	560,046	578,641	595,472
14 Multifamily	61,570	59,540	56,821	57,282	59,138	57,759	59,142	60,044
15 Nonfarm, nonresidential	52,723	51,150	52,801	57,983	59,948	62,447	63,691	65,441
16 Farm	331	354	417	459	475	493	518	531
17 Life insurance companies	208,162	206,840	213,640	226,190	230,787	229,225	232,270[r]	233,491
18 One- to four-family	6,977	7,187	6,590	7,432	5,934	5,874	5,949[r]	5,999
19 Multifamily	30,750	30,402	31,522	31,998	32,818	32,602	33,037[r]	33,206
20 Nonfarm, nonresidential	160,315	158,779	164,004	174,571	179,048	177,870	180,243[r]	181,167
21 Farm	10,120	10,472	11,524	12,189	12,987	12,879	13,041[r]	13,119
22 Federal and related agencies	295,192	286,194	293,613	322,572	322,352	323,145	332,868[r]	336,871
23 Government National Mortgage Association	2	8	7	8	7	7	7	6
24 One- to four-family	2	8	7	8	7	7	7	6
25 Multifamily	0	0	0	0	0	0	0	0
26 Farmers Home Administration[4]	41,596	41,195	40,851	73,705	73,871	72,899	72,896	73,009
27 One- to four-family	17,303	17,253	16,895	16,583	16,506	16,456	16,435	16,444
28 Multifamily	11,685	11,720	11,739	11,745	11,741	11,732	11,729	11,734
29 Nonfarm, nonresidential	6,841	7,370	7,705	41,068	41,355	40,509	40,554	40,665
30 Farm	5,768	4,852	4,513	4,308	4,268	4,202	4,179	4,167
31 Federal Housing and Veterans' Administrations	6,244	3,811	3,674	3,889	3,712	3,794	3,845	3,395
32 One- to four-family	3,524	1,767	1,849	2,013	1,851	1,847	1,832	1,327
33 Multifamily	2,719	2,044	1,825	1,876	1,861	1,947	2,013	2,068
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	163	152	98	72	82
40 One- to four-family	365	117[r]	58[r]	26[r]	25[r]	16[r]	12[r]	13
41 Multifamily	413	140[r]	70[r]	31[r]	29[r]	19[r]	14[r]	16
42 Nonfarm, nonresidential	1,653	467[r]	233[r]	105[r]	98[r]	63[r]	46[r]	53
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	168,813	161,308	157,675	153,172	151,500	150,312	153,507[r]	153,114
45 One- to four-family	155,008	149,831	147,594	142,982	141,195	139,986	142,478[r]	141,786
46 Multifamily	13,805	11,477	10,081	10,190	10,305	10,326	11,029	11,328
47 Federal Land Banks	29,602	30,657	32,983	34,217	34,187	34,142	34,830[r]	35,549
48 One- to four-family	1,742	1,804	1,941	2,013	2,012	2,009	2,049[r]	2,092
49 Farm	0	0	0	0	0	0	0	0
50 Federal Home Loan Mortgage Corporation	46,504	48,454	57,085	55,695	56,676	57,009	56,972	57,046
51 One- to four-family	41,758	42,629	49,106	44,010	44,321	43,384	42,892	42,138
52 Multifamily	4,746	5,825	7,979	11,685	12,355	13,625	14,080	14,908
53 Mortgage pools or trusts[5]	2,040,847[r]	2,239,350[r]	2,589,800[r]	2,891,187[r]	2,954,784[r]	2,982,316[r]	3,034,134[r]	3,112,824
54 Government National Mortgage Association	506,246	536,879	537,446	569,038	582,263	589,192[r]	590,830[r]	602,794
55 One- to four-family	494,064	523,225	522,498	552,670	565,189	571,506[r]	572,783[r]	584,318
56 Multifamily	12,182	13,654	14,948	16,368	17,074	17,686	18,047	18,476
57 Federal Home Loan Mortgage Corporation	554,260	579,385	646,459	738,581	749,081	757,106	768,641	790,891
58 One- to four-family	551,513	576,846	643,465	735,088	744,619	752,607	763,890	786,007
59 Multifamily	2,747	2,539	2,994	3,493	4,462	4,499	4,751	4,884
60 Federal National Mortgage Association	650,779	709,582	834,517	938,484	960,883	975,815	995,815	1,020,828
61 One- to four-family	633,209	687,981	804,204	903,531	924,941	938,898	957,584	981,206
62 Multifamily	17,570	21,601	30,313	34,953	35,942	36,917	38,231	39,622
63 Farmers Home Administration[4]	3	2	1	0	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	0	0	0	0	0
68 Private mortgage conduits	329,559	413,502	571,378[r]	645,083[r]	662,557[r]	660,203[r]	678,848[r]	698,311
69 One- to four-family[6]	258,800	316,400	412,700	455,276	462,600	455,623[r]	464,593[r]	477,899
70 Multifamily	16,369	21,591	34,329[r]	40,935[r]	42,628	43,268[r]	44,290[r]	44,513
71 Nonfarm, nonresidential	54,390	75,511	124,348[r]	148,872[r]	157,330[r]	161,312[r]	169,965[r]	175,899
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[7]	550,372[r]	594,594[r]	658,935[r]	701,202[r]	713,857[r]	719,268[r]	735,636[r]	749,818
74 One- to four-family	363,104[r]	382,315[r]	423,416[r]	447,171[r]	454,126[r]	456,285[r]	469,801[r]	487,534
75 Multifamily	68,830[r]	72,088[r]	75,374[r]	76,242[r]	78,420[r]	79,326[r]	80,219[r]	81,808
76 Nonfarm, nonresidential	100,269	121,412[r]	140,171[r]	156,874[r]	160,093[r]	162,289[r]	163,806[r]	158,437
77 Farm	18,169	18,779	19,974	20,915[r]	21,217	21,368	21,811[r]	22,039

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	1998	1999	2000	2000 July	2000 Aug.	2000 Sept.	2000 Oct.	2000 Nov.	2000 Dec.
	Seasonally adjusted								
1 **Total**	**1,301,023**	**1,393,657**	**1,533,800**	**1,470,768**	**1,484,081**	**1,492,934**	**1,509,568**	**1,522,000**	**1,533,800**
2 Revolving	560,504	595,610	663,000	638,406	645,121	649,297	656,666	662,800	663,000
3 Nonrevolving[2]	740,519	798,047	870,800	832,363	838,961	843,637	852,902	862,200	870,800
	Not seasonally adjusted								
4 **Total**	**1,331,742**	**1,426,151**	**1,568,800**	**1,463,292**	**1,486,048**	**1,495,627**	**1,513,688**	**1,529,800**	**1,568,800**
By major holder									
5 Commercial banks	508,932	499,758	543,700	506,254	520,431	521,767	521,515	527,200	543,700
6 Finance companies	168,491	181,573	193,200	194,438	196,555	197,276	200,815	197,800	193,200
7 Credit unions	155,406	167,921	185,300	178,034	180,679	181,597	183,010	184,200	185,300
8 Savings institutions	51,611	61,527	64,000	61,493	62,037	62,580	62,815	63,100	64,000
9 Nonfinancial business	74,877	80,311	82,700	71,956	73,030	72,091	70,842	73,800	82,700
10 Pools of securitized assets[3]	372,425	435,061	500,000	45,117	453,316	460,316	474,691	483,800	500,000
By major type of credit[4]									
11 Revolving	586,528	623,245	692,800	630,633	641,298	645,820	654,678	664,300	692,800
12 Commercial banks	210,346	189,352	218,100	194,496	204,016	202,362	201,874	206,100	218,100
13 Finance companies	32,309	33,814	38,252	33,565	33,558	35,405	37,148	37,957	38,252
14 Credit unions	19,930	20,641	22,191	20,476	20,796	20,783	20,804	21,276	22,191
15 Savings institutions	12,450	15,838	16,862	15,745	16,036	16,327	16,505	16,684	16,862
16 Nonfinancial business	39,166	42,783	42,504	36,078	36,669	35,817	34,484	36,430	42,504
17 Pools of securitized assets[3]	272,327	320,817	354,683	330,273	330,223	335,126	343,313	345,817	354,683
18 Nonrevolving	745,214	802,906	867,383	832,659	844,750	849,807	859,418	865,467	867,383
19 Commercial banks	298,586	310,406	319,302	311,758	316,415	319,405	319,882	321,053	319,302
20 Finance companies	136,182	147,759	154,905	160,873	162,997	161,871	163,697	159,801	154,905
21 Credit unions	135,476	147,280	162,781	157,558	159,883	160,814	162,359	162,960	162,781
22 Savings institutions	39,161	45,689	46,424	45,748	46,001	46,253	46,310	46,367	46,424
23 Nonfinancial business	35,711	37,528	40,269	35,878	36,361	36,274	36,311	37,352	40,269
24 Pools of securitized assets[3]	100,098	114,244	143,703	120,844	123,093	125,190	130,858	137,934	143,703

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	1998	1999	2000	2000 June	2000 July	2000 Aug.	2000 Sept.	2000 Oct.	2000 Nov.	2000 Dec.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	8.72	8.44	9.34	n.a.	n.a.	9.62	n.a.	n.a.	9.63	n.a
2 24-month personal	13.74	13.39	13.90	n.a.	n.a.	13.85	n.a.	n.a.	14.12	n.a.
Credit card plan										
3 All accounts	15.71	15.21	15.71	n.a.	n.a.	15.98	n.a	n.a.	15.99	n.a.
4 Accounts assessed interest	15.59	14.81	14.91	n.a.	n.a.	15.35	n.a.	n.a.	15.23	n.a
Auto finance companies										
5 New car	6.30	6.66	6.61	6.40	6.55	7.46	7.16	4.74	5.41[r]	7.45
6 Used car	12.64	12.60	13.55	13.58	13.64	13.70	13.91	13.87	13.53	13.45
OTHER TERMS[3]										
Maturity (months)										
7 New car	52.1	52.7	54.9	55.6	55.6	55.7	55.9	57.6	57.3	55.2
8 Used car	53.5	55.9	57.0	57.3	57.2	57.2	57.0	57.0	56.8	NC
Loan-to-value ratio										
9 New car	92	92	92	92	92	92	91	93	93	91
10 Used car	99	99	99	99	100	100	100	100	100	NC
Amount financed (dollars)										
11 New car	19,083	19,880	20,923	20,349	20,406	20,664	21,010	22,069	22,443	21,867
12 Used car	12,691	13,642	14,058	14,245	14,269	14,166	13,950	13,978	14,325	NC

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	1995	1996	1997	1998	1999	1999 Q2	1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4
						Nonfinancial sectors						
1 **Total net borrowing by domestic nonfinancial sectors**	**711.1[r]**	**731.3[r]**	**804.6[r]**	**1,044.6[r]**	**1,121.5[r]**	**939.8[r]**	**1,178.0[r]**	**1,089.5[r]**	**924.0[r]**	**971.5[r]**	**779.9**	**835.7**
By sector and instrument												
2 Federal government	144.4	145.0	23.1	−52.6	−71.2	−98.5	−68.9[r]	−34.0[r]	−215.5	−414.0	−219.5	−334.5
3 Treasury securities	142.9	146.6	23.2	−54.6	−71.0	−99.1	−68.9[r]	−34.0[r]	−213.5	−415.8	−217.1	−333.3
4 Budget agency securities and mortgages	1.5	−1.6	−.1	2.0	−.2	.6	.0	.0	−2.1	1.8	−2.4	−1.2
5 Nonfederal	566.7[r]	586.3	781.5[r]	1,097.2[r]	1,192.7[r]	1,038.3[r]	1,247.0[r]	1,123.5[r]	1,139.6[r]	1,385.4[r]	999.4	1,170.2
By instrument												
6 Commercial paper	18.1	−.9	13.7	24.4	37.4	−2.6	49.8	44.0	29.8[r]	110.4[r]	56.1	−4.0
7 Municipal securities and loans	−48.2	2.6	71.4	96.8	68.2	56.8	71.3	52.5	8.9	34.0	29.8	68.6
8 Corporate bonds	91.1	116.3	150.5	218.7	229.9	287.6	202.8	155.2	186.2	153.8	184.4	175.6
9 Bank loans n.e.c	103.7	70.5	106.5	108.2	82.7	24.0	112.3	108.6	131.9	163.1	31.8	84.2
10 Other loans and advances	67.2	33.5	69.1	74.3	71.2	2.3	79.2	55.4	153.3[r]	124.4[r]	−2.5	141.1
11 Mortgages	195.8[r]	275.7	317.7[r]	507.2[r]	608.9[r]	608.9[r]	655.4[r]	598.3[r]	484.9[r]	662.6[r]	577.0	570.5
12 Home	181.0[r]	242.1[r]	252.3	386.8[r]	432.0[r]	440.2[r]	479.4	397.1[r]	344.1[r]	489.4[r]	429.6	414.1
13 Multifamily residential	6.1[r]	9.0[r]	8.2[r]	20.8[r]	40.2	33.0[r]	41.3[r]	50.9[r]	29.5[r]	44.7[r]	31.3	36.6
14 Commercial	7.1[r]	22.0[r]	54.1[r]	93.4[r]	131.2[r]	126.7[r]	127.6[r]	147.9[r]	104.4[r]	119.7[r]	110.7	116.8
15 Farm	1.6	2.6	3.2	6.2	5.5	9.0	7.0	2.5	6.9	8.9	5.3	3.0
16 Consumer credit	138.9	88.8	52.5	67.6	94.4	61.4	76.2	109.5	144.6[r]	137.2[r]	122.9	134.2
By borrowing sector												
17 Household	363.5[r]	357.8[r]	337.1[r]	479.1[r]	538.2[r]	512.9[r]	580.6[r]	498.0[r]	523.0[r]	638.9[r]	552.2	576.0
18 Nonfinancial business	254.7[r]	235.3[r]	388.2[r]	537.8[r]	602.1[r]	481.8[r]	613.9[r]	591.9[r]	612.8[r]	725.7[r]	423.5	533.9
19 Corporate	227.5[r]	149.1[r]	266.5[r]	418.1[r]	481.6[r]	372.8[r]	473.8[r]	453.6[r]	481.3[r]	592.4[r]	309.1	404.5
20 Nonfarm noncorporate	24.3	81.4	115.6[r]	112.0[r]	115.3[r]	107.2[r]	131.6[r]	132.7[r]	116.5[r]	125.1[r]	109.3	117.6
21 Farm	2.9	4.8	6.2	7.7	5.2	1.7	8.5	5.6	15.0[r]	8.3	5.1	11.7
22 State and local government	−51.5	−6.8	56.1	80.3	52.3	43.6	52.5	33.6	3.8	20.8	23.6	60.3
23 Foreign net borrowing in United States	78.5	88.4	71.8	43.3	25.3	−24.5	77.3	17.6	118.0[r]	−7.6[r]	89.2	47.8
24 Commercial paper	13.5	11.3	3.7	7.8	16.3	−27.5	41.1	33.6	57.8[r]	12.0[r]	7.0	50.1
25 Bonds	57.1	67.0	61.4	34.8	14.2	.2	44.0	−2.7	45.7	−27.4[r]	71.7	−15.3
26 Bank loans n.e.c.	8.5	9.1	8.5	6.7	.5	5.6	−6.6	2.3	15.4	5.7	11.9	12.2
27 Other loans and advances	−.5	1.0	−1.8	−6.0	−5.7	−2.8	−1.1	−15.5	−.9	2.0	−1.5	.8
28 **Total domestic plus foreign**	**789.6[r]**	**819.7[r]**	**876.3[r]**	**1,087.9[r]**	**1,146.8[r]**	**915.3[r]**	**1,255.4[r]**	**1,107.1[r]**	**1,042.0[r]**	**963.9[r]**	**869.0**	**883.5**
						Financial sectors						
29 **Total net borrowing by financial sectors**	**454.0[r]**	**545.7[r]**	**653.8[r]**	**1,073.9**	**1,087.9**	**995.3**	**1,064.2**	**1,063.2[r]**	**617.7[r]**	**817.5[r]**	**733.2**	**1,079.0**
By instrument												
30 Federal government-related	204.2[r]	231.4[r]	212.9[r]	470.9	592.0	576.6	651.6	550.1[r]	248.6[r]	370.9[r]	503.5	607.9
31 Government-sponsored enterprise securities	105.9	90.4	98.4	278.3	318.2	304.7	407.1	367.9	104.9	248.9	278.1	300.5
32 Mortgage pool securities	98.3[r]	141.0[r]	114.6[r]	192.6	273.8	271.9	244.5	182.2[r]	143.7[r]	122.1[r]	225.4	307.4
33 Loans from U.S. government	.0	.0	.0	.0	0	.0	.0	.0	.0	.0	.0	.0
34 Private	249.8	314.4	440.9	603.0	495.9	418.8	412.6	513.0	369.2	446.6	229.7	471.1
35 Open market paper	42.7	92.2	166.7	161.0	176.2	57.3	89.9	479.0	130.9	77.4	65.2	237.5
36 Corporate bonds	195.9	173.8	210.5	296.9	221.8	254.8	179.5	−21.0	166.5	230.7	195.9	220.9
37 Bank loans n.e.c	2.5	12.6	13.2	30.1	−14.3	11.0	−5.9	−55.6	.3	5.4	−.7	−12.7
38 Other loans and advances	3.4	27.9	35.6	90.2	107.1	107.9	139.8	107.5	64.4	123.1	−36.7	19.1
39 Mortgages	5.3	7.9	14.9	24.8	5.1	−12.3	9.4	3.2	7.0	10.0	6.0	6.4
By borrowing sector												
40 Commercial banking	22.5	13.0	46.1	72.9	67.2	61.5	107.0	54.1	72.4	113.2	23.5	31.1
41 Savings institutions	2.6	25.5	19.7	52.2	48.0	59.2	51.9	5.8	40.6	59.1	−23.4	32.5
42 Credit unions	−.1	.1	.1	.6	2.2	1.4	2.8	3.3	−2.9	.9	1.1	1.0
43 Life insurance companies	−.1	1.1	.2	.7	7	3.0	1.1	−4.4	−7	−1.1	−.3	−7
44 Government-sponsored enterprises	105.9	90.4	98.4	278.3	318.2	304.7	407.1	367.9	104.9	248.9	278.1	300.5
45 Federally related mortgage pools	98.3[r]	141.0[r]	114.6[r]	192.6	273.8	271.9	244.5	182.2[r]	143.7[r]	122.1[r]	225.4	307.4
46 Issuers of asset-backed securities (ABSs)	142.4	150.8	202.2	321.4	234.0	301.5	220.5	124.2	166.0	154.8	155.6	298.8
47 Finance companies	50.2	45.9	48.7	43.0	62.4	90.5	−17.2	99.2	52.3	103.9	96.9	46.8
48 Mortgage companies	−2.2	4.1	−4.6	1.6	.2	5.1	−6.1	6.2	−3.0	2.7	−.3	1.0
49 Real estate investment trusts (REITs)	4.5	11.9	39.6	62.7	6.3	−19.7	7.9	11.3	11.5	9.8	−2.4	10.4
50 Brokers and dealers	−5.0	−2.0	8.1	7.2	−17.2	−18.3[r]	17.8[r]	−37.3	44.4	−.7	25.4	−6.7
51 Funding corporations	34.9	64.1	80.7	40.7	92.2	−65.3[r]	27.0[r]	250.6	−11.4	4.0	−46.4	56.9

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	1995	1996	1997	1998	1999	1999			2000			
						Q2	Q3	Q4	Q1	Q2	Q3	Q4
	All sectors											
52 **Total net borrowing, all sectors**	**1,243.7[r]**	**1,365.4[r]**	**1,530.1[r]**	**2,161.8[r]**	**2,234.6[r]**	**1,910.7[r]**	**2,319.6[r]**	**2,170.3[r]**	**1,659.8[r]**	**1,781.4[r]**	**1,602.2**	**1,962.6**
53 Open market paper	74.3	102.6	184.1	193.1	229.9	27.2	180.7	556.6	218.4[r]	199.8[r]	128.4	283.6
54 U.S. government securities	348.6[r]	376.4[r]	236.0[r]	418.3	520.7[r]	478.1	582.7[r]	516.1[r]	33.0[r]	−43.0[r]	284.0	273.4
55 Municipal securities	−48.2	2.6	71.4	96.8	68.2	56.8	71.3	52.5	8.9	34.0	29.8	68.6
56 Corporate and foreign bonds	344.1	357.0	422.4	550.4	465.9	542.6	426.3	131.5	398.4	357.2[r]	452.0	381.2
57 Bank loans n.e.c.	114.7	92.1	128.2	145.0	68.9	40.6	99.8	55.2	147.7	174.2	43.0	83.6
58 Other loans and advances	70.1	62.5	102.8	158.5	172.6	107.5	217.9	147.3	216.9[r]	249.5[r]	−40.7	161.0
59 Mortgages	201.1[r]	283.5[r]	332.6[r]	532.0[r]	614.0[r]	596.6[r]	664.8[r]	601.5[r]	491.9[r]	672.6[r]	583.0	576.9
60 Consumer credit	138.9	88.8	52.5	67.6	94.4	61.4	76.2	109.5	144.6[r]	137.2[r]	122.9	134.2
	Funds raised through mutual funds and corporate equities											
61 **Total net issues**	**131.5**	**231.9**	**181.2**	**100.0**	**156.5**	**173.1[r]**	**124.5[r]**	**172.9[r]**	**410.7[r]**	**168.9[r]**	**208.1**	**−105.7**
62 Corporate equities	−16.0	−5.7	−83.9	−174.6	−31.8	−39.3[r]	−3.0[r]	1[r]	104.6[r]	−68.7[r]	−51.7	−282.0
63 Nonfinancial corporations	−58.3	−69.5	−114.4	−267.0	−143.5	−338.4	−128.4	−55.0	62.8[r]	−248.8	−75.6	−350.8
64 Foreign shares purchased by U.S. residents	50.4	82.8	57.6	101.2	114.4	284.4	121.7	71.3	63.3	180.1[r]	50.0	71.5
65 Financial corporations	−8.1	−19.0	−27.1	−8.9	−2.8[r]	14.7[r]	3.7[r]	−16.2[r]	−21.4[r]	−.1[r]	−26.1	−2.8
66 Mutual fund shares	147.4	237.6	265.1	274.6	188.3	212.4	127.5	172.8	306.1	237.6	259.8	176.3

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	1995	1996	1997	1998	1999	1999 Q2	1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**1,243.7[r]**	**1,365.4[r]**	**1,530.1[r]**	**2,161.8[r]**	**2,234.6[r]**	**1,910.7[r]**	**2,319.6[r]**	**2,170.3[r]**	**1,659.8[r]**	**1,781.4**	**1,602.2**	**1,962.6**
2 Domestic nonfederal nonfinancial sectors	−61.0[r]	79.5[r]	−13.7[r]	132.3[r]	264.5[r]	360.2[r]	234.2[r]	−8.8[r]	−156.0[r]	151.0	−178.1	−212.4
3 Household	34.5[r]	127.8[r]	1.0[r]	−16.2[r]	200.5[r]	279.4[r]	242.8[r]	9.7[r]	−251.3[r]	84.3	−186.6	−219.4
4 Nonfinancial corporate business	−8.8	−10.2	−12.7	14.0	19.1[r]	−1.4	33.0[r]	−22.3[r]	90.4	22.6	3.7	−29.4
5 Nonfarm noncorporate business	4.7	−4.3	−2.1	.1	1.5	1.2	.8	1.4	2.6	2.8	3.8	4.3
6 State and local governments	−91.4	−33.7	.1	134.5	43.4	81.0	−42.4	2.4	2.3	41.4	1.0	32.1
7 Federal government	−.5[r]	−7.2[r]	5.1	13.5	5.8	6.7	11.2	−11.7[r]	6.5[r]	7.7	4.5	15.0
8 Rest of the world	273.9	414.4	311.3	254.2	210.6	61.6	385.3	138.7	325.9[r]	207.1	195.0	390.9
9 Financial sectors	1,031.2[r]	878.7[r]	1,227.5[r]	1,761.7[r]	1,753.7[r]	1,482.1[r]	1,688.9[r]	2,052.2[r]	1,483.4[r]	1,415.6	1,580.8	1,769.1
10 Monetary authority	12.7	12.3	38.3	21.1	25.7	59.8	20.6	−42.2	103.4	−3.9	27.3	7.9
11 Commercial banking	265.9	187.5	324.3	305.2	308.2	166.6	449.4	548.7	377.1	484.6	369.3	206.1
12 U.S.-chartered banks	186.5	119.6	274.9	312.0	317.6	259.4	421.9	457.7	409.2	505.6	332.8	113.9
13 Foreign banking offices in United States	75.4	63.3	40.2	−11.9	−20.1	−102.5	33.2	42.0	4.8	−29.9	30.9	90.4
14 Bank holding companies	−.3	3.9	5.4	−.9	6.2	.4	−12.4	42.6	−42.2	3.5	−6.7	−3.3
15 Banks in U.S.-affiliated areas	4.2	.7	3.7	6.0	4.4	9.2	6.6	6.3	5.4	5.4	12.3	5.1
16 Savings institutions	−7.6	19.9	−4.7	36.3	68.7	85.3	58.1	20.2	50.2	73.0	56.5	43.0
17 Credit unions	16.2	25.5	16.8	19.0	27.5	32.7	27.5	18.8	35.6	36.6	28.5	25.4
18 Bank personal trusts and estates	−8.3	−7.7	−25.0	−12.8	27.8	27.8	27.8	27.8	18.9[r]	13.8	17.6	18.1
19 Life insurance companies	100.0	69.6	104.8	76.9	53.5	68.2	36.8	30.7	57.2	52.0	85.9	79.7
20 Other insurance companies	21.5	22.5	25.2	20.4	−4.2	26.7	−14.4	−9.4	−14.0	−18.1	6.0	6.3
21 Private pension funds	19.9[r]	−4.1[r]	47.6[r]	56.4[r]	45.0[r]	68.7[r]	5.9[r]	49.8[r]	46.8[r]	24.7	68.9	21.4
22 State and local government retirement funds	33.6	37.3	63.8	71.5	49.9	25.1	40.0	58.2	55.3	20.7	−32.1	8.5
23 Money market mutual funds	86.5	88.8	87.5	244.0	182.0	−67.0	224.8	354.5	208.8	−156.2	244.9	299.4
24 Mutual funds	52.5	48.9	80.9	124.8	47.2	117.2	−13.0	−12.7	−77.8	63.7	46.3	72.2
25 Closed-end funds	10.5	4.7	−2.9	4.5	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
26 Government-sponsored enterprises	86.7	84.2	94.3	261.7	235.5[r]	251.7[r]	275.9[r]	225.3[r]	139.2[r]	222.5	158.9	264.5
27 Federally related mortgage pools	98.3[r]	141.0[r]	114.6[r]	192.6	273.8	271.9	244.5	182.2[r]	143.7[r]	122.1	225.4	307.4
28 Asset-backed securities issuers (ABSs)	120.6	120.5	163.8	281.7	215.8	284.8	212.0	94.4	145.3	120.3	120.4	269.9
29 Finance companies	49.9	18.4	21.9	51.9	94.9	88.1	91.7	114.4	132.9	138.9	81.4	43.4
30 Mortgage companies	−3.4	8.2	−9.1	3.2	.3	10.2	−12.1	12.3	−6.0	5.5	−.5	2.0
31 Real estate investment trusts (REITs)	1.4	4.4	20.2	−5.1	−2.6	−2.2	−2.7	−7.0	−16.3	−2.5	−3.6	−5.4
32 Brokers and dealers	90.1	−15.7	14.9	6.8	−34.7[r]	−135.9[r]	−6.7[r]	−30.5[r]	122.5[r]	38.1	176.8	−52.9
33 Funding corporations	−15.7	12.6[r]	50.4[r]	1.6[r]	136.3[r]	99.4[r]	19.7[r]	413.6[r]	−42.6[r]	176.8	−100.2	149.2
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
34 **Net flows through credit markets**	**1,243.7[r]**	**1,365.4[r]**	**1,530.1[r]**	**2,161.8[r]**	**2,234.6[r]**	**1,910.7[r]**	**2,319.6[r]**	**2,170.3[r]**	**1,659.8[r]**	**1,781.4**	**1,602.2**	**1,962.6**
Other financial sources												
35 Official foreign exchange	8.8	−6.3	.7	6.6	−8.7	−5.4	−8.5	−7.0	1.5	−8.8	.7	8.7
36 Special drawing rights certificates	2.2	−.5	−.5	.0	−3.0	.0	−4.0	−4.0	.0	−8.0	−4.0	−4.0
37 Treasury currency	.7	.5[r]	.5[r]	.6[r]	1.0[r]	2.1[r]	2.0[r]	.0	2.2[r]	3.2	4.2	.0
38 Foreign deposits	35.3	85.9	108.9	2.0	86.5	110.1	69.4	52.7	258.5	8.5	−89.2	−80.0
39 Net interbank transactions	10.0	−51.6	−19.7	−32.3	17.6	93.4	−30.8	−40.7	−71.1	177.7	−61.3	−84.6
40 Checkable deposits and currency	−12.8	15.7	41.2	47.4	151.4	37.5	139.3	365.2	−219.1	−65.0	49.2	−49.4
41 Small time and savings deposits	96.6	97.2	97.1	152.4	44.7	106.6	119.1	28.0	104.3	130.3	238.5	298.8
42 Large time deposits	65.6	114.0	122.5	92.1	130.6	42.4	102.7	359.4	149.2	108.4	141.5	64.9
43 Money market fund shares	141.2	145.4	155.9	287.2	249.1	115.3	174.3	485.5	241.0	48.2	241.9	402.8
44 Security repurchase agreements	110.5	41.4	120.9	91.3	169.7[r]	−80.7[r]	191.4[r]	310.5[r]	284.1[r]	130.4	238.2	−200.6
45 Corporate equities	−16.0	−5.7	−83.9	−174.6	−31.8	−39.3[r]	−3.0[r]	.1[r]	104.6[r]	−68.7	−51.7	−282.0
46 Mutual fund shares	147.4	237.6	265.1	274.6	188.3	212.4	127.5	172.8	306.1	237.6	259.8	176.3
47 Trade payables	127.5[r]	113.5[r]	132.1[r]	29.0[r]	197.3[r]	224.4[r]	243.6[r]	199.5[r]	228.2[r]	124.8	132.6	100.5
48 Security credit	26.7	52.4	111.0	103.3	104.3[r]	128.2[r]	29.7[r]	321.3[r]	523.4[r]	−99.8	104.1	14.4
49 Life insurance reserves	45.8	44.5	59.3	48.0	50.8	42.1	48.1	57.6	49.8	59.7	51.7	55.6
50 Pension fund reserves	158.7[r]	148.1[r]	201.2[r]	202.5[r]	187.7[r]	199.0[r]	191.6[r]	177.3[r]	217.6[r]	220.4	196.2	129.3
51 Taxes payable	6.2	16.2	15.7	12.0	15.7[r]	47.3	.4[r]	16.8[r]	22.5[r]	31.6	−6.0	19.3
52 Investment in bank personal trusts	6.4	−5.3	−49.9	−42.5	−7.1	−7.1	−7.2	−6.9	−5.9[r]	−10.6	−6.6	−5.5
53 Noncorporate proprietors' equity	34.6	−3.4	−46.0	−41.4	−8.0[r]	23.8[r]	−56.5[r]	10.2[r]	−13.4[r]	−2.4	39.9	−18.2
54 Miscellaneous	505.4[r]	532.1[r]	487.5[r]	841.6[r]	749.1[r]	1,436.1[r]	534.8[r]	584.9[r]	701.5[r]	1,105.4	1,189.7	1,063.7
55 **Total financial sources**	**2,744.3[r]**	**2,937.2[r]**	**3,249.7[r]**	**4,061.4[r]**	**4,519.7[r]**	**4,598.8[r]**	**4,183.4[r]**	**5,253.8[r]**	**4,544.7[r]**	**3,904.2**	**4,271.5**	**3,572.7**
Liabilities not identified as assets (−)												
56 Treasury currency	−.3	−.4[r]	−.2[r]	−.1[r]	−.7[r]	.6[r]	.2[r]	−2.2	−1.8[r]	−.7	.9	−1.6
57 Foreign deposits	25.1	59.6	107.4	−6.4	66.5	96.8	27.3[r]	92.5	209.4[r]	−65.7	−111.7	−132.1
58 Net interbank liabilities	−3.1	−3.3	−19.9	3.4	3.5	−4.8	−7.0	−23.7	24.4	−4.3	−18.3	68.5
59 Security repurchase agreements	25.7	2.4[r]	63.2[r]	61.3[r]	30.1[r]	−.4[r]	133.2[r]	−225.9[r]	561.2[r]	27.6	119.3	−249.6
60 Taxes payable	21.1	23.1	28.0	13.9	3.2[r]	25.0	3.0[r]	−6.4[r]	7.7[r]	7.4	−15.4	−9.9
61 Miscellaneous	−166.0[r]	−82.8[r]	−84.7[r]	−56.4[r]	−317.5[r]	−101.4[r]	−489.7[r]	−157.6[r]	−340.6[r]	−267.1	−38.6	21.7
Floats not included in assets (−)												
62 Federal government checkable deposits	−6.0	.5	−2.7	2.6	−7.4	−27.0	8.6	−9.2	28.7	−2.6	−2.0	13.7
63 Other checkable deposits	−3.8	−4.0	−3.9	−3.1	−.8	−.9	−.3	.0	.6	1.5	1.9	2.7
64 Trade credit	14.1[r]	−21.9[r]	−28.5[r]	−40.1[r]	54.0[r]	−64.6[r]	73.1[r]	161.7[r]	−2.9[r]	−38.3	−41.4	32.2
65 **Total identified to sectors as assets**	**2,837.6[r]**	**2,964.2[r]**	**3,190.9[r]**	**4,086.3[r]**	**4,688.9[r]**	**4,675.5[r]**	**4,434.9[r]**	**5,424.6[r]**	**4,058.0[r]**	**4,246.5**	**4,376.7**	**3,827.0**

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	1996	1997	1998	1999	1999 Q2	1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4
					Nonfinancial sectors						
1 **Total credit market debt owed by domestic nonfinancial sectors**	**14,443.7[r]**	**15,246.8[r]**	**16,291.4[r]**	**17,447.5[r]**	**16,786.7[r]**	**17,109.0[r]**	**17,447.5[r]**	**17,677.2[r]**	**17,857.4[r]**	**18,064.0**	**18,344.3**
By sector and instrument											
2 Federal government	3,781.8	3,804.9	3,752.2	3,681.0	3,651.7	3,633.4[r]	3,681.0	3,653.5	3,464.0	3,410.2	3,385.2
3 Treasury securities	3,755.1	3,778.3	3,723.7	3,652.8	3,623.4	3,605.1[r]	3,652.8	3,625.8	3,435.7	3,382.6	3,357.8
4 Budget agency securities and mortgages	26.6	26.5	28.5	28.3	28.3	28.3	28.3	27.8	28.2	27.6	27.3
5 Nonfederal	10,662.0[r]	11,441.9[r]	12,539.1[r]	13,766.5[r]	13,135.0[r]	13,475.6[r]	13,766.5[r]	14,023.7[r]	14,393.5[r]	14,653.9	14,959.2
By instrument											
6 Commercial paper	156.4	168.6	193.0	230.3	232.4	239.3	230.3	260.8	296.8	307.0	278.4
7 Municipal securities and loans	1,296.0	1,367.5	1,464.3	1,532.5	1,510.0	1,518.6	1,532.5	1,539.2	1,551.6	1,550.3	1,567.8
8 Corporate bonds	1,460.4	1,610.9	1,829.6	2,059.5	1,970.0	2,020.7	2,059.5	2,106.0	2,144.5	2,190.6	2,234.5
9 Bank loans n.e.c.	934.1	1,040.5	1,148.8	1,231.5	1,178.5	1,202.9	1,231.5	1,259.1	1,307.2	1,311.6	1,334.2
10 Other loans and advances	770.4	839.5	913.8	985.3	956.0	969.8	985.3	1,030.2[r]	1,059.0[r]	1,063.6	1,100.4
11 Mortgages	4,833.1[r]	5,150.8[r]	5,658.0[r]	6,301.3[r]	5,947.8[r]	6,154.2[r]	6,301.3[r]	6,412.4[r]	6,580.4[r]	6,735.2	6,875.0
12 Home	3,719.0[r]	3,971.3[r]	4,358.1[r]	4,790.1[r]	4,563.8[r]	4,693.3[r]	4,790.1[r]	4,865.9[r]	4,990.6[r]	5,108.6	5,209.4
13 Multifamily residential	278.4[r]	286.6[r]	307.4[r]	347.8[r]	324.8[r]	335.1[r]	347.8[r]	355.2[r]	366.4[r]	374.2	383.3
14 Commercial	748.6[r]	802.6[r]	896.0[r]	1,061.4[r]	959.6[r]	1,024.4[r]	1,061.4[r]	1,087.5[r]	1,117.4[r]	1,145.1	1,174.3
15 Farm	87.1	90.3	96.5	102.0	99.6	101.4	102.0	103.7	106.0	107.3	108.0
16 Consumer credit	1,211.6	1,264.1	1,331.7	1,426.2	1,340.4	1,370.1	1,426.2	1,416.0	1,454.0	1,495.6	1,568.8
By borrowing sector											
17 Household	5,222.5[r]	5,559.9[r]	6,039.0[r]	6,577.5[r]	6,260.7[r]	6,424.7[r]	6,577.5[r]	6,647.5[r]	6,816.7[r]	6,985.8	7,169.1
18 Nonfinancial business	4,376.1[r]	4,762.5[r]	5,300.3[r]	5,936.8[r]	5,636.0[r]	5,808.5[r]	5,936.8[r]	6,118.9[r]	6,311.0[r]	6,405.0	6,510.8
19 Corporate	3,095.3[r]	3,359.9[r]	3,778.0[r]	4,294.0[r]	4,062.0[r]	4,199.7[r]	4,294.0[r]	4,445.5	4,601.2[r]	4,667.0	4,740.8
20 Nonfarm noncorporate	1,130.9	1,246.5[r]	1,358.4[r]	1,473.8[r]	1,408.0[r]	1,440.2[r]	1,473.8[r]	1,503.2[r]	1,534.5[r]	1,561.1	1,590.9
21 Farm	149.9	156.1	163.8	169.0	166.1	168.6	169.0	170.2[r]	175.4[r]	176.9	179.1
22 State and local government	1,063.4	1,119.5	1,199.8	1,252.1	1,238.2	1,242.4	1,252.1	1,257.3	1,265.7	1,263.1	1,279.3
23 **Foreign credit market debt held in United States**	**542.2**	**608.0**	**651.4**	**676.9**	**652.7**	**672.9**	**676.9**	**704.6**	**699.3[r]**	**727.8**	**738.8**
24 Commercial paper	67.5	65.1	72.9	89.2	70.1	81.8	89.2	101.6	101.2	109.8	120.9
25 Bonds	366.3	427.7	462.5	476.7	466.4	477.4	476.7	488.1	481.3[r]	499.2	495.4
26 Bank loans n.e.c.	43.7	52.1	58.9	59.4	60.5	58.8	59.4	63.3	64.7	67.7	70.7
27 Other loans and advances	64.7	63.0	57.2	51.7	55.8	55.0	51.7	51.7	52.1	51.2	51.8
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**14,985.9[r]**	**15,854.7[r]**	**16,942.8[r]**	**18,124.4[r]**	**17,439.4[r]**	**17,781.9[r]**	**18,124.4[r]**	**18,381.8[r]**	**18,556.7[r]**	**18,791.9**	**19,083.1**
					Financial sectors						
29 **Total credit market debt owed by financial sectors**	**4,824.5[r]**	**5,445.2**	**6,519.1**	**7,607.0**	**7,073.3**	**7,346.8**	**7,607.0**	**7,744.3[r]**	**7,964.4[r]**	**8,160.1**	**8,430.8**
By instrument											
30 Federal government-related	2,608.2[r]	2,821.1	3,292.0	3,884.0	3,580.7	3,745.9	3,884.0	3,940.1[r]	4,035.5	4,164.2	4,316.7
31 Government-sponsored enterprise securities	896.9	995.3	1,273.6	1,591.7	1,398.0	1,499.8	1,591.7	1,618.0	1,680.2	1,749.7	1,824.8
32 Mortgage pool securities	1,711.3[r]	1,825.8	2,018.4	2,292.2[r]	2,182.7	2,246.1	2,292.2[r]	2,322.1[r]	2,355.3[r]	2,414.5	2,491.9
33 Loans from U.S. government	.0	.0	0	0	0	.0	.0	.0	.0	.0	.0
34 Private	2,216.3	2,624.1	3,227.1	3,723.0	3,492.6	3,601.0	3,723.0	3,804.2	3,928.9	3,995.9	4,114.1
35 Open market paper	579.1	745.7	906.7	1,082.9	940.9	963.4	1,082.9	1,115.7	1,135.2	1,151.6	1,210.7
36 Corporate bonds	1,378.4	1,555.9	1,852.8	2,074.6	2,042.8	2,091.1	2,074.6	2,114.2	2,183.2	2,239.3	2,290.1
37 Bank loans n.e.c.	64.0	77.2	107.2	92.9	106.8	105.2	92.9	91.4	92.7	92.5	91.0
38 Other loans and advances	162.9	198.5	288.7	395.8	328.6	365.4	395.8	404.4	436.9	430.2	438.3
39 Mortgages	31.9	46.8	71.6	76.7	73.6	75.9	76.7	78.5	81.0	82.5	84.1
By borrowing sector											
40 Commercial banks	113.6	140.6	188.6	230.0	202.7	224.2	230.0	242.2	265.4	265.2	266.8
41 Bank holding companies	150.0	168.6	193.5	219.3	205.5	211.8	219.3	221.4	229.3	236.9	242.5
42 Savings institutions	140.5	160.3	212.4	260.4	241.6	255.4	260.4	266.9	280.7	276.0	287.7
43 Credit unions	.4	.6	1.1	3.4	1.8	2.5	3.4	2.6	2.9	3.1	3.4
44 Life insurance companies	1.6	1.8	2.5	3.2	4.0	4.3	3.2	3.0	2.7	2.7	2.5
45 Government-sponsored enterprises	896.9	995.3	1,273.6	1,591.7	1,398.0	1,499.8	1,591.7	1,618.0	1,680.2	1,749.7	1,824.8
46 Federally related mortgage pools	1,711.3[r]	1,825.8	2,018.4	2,292.2[r]	2,182.7	2,246.1	2,292.2[r]	2,322.1[r]	2,355.3[r]	2,414.5	2,491.9
47 Issuers of asset-backed securities (ABSs)	863.3	1,076.6	1,398.0	1,632.0	1,539.9	1,599.1	1,632.0	1,665.8	1,706.4	1,753.6	1,837.8
48 Brokers and dealers	27.3	35.3	42.5	25.3	30.2[r]	34.6	25.3	36.4	36.2	42.6	40.9
49 Finance companies	529.8	554.5	597.5	659.9	639.2	628.5	659.9	670.7	699.2	716.5	734.8
50 Mortgage companies	20.6	16.0	17.7	17.8	17.8	16.3	17.8	17.1	17.8	17.7	17.9
51 Real estate investment trusts (REITs)	56.5	96.1	158.8	165.1	160.3	162.2	165.1	167.9	170.4	169.8	172.4
52 Funding corporations	312.7	373.7	414.4	506.6	449.7[r]	462.0	506.6	510.1	517.9	511.9	507.4
					All sectors						
53 **Total credit market debt, domestic and foreign**	**19,810.4[r]**	**21,300.0[r]**	**23,461.9[r]**	**25,731.4[r]**	**24,512.7[r]**	**25,128.7[r]**	**25,731.4[r]**	**26,126.1[r]**	**26,521.1[r]**	**26,952.0**	**27,513.9**
54 Open market paper	803.0	979.4	1,172.6	1,402.4	1,243.3	1,284.5	1,402.4	1,478.1	1,533.3	1,568.3	1,610.0
55 U.S. government securities	6,389.9[r]	6,626.0	7,044.3	7,565.0	7,232.4	7,379.2[r]	7,565.0	7,593.6[r]	7,499.4[r]	7,574.4	7,701.8
56 Municipal securities	1,296.0	1,367.5	1,464.3	1,532.5	1,510.0	1,518.6	1,532.5	1,539.2	1,551.6	1,550.3	1,567.8
57 Corporate and foreign bonds	3,205.1	3,594.5	4,144.9	4,610.8	4,479.2	4,589.1	4,610.8	4,708.3	4,808.9[r]	4,929.0	5,019.9
58 Bank loans n.e.c.	1,041.7	1,169.8	1,314.9	1,383.8	1,345.7	1,366.9	1,383.8	1,413.7	1,464.6	1,471.7	1,495.9
59 Other loans and advances	998.0	1,101.0	1,259.6	1,432.7	1,340.3	1,390.1	1,432.7	1,486.3[r]	1,548.0[r]	1,545.0	1,590.5
60 Mortgages	4,865.1[r]	5,197.7[r]	5,729.6[r]	6,378.0[r]	6,021.4[r]	6,230.1[r]	6,378.0[r]	6,490.8[r]	6,661.3[r]	6,817.7	6,959.1
61 Consumer credit	1,211.6	1,264.1	1,331.7	1,426.2	1,340.4	1,370.1	1,426.2	1,416.0	1,454.0	1,495.6	1,568.8

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

Transaction category or sector	1996	1997	1998	1999	1999 Q2	1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**19,810.4[r]**	**21,300.0[r]**	**23,461.9[r]**	**25,731.4[r]**	**24,512.7[r]**	**25,128.7[r]**	**25,731.4[r]**	**26,126.1[r]**	**26,521.1[r]**	**26,952.0**	**27,513.9**
2 Domestic nonfederal nonfinancial sectors	3,032.1[r]	2,974.7[r]	3,078.7[r]	3,413.3[r]	3,233.9[r]	3,291.4[r]	3,413.3[r]	3,343.6[r]	3,355.1[r]	3,317.0	3,326.4
3 Household	2,119.1[r]	2,076.4[r]	2,031.9[r]	2,302.5[r]	2,133.6[r]	2,191.8[r]	2,302.5[r]	2,233.7[r]	2,224.0[r]	2,182.1	2,171.2
4 Nonfinancial corporate business	270.2	257.5	271.5	290.6[r]	268.5	280.5[r]	290.6[r]	288.9[r]	296.5[r]	301.5	312.4
5 Nonfarm noncorporate business	38.0	35.9	35.9	37.5	36.9	37.1	37.5	38.1	38.8	39.8	40.8
6 State and local governments	604.8	605.0	739.4	782.8	794.8	781.9	782.8	782.9	795.8	793.7	802.0
7 Federal government	200.2	205.4[r]	219.1	258.0	225.0	260.7	258.0	259.6	261.6[r]	262.7	266.4
8 Rest of the world	1,926.6	2,257.3	2,539.8	2,678.0	2,621.3	2,718.1	2,678.0	2,763.6[r]	2,812.8[r]	2,862.0	2,957.7
9 Financial sectors	14,651.5[r]	15,862.5[r]	17,624.3[r]	19,382.0[r]	18,432.5[r]	18,858.5[r]	19,382.0[r]	19,759.3[r]	20,091.6[r]	20,510.3	20,963.3
10 Monetary authority	393.1	431.4	452.5	478.1	485.1	489.3	478.1	501.9	505.1	511.5	511.8
11 Commercial banking	3,707.7	4,031.9	4,335.7	4,643.9	4,383.4	4,488.3	4,643.9	4,725.0	4,847.4	4,931.0	5,003.1
12 U.S.-chartered banks	3,175.8	3,450.7	3,761.2	4,078.9	3,847.6	3,944.3	4,078.9	4,171.3	4,295.4	4,368.2	4,419.3
13 Foreign banking offices in United States	475.8	516.1	504.2	484.1	465.7	475.3	484.1	482.0	478.1	487.5	508.1
14 Bank holding companies	22.0	27.4	26.5	32.7	25.1	22.0	32.7	22.1	23.0	21.3	20.5
15 Banks in U.S.-affiliated areas	34.1	37.8	43.8	48.3	45.0	46.7	48.3	49.6	51.0	54.0	55.3
16 Savings institutions	933.2	928.5	964.8	1,033.4	1,011.4	1,030.8	1,033.4	1,044.5	1,061.7	1,080.9	1,089.1
17 Credit unions	288.5	305.3	324.2	351.7	341.0	348.5	351.7	359.0	370.8	378.6	383.2
18 Bank personal trusts and estates	232.0	207.0	194.1	222.0	208.0	215.0	222.0	226.7[r]	230.2[r]	234.6	239.1
19 Life insurance companies	1,657.0	1,751.1	1,828.0	1,886.0	1,869.6	1,880.4	1,886.0	1,901.5	1,913.4	1,936.5	1,954.7
20 Other insurance companies	491.2	515.3	535.7	531.6	537.5	533.9	531.6	528.0	523.5	525.0	526.6
21 Private pension funds	627.0[r]	674.6[r]	731.0[r]	775.9[r]	762.0[r]	763.5[r]	775.9[r]	787.6[r]	793.8[r]	811.0	816.4
22 State and local government retirement funds	568.2	632.0	703.6	753.4	728.9	738.9	753.4	767.2	772.4	764.4	766.5
23 Money market mutual funds	634.3	721.9	965.9	1,147.8	1,001.8	1,049.7	1,147.8	1,217.1	1,159.4	1,212.5	1,297.1
24 Mutual funds	820.2	901.1	1,025.9	1,073.1	1,083.7	1,083.0	1,073.1	1,053.7	1,073.9	1,088.1	1,099.2
25 Closed-end funds	101.1	98.3	102.8	105.9	104.3	105.1	105.9	106.7	107.4	108.2	109.0
26 Government-sponsored enterprises	807.9	902.2	1,163.9	1,399.5	1,268.5[r]	1,339.1[r]	1,399.5	1,426.6[r]	1,483.8[r]	1,532.8	1,602.9
27 Federally related mortgage pools	1,711.3[r]	1,825.8	2,018.4	2,292.2[r]	2,182.7	2,246.1	2,292.2[r]	2,322.1[r]	2,355.3[r]	2,414.5	2,491.9
28 Asset-backed securities issuers (ABSs)	773.9	937.7	1,219.4	1,435.3	1,352.7	1,409.8	1,435.3	1,463.9	1,495.8	1,534.3	1,611.2
29 Finance companies	544.5	566.4	618.4	713.3	660.9	678.2	713.3	747.0	780.6	795.5	812.4
30 Mortgage companies	41.2	32.1	35.3	35.6	35.6	32.5	35.6	34.1	35.5	35.4	35.9
31 Real estate investment trusts (REITs)	30.4	50.6	45.5	42.9	45.3	44.7	42.9	38.8	38.2	37.3	36.0
32 Brokers and dealers	167.7	182.6	189.4	154.7[r]	158.8[r]	166.8[r]	154.7[r]	201.1	189.3	243.5	225.8
33 Funding corporations	121.0[r]	166.7[r]	169.8[r]	305.8[r]	211.1[r]	214.9[r]	305.8[r]	306.7[r]	354.2[r]	334.6	351.6
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
34 **Total credit market debt**	**19,810.4[r]**	**21,300.0[r]**	**23,461.9[r]**	**25,731.4[r]**	**24,512.7[r]**	**25,128.7[r]**	**25,731.4[r]**	**26,126.1[r]**	**26,521.1[r]**	**26,952.0**	**27,513.9**
Other liabilities											
35 Official foreign exchange	53.7	48.9	60.1	50.1	50.9	52.1	50.1	49.4	46.5	44.9	46.1
36 Special drawing rights certificates	9.7	9.2	9.2	6.2	8.2	7.2	6.2	6.2	4.2	3.2	2.2
37 Treasury currency	18.9[r]	19.3[r]	19.9[r]	20.9[r]	20.4[r]	20.9[r]	20.9[r]	21.4[r]	22.1[r]	23.2	23.2
38 Foreign deposits	521.7	619.7	639.0	725.8	694.9	712.3	725.8	790.4	792.6[r]	770.3	750.3
39 Net interbank liabilities	240.8	219.4	189.0	204.5	207.1	199.6	204.5	168.1	215.9	200.3	198.5
40 Checkable deposits and currency	1,244.8	1,286.1	1,333.4	1,484.8	1,353.1	1,353.8	1,484.8	1,392.9	1,409.7	1,385.7	1,413.7
41 Small time and savings deposits	2,377.0	2,474.1	2,626.5	2,671.2	2,644.6	2,665.9	2,671.2	2,728.0	2,738.8	2,790.9	2,864.2
42 Large time deposits	590.9	713.4	805.5	936.1	809.0	837.5	936.1	966.5	987.4	1,025.9	1,052.1
43 Money market fund shares	886.7	1,042.5	1,329.7	1,578.8	1,393.5	1,444.9	1,578.8	1,666.0	1,627.1	1,697.8	1,812.3
44 Security repurchase agreements	701.5	822.4	913.7	1,083.4[r]	957.1[r]	999.4[r]	1,083.4[r]	1,155.8	1,185.1	1,238.6	1,196.5
45 Mutual fund shares	2,342.4	2,989.4	3,610.5	4,553.4	4,049.1	3,931.5	4,553.4	4,863.3	4,759.6	4,815.0	4,432.8
46 Security credit	358.1	469.1	572.3	676.6[r]	586.5[r]	593.1[r]	676.6[r]	803.7	780.5	805.8	812.1
47 Life insurance reserves	610.6	665.0	718.3	783.9	749.8	756.2	783.9	799.9	809.4	822.3	823.5
48 Pension fund reserves	6,582.4[r]	7,725.5[r]	8,760.0[r]	9,747.7[r]	9,294.3[r]	8,959.6[r]	9,747.7[r]	9,952.3[r]	9,869.2[r]	10,021.9	9,847.5
49 Trade payables	1,809.3[r]	1,941.4[r]	1,970.3	2,167.6[r]	2,030.8[r]	2,097.9[r]	2,167.6[r]	2,198.3[r]	2,229.9[r]	2,269.9	2,314.1
50 Taxes payable	123.8	139.5	151.5	167.2[r]	162.4	167.5	167.2[r]	180.5[r]	180.0[r]	184.1	184.1
51 Investment in bank personal trusts	871.3	942.5	1,001.0	1,130.4	1,061.0	1,019.0	1,130.4	1,163.0[r]	1,124.1[r]	1,122.3	1,039.0
52 Miscellaneous	6,349.1[r]	6,670.6[r]	7,237.9[r]	7,787.5[r]	7,431.5[r]	7,448.5[r]	7,787.5[r]	7,915.4[r]	8,164.1[r]	8,609.7	8,777.6
53 **Total liabilities**	**45,502.9[r]**	**50,097.8[r]**	**55,409.7[r]**	**61,507.5[r]**	**58,017.0[r]**	**58,395.6[r]**	**61,507.5[r]**	**62,947.3[r]**	**63,467.3[r]**	**64,783.9**	**65,103.6**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	21.4	21.1	21.6	21.4	20.8	21.3	21.4	21.4	21.5	21.4	21.6
55 Corporate equities	10,255.8	13,201.3	15,427.8	19,576.3	17,060.4	16,214.9	19,576.3	20,232.0	19,258.1[r]	19,066.7	17,168.8
56 Household equity in noncorporate business	3,889.2	4,164.4	4,414.7	4,704.5	4,548.9[r]	4,623.1	4,704.5	4,732.2	4,779.2[r]	4,835.0	4,915.7
Liabilities not identified as assets (−)											
57 Treasury currency	−6.1[r]	−6.3[r]	−6.4[r]	−7.1[r]	−6.6[r]	−6.6[r]	−7.1[r]	−7.6[r]	−7.9[r]	−7.6	−8.0
58 Foreign deposits	437.0	538.3	548.2	615.0	584.7	591.5	615.0	667.4[r]	650.9[r]	623.0	590.0
59 Net interbank transactions	−10.6	−32.2	−27.0	−25.5	−10.6	−13.2	−25.5	−13.9	−11.6	−17.6	−4.1
60 Security repurchase agreements	109.8[r]	172.9[r]	234.3[r]	264.4[r]	291.6[r]	325.0[r]	264.4[r]	411.3[r]	416.5[r]	445.3	379.0
61 Taxes payable	76.9	92.6	102.0	95.3[r]	112.2	96.5[r]	95.3[r]	89.1[r]	103.0[r]	93.7	96.2
62 Miscellaneous	−1,517.9[r]	−1,889.8[r]	−2,434.3[r]	−2,884.0[r]	−2,673.2[r]	−2,988.0[r]	−2,884.0[r]	−3,029.7[r]	−3,035.6[r]	−2,805.8	−3,126.0
Floats not included in assets (−)											
63 Federal government checkable deposits	−1.6	−8.1	−3.9	−9.9	−12.4	−10.2	−9.9	−6.5	−5.2	−7.8	−2.3
64 Other checkable deposits	30.1	26.2	23.1	22.3	22.1	14.5	22.3	18.7	22.5	15.5	24.0
65 Trade credit	171.8[r]	133.5[r]	94.5	145.9[r]	19.2[r]	36.2[r]	145.9[r]	94.7[r]	62.3[r]	51.5	133.3
66 **Total identified to sectors as assets**	**60,380.0[r]**	**68,457.3[r]**	**76,743.2[r]**	**87,593.4[r]**	**81,320.0[r]**	**81,209.2[r]**	**87,593.4[r]**	**89,709.3[r]**	**89,331.2[r]**	**90,316.8**	**89,127.7**

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	1998	1999	2000	2000								2001
				May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
1 **Industrial production**[1]	**134.0**	**139.6**	**147.5**	**147.2**	**147.9**	**147.6**	**148.6**	**149.0**	**148.7[r]**	**148.2[r]**	**147.4**	**147.0**
Market groupings												
2 Products, total	127.2	131.2	136.2[r]	135.5	136.0	135.8	136.6	136.7	136.3	136.4	135.9	135.0
3 Final, total	129.3	133.3	138.8	137.5	138.3	138.1	139.2	139.3	138.8	139.0[r]	138.5	137.7
4 Consumer goods	118.4	120.8	123.0[r]	123.5	124.2	122.9	123.8	123.8	122.7	122.7[r]	122.4	121.0
5 Equipment	147.1	153.8	166.0	163.1	164.3	166.3	167.9	168.3	169.1	169.8[r]	169.0	169.4
6 Intermediate	121.0	125.1	128.8[r]	129.4	129.0	128.7	128.8	128.6	128.7[r]	128.4	127.8	127.0
7 Materials	145.7	154.5	167.9[r]	168.4	169.4	169.0	170.5	171.3	171.1[r]	169.6[r]	168.4	168.7
Industry groupings												
8 Manufacturing	138.2	144.8	153.6	153.1	153.8	153.7	154.6	155.1	154.9[r]	154.0[r]	152.4	152.3
9 Capacity utilization, manufacturing (percent)[2]	81.3	80.5	81.3	81.9	82.0	81.6	81.7	81.7	81.2	80.4	79.2	78.9
10 Construction contracts[3]	122.6[r]	135.1[r]	140.6	137.0[r]	145.0[r]	138.0[r]	137.0[r]	141.0[r]	146.0[r]	138.0[r]	138.0	145.0
11 Nonagricultural employment, total[4]	123.5[r]	126.3[r]	128.9	129.1	129.1	129.1	129.0	129.2	129.3	129.3	129.3	129.6
12 Goods-producing, total	103.0[r]	103.3[r]	104.0	104.1	104.2	104.4	103.9	103.9	104.0	103.9	103.6	103.9
13 Manufacturing, total	99.0[r]	97.6[r]	97.0	97.3	97.3	97.6	97.0	96.7	96.7	96.6	96.3	96.0
14 Manufacturing, production workers	100.0[r]	98.4[r]	97.6	97.9	97.9	98.4	97.5	97.2	97.1	97.0	96.6	96.1
15 Service-producing	130.0	133.7[r]	136.8	137.0	137.1	137.0	137.0	137.3	137.3	137.4	137.6	137.8
16 Personal income, total	186.5	196.6	209.0	207.9	208.9	209.5	210.1	212.5	212.1	212.6	213.5	n.a.
17 Wages and salary disbursements	184.6	196.9	210.1	208.4	209.8	211.0	211.3	212.7	214.0	214.8	215.2	n.a.
18 Manufacturing	152.3	157.4	164.2	162.9	164.3	165.8	164.9	165.1	166.6	166.9	165.6	n.a.
19 Disposable personal income[5]	182.7	191.9	202.0	201.3	202.1	202.5	202.9	205.2	204.4	204.7	205.5	n.a.
20 Retail sales[5]	178.4	194.7	210.0	208.5	209.3	211.1	211.0	212.7	212.5	211.3[r]	211.5	213.1
Prices[6]												
21 Consumer (1982–84=100)	163.0	166.6	172.2	171.5	172.4	172.8	172.8	173.7	174.0	174.1	174.0	175.1
22 Producer finished goods (1982=100)	130.7	133.0	138.0	137.3	138.6	138.6	138.2	139.4[r]	140.0	139.9	139.7	141.2

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 December 2000. The recent annual revision is described in an article in the March 2001 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	1998[r]	1999[r]	2000	2000							2001
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	137,673	139,368	140,863	140,757	140,546	140,724	140,847	141,000	141,136	141,489	141,955
Employment											
2 Nonagricultural industries[3]	128,085	130,207	131,903	131,870	131,603	131,622	131,954	132,223	132,302	132,562	132,819
3 Agriculture	3,378	3,281	3,305	3,313	3,295	3,317	3,356	3,241	3,176	3,274	3,179
Unemployment											
4 Number	6,210	5,880	5,655	5,574	5,648	5,785	5,537	5,536	5,658	5,653	5,956
5 Rate (percent of civilian labor force)	4.5	4.2	4.0	4.0	4.0	4.1	3.9	3.9	4.0	4.0	4.2
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**125,865**	**128,786**	**131,417**	**131,647**	**131,607**	**131,528**	**131,723**	**131,789**	**131,842[r]**	**131,861**	**132,129**
7 Manufacturing	18,805	18,543	18,437	18,493	18,548	18,432	18,380	18,378	18,360[r]	18,304	18,239
8 Mining	590	535	538	539	538	537	539	542	541	540	545
9 Contract construction	6,020	6,404	6,687	6,668	6,670	6,675	6,720	6,745	6,734[r]	6,716	6,861
10 Transportation and public utilities	6,611	6,826	6,993	6,985	7,010	6,941	7,037	7,046	7,060	7,086	7,083
11 Trade	29,095	29,712	30,191	30,171	30,246	30,253	30,249	30,280	30,331[r]	30,341	30,363
12 Finance	7,389	7,569	7,618	7,588	7,586	7,608	7,622	7,638	7,647[r]	7,660	7,689
13 Service	37,533	39,027	40,384	40,401	40,403	40,572	40,685	40,696	40,764	40,800	40,881
14 Government	19,823	20,170	20,570	20,802	20,606	20,510	20,491	20,464	20,405[r]	20,414	20,468

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	2000 Q1	2000 Q2	2000 Q3	2000 Q4[r]	2000 Q1	2000 Q2	2000 Q3	2000 Q4[r]	2000 Q1	2000 Q2	2000 Q3	2000 Q4[r]
	Output (1992=100)				Capacity (percent of 1992 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**144.4**	**147.1**	**148.4**	**148.1**	**176.1**	**178.1**	**180.1**	**182.1**	**82.0**	**82.6**	**82.4**	**81.3**
2 Manufacturing	150.1	153.0	154.4	153.8	184.6	186.9	189.2	191.5	81.3	81.9	81.7	80.3
3 Primary processing[3]	173.5	178.6	180.3	178.7	203.0	206.9	211.2	216.0	85.4	86.4	85.4	82.7
4 Advanced processing[4]	137.3	139.0	140.3	140.0	172.7	174.1	175.2	176.2	79.5	79.8	80.1	79.5
5 Durable goods	186.7	192.9	196.7	196.4	228.5	233.3	238.3	243.6	81.7	82.7	82.5	80.6
6 Lumber and products	122.4	120.3	117.0	113.0	147.0	147.5	147.9	148.4	83.3	81.6	79.1	76.1
7 Primary metals	136.1	137.0	133.4	126.6	153.0	153.3	153.4	153.5	88.9	89.4	87.0	82.5
8 Iron and steel	135.0	136.1	130.5	121.2	152.8	153.1	153.4	153.6	88.4	88.9	85.1	78.9
9 Nonferrous	137.4	138.2	137.0	133.0	153.2	153.4	153.4	153.4	89.7	90.1	89.3	86.7
10 Industrial machinery and equipment	242.2	249.4	257.3	261.3	296.3	304.5	311.1	317.3	81.7	81.9	82.7	82.3
11 Electrical machinery	476.7	535.1	581.1	607.9	552.1	591.7	639.1	694.1	86.3	90.4	90.9	87.6
12 Motor vehicles and parts	171.8	175.9	170.8	159.6	207.0	208.2	209.2	210.1	83.0	84.5	81.7	75.9
13 Aerospace and miscellaneous transportation equipment	93.7	92.9	93.5	94.7	130.7	130.7	130.4	130.2	71.7	71.1	71.7	72.8
14 Nondurable goods	116.3	116.7	116.2	115.3	143.8	144.1	144.4	144.6	80.9	80.9	80.5	79.7
15 Textile mill products	104.0	103.3	99.8	94.4	124.4	123.9	123.3	122.8	83.6	83.4	80.9	76.9
16 Paper and products	117.6	117.9	114.0	114.9	136.9	137.2	137.5	137.9	85.8	85.9	82.9	83.3
17 Chemicals and products	124.8	125.8	125.4	124.5	161.9	163.0	164.1	164.8	77.1	77.2	76.4	75.6
18 Plastics materials	141.6	140.9	137.6	134.1	151.5	151.6	151.9	152.3	93.5	93.0	90.5	88.1
19 Petroleum products	116.0	118.3	117.3	115.8	123.2	123.2	123.2	123.1	94.1	96.0	95.3	94.0
20 Mining	99.4	100.0	100.6	100.1	116.7	116.5	116.3	115.8	85.2	85.8	86.6	86.4
21 Utilities	117.4	120.7	121.0	125.5	131.2	132.3	133.4	134.5	89.5	91.2	90.7	93.3
22 Electric	120.5	124.3	123.9	128.0	129.5	130.9	132.3	133.8	93.1	94.9	93.7	95.6

Series	1973 High	1975 Low	Previous cycle[5] High	Previous cycle[5] Low	Latest cycle[6] High	Latest cycle[6] Low	2001 Jan.	2000 Aug.	2000 Sept.	2000 Oct.[r]	2000 Nov.[r]	2000 Dec.[r]	2001 Jan.[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.1**	**85.4**	**78.1**	**81.9**	**82.6**	**82.4**	**82.0**	**81.4**	**80.7**	**80.2**
2 Manufacturing	88.5	70.5	86.9	69.0	85.7	76.6	81.2	81.7	81.7	81.2	80.4	79.2	78.9
3 Primary processing[3]	91.2	68.2	88.1	66.2	88.9	77.7	85.1	85.4	85.2	84.5	82.8	81.0	80.5
4 Advanced processing[4]	87.2	71.8	86.7	70.4	84.2	76.1	79.4	80.2	80.2	79.9	79.7	78.8	78.6
5 Durable goods	89.2	68.9	87.7	63.9	84.6	73.1	81.6	82.6	82.7	81.7	80.8	79.4	78.7
6 Lumber and products	88.7	61.2	87.9	60.8	93.6	75.5	83.7	78.1	78.9	77.5	75.9	75.1	74.2
7 Primary metals	100.2	65.9	94.2	45.1	92.7	73.7	89.2	86.3	87.3	84.1	82.9	80.5	79.9
8 Iron and steel	105.8	66.6	95.8	37.0	95.2	71.8	88.3	84.5	86.0	80.6	79.3	76.8	76.3
9 Nonferrous	90.8	59.8	91.1	60.1	89.3	74.2	90.4	88.5	89.0	88.2	87.1	84.8	84.2
10 Industrial machinery and equipment	96.0	74.3	93.2	64.0	85.4	72.3	81.4	82.9	83.1	83.0	82.4	81.7	81.1
11 Electrical machinery	89.2	64.7	89.4	71.6	84.0	75.0	85.1	90.8	90.2	88.5	87.4	86.9	86.3
12 Motor vehicles and parts	93.4	51.3	95.0	45.5	89.1	55.9	83.6	83.1	83.8	79.7	76.2	72.0	67.1
13 Aerospace and miscellaneous transportation equipment	78.4	67.6	81.9	66.6	87.3	79.2	71.8	71.7	70.7	71.9	73.3	73.2	73.6
14 Nondurable goods	87.8	71.7	87.5	76.4	87.3	80.7	80.8	80.5	80.3	80.4	79.9	78.8	78.9
15 Textile mill products	91.4	60.0	91.2	72.3	90.4	77.7	83.2	80.6	79.9	78.6	75.5	76.6	76.1
16 Paper and products	97.1	69.2	96.1	80.6	93.5	85.0	85.8	82.3	82.6	85.0	83.2	81.6	81.8
17 Chemicals and products	87.6	69.7	84.6	69.9	86.2	79.3	77.2	76.7	76.3	76.4	75.7	74.6	74.5
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	95.3	89.1	89.8	90.5	87.7	86.0	83.9
19 Petroleum products	96.7	81.1	90.0	66.8	88.5	85.1	92.3	95.5	95.4	94.6	94.9	92.6	92.4
20 Mining	94.3	88.2	96.0	80.3	88.0	87.0	84.5	86.9	86.4	86.3	86.2	86.6	88.5
21 Utilities	96.2	82.9	89.1	75.9	92.6	83.4	90.0	91.5	91.0	89.5	92.1	98.3	92.2
22 Electric	99.0	82.7	88.2	78.9	95.0	87.1	93.6	95.3	93.9	93.1	95.1	98.6	95.0

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 December 2000. The recent annual revision is described in an article in the March 2001 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	2000 avg.	2000 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.[r]	Oct[r]	Nov[r]	Dec	2001 Jan.[p]
				Index (1992 = 100)												
	MAJOR MARKETS															
1	**Total index**	**100.0**	**147.5**	**143.6**	**144.3**	**145.2**	**146.3**	**147.2**	**147.9**	**147.6**	**148.6**	**149.0**	**148.7**	**148.2**	**147.4**	**147.0**
2	Products	60.5	136.2	133.3	134.2	134.4	135.3	135.5	136.0	135.8	136.6	136.7	136.3	136.4	135.9	135.0
3	Final products	46.3	138.8	135.1	135.9	136.0	137.2	137.5	138.3	138.1	139.2	139.3	138.8	139.0	138.5	137.7
4	Consumer goods, total	29.1	123.0	122.1	122.8	122.2	123.2	123.5	124.2	122.9	123.8	123.8	122.7	122.7	122.4	121.0
5	Durable consumer goods	6.1	160.7	162.9	162.6	162.1	164.7	163.8	164.4	158.7	160.0	162.8	157.3	154.4	152.0	147.7
6	Automotive products	2.6	153.0	156.9	154.8	155.3	157.6	157.9	157.8	149.4	153.8	156.7	148.0	143.6	138.7	132.1
7	Autos and trucks	1.7	166.9	171.4	169.0	170.3	173.7	175.7	174.8	160.5	169.8	172.7	159.1	153.0	144.1	132.9
8	Autos, consumer	.9	114.0	116.5	116.3	115.1	118.5	119.7	118.1	113.6	120.3	120.5	107.8	103.0	94.3	99.0
9	Trucks, consumer	.7	221.6	228.2	223.7	227.3	230.7	233.7	233.2	209.8	221.8	227.1	212.0	204.3	194.7	169.8
10	Auto parts and allied goods	.9	131.4	134.3	132.5	131.9	132.7	130.6	131.6	131.6	129.1	132.1	130.2	128.2	129.1	128.9
11	Other	3.5	167.1	167.6	169.1	167.7	170.6	168.5	169.8	166.7	165.2	167.7	165 4	164.0	164.0	162.0
12	Appliances, televisions, and air conditioners	1.0	332.5	328.3	336.1	332.3	341.1	334.6	348.2	322.3	325.0	340.5	332.5	334.8	338.3	327.5
13	Carpeting and furniture	.8	129.6	129.2	129.7	128.3	131.8	130.8	130.1	131.5	128.6	131.9	129.8	125.4	126.4	125.5
14	Miscellaneous home goods	1.6	120.4	122.7	122.7	122.1	122.7	121.6	120.5	121.3	119.7	118.1	117.5	117.1	115.6	115.4
15	Nondurable consumer goods	23.0	114.2	112.7	113.5	112.9	113.6	114.1	114.8	114.5	115.2	114.7	114.5	115.0	115.1	114.3
16	Foods and tobacco	10.3	110.7	110.3	110.6	110.8	110.9	110.3	110.8	111.0	111.4	110.5	110.4	110.6	109.5	109.5
17	Clothing	2.4	84.9	86.3	87.5	87.2	87.5	86.8	85.1	85.6	84.2	83.1	82.7	83.2	82.0	82.5
18	Chemical products	4.5	136.9	132.9	133.5	134.9	136.5	138.5	139.3	137.4	139.4	138.4	139.0	138.4	137 7	138.1
19	Paper products	2.9	111.1	109.1	109.6	108.3	108.2	109.0	111.6	112.4	112.4	112.4	113.8	112.5	111.8	112.5
20	Energy	2.9	116.7	113.1	116.2	110.7	113.6	116.0	117.0	114.9	117.1	118.4	115.5	119.7	126.0	119.0
21	Fuels	.8	112.9	108.4	111.0	114.9	112.1	113.1	113.4	112.6	113.1	115.8	113.0	115.5	111.5	111.6
22	Residential utilities	2.1	118.6	115.1	118.5	107.4	113.8	117.1	118.5	115.6	119.0	119.1	116.2	121.6	134.8	123.0
23	Equipment	17.2	166.0	158.7	159.8	161.3	162.8	163.1	164.3	166.3	167.9	168.3	169.1	169.8	169.0	169.4
24	Business equipment	13.2	194.2	185.2	187.0	188.9	191.1	191.6	192.8	195.0	197.8	199.5	200.0	200.4	199.3	198.9
25	Information processing and related	5.4	312.3	284.8	289.2	293.5	298.8	302.5	307.0	313.9	322.1	327.2	332.3	336.7	336.8	340.7
26	Computer and office equipment	1.1	1,157.6	979.1	1,019.5	1,044.0	1,062.0	1,087.8	1,130.8	1,182.8	1,229.0	1,264.1	1,286.4	1,305.0	1,318.3	1,335.6
27	Industrial	4.0	144.5	140.4	142.1	142.2	142.9	143.4	143.8	144.4	147.7	146.5	146.9	146.9	145.5	146.1
28	Transit	2.5	127.7	130.9	130.6	131.5	131.3	129.0	130.1	127.6	126.8	127.7	121.6	121.8	117.4	113.6
29	Autos and trucks	1.2	145.6	153.8	154.2	154.0	156.5	153.9	152.9	141.5	142.8	144.2	131.4	130.4	122.0	113.8
30	Other	1.3	145.7	138.6	138.5	142.9	146.7	145.8	142.8	148.1	144.8	149.3	154.2	148.8	153.4	149.0
31	Defense and space equipment	3.3	76.2	77.1	75.9	76.0	75.5	75.5	76.3	77.9	76.1	73.7	75.3	77.0	77.2	78.4
32	Oil and gas well drilling	.6	131.8	121.1	124.6	126.7	126.7	130.3	130.8	136.2	137.1	132.8	136.5	138.9	139.1	149.4
33	Manufactured homes	.2	116.5	138.5	133.8	131.7	127.2	122.9	121.9	116.8	115.5	109.3	98.8	90.9	88.0	89.5
34	Intermediate products, total	14.2	128.8	127.8	128.9	129.5	129.3	129.4	129.0	128.7	128.8	128.6	128.7	128.4	127.8	127.0
35	Construction supplies	5.3	143.0	142.6	143.4	144.6	144.4	143.1	143.4	143.8	142.7	143.1	142.3	140.9	139.5	138.8
36	Business supplies	8.9	120.4	119.0	120.3	120.6	120.4	121.3	120.5	119.8	120.6	120.0	120.7	121.0	120.8	120.0
37	Materials	39.5	167.9	162.0	162.4	164.7	166.1	168.4	169.4	169.0	170.5	171.3	171 1	169.6	168.4	168.7
38	Durable goods materials	20.8	227.7	213.4	215.4	220.0	222.7	227.6	230.3	230.5	233.8	235.7	235.0	233.1	230.6	231.2
39	Durable consumer parts	4.0	165.1	164.3	163.2	164.9	162.2	169.9	165.7	158.3	168.3	169.0	168.5	161.9	155.4	149.0
40	Equipment parts	7.6	479.2	404.2	416.6	434.2	451.9	466.8	486.2	499.9	505.7	512.1	515.9	522.4	530.2	542.1
41	Other	9.2	134.5	135.3	134.8	135.9	135.7	135.9	135.9	135.3	134.7	135.5	133.7	131.9	128.8	129.2
42	Basic metal materials	3.1	128.5	130.7	128.8	131.1	131.9	130.8	130.7	128.5	127.5	129.2	125.9	124.4	121.0	120.3
43	Nondurable goods materials	8.9	113.8	116.2	115.3	115.6	115.2	115.7	115.2	113.9	112.8	112.7	113.4	110.6	108.8	108.8
44	Textile materials	1.1	97.8	100.4	101.9	102.2	101.1	100.9	101.7	97.9	99.3	95.9	94.0	89.3	88.9	88.6
45	Paper materials	1.8	115.8	118.2	116.7	118.1	118.7	117.5	118.1	114.9	112.8	113.8	117.2	113.5	109.2	111.1
46	Chemical materials	3.9	117.1	119.7	118.6	118.6	118.1	119.8	118.4	117.0	116.8	116.3	115.9	113.8	111.4	110.9
47	Other	2.1	112.8	114.6	113.0	113.5	112.6	112.4	112.3	113.7	110.2	112.0	114.0	111.1	112.4	111.8
48	Energy materials	9.7	103.4	102.6	102.1	102.5	103.5	103.3	103.1	102.9	104.2	104.3	103.9	104.5	105.8	106.0
49	Primary energy	6.3	98.0	97.2	96.2	97.7	98.8	98.3	98.4	98.7	98.9	98.5	97.8	98.2	99.2	100.4
50	Converted fuel materials	3.3	114.6	113.9	114.6	112.3	113.0	113.7	112.4	110.8	115.1	116.6	117.2	118.7	120.7	117.7
	SPECIAL AGGREGATES															
51	Total excluding autos and trucks	97.1	147.2	143.0	143.8	144.8	145.7	146.7	147.5	147.5	148.4	148.7	148.8	148.4	147.9	147.7
52	Total excluding motor vehicles and parts	95.1	146.3	142.2	143.0	143.9	144.9	145.8	146.5	146.9	147.4	147.7	147.8	147.7	147.3	147.4
53	Total excluding computer and office equipment	98.2	140.5	137.2	137.8	138.6	139.6	140.4	141.0	140.5	141.4	141.6	141.2	140.7	140.0	139.5
54	Consumer goods excluding autos and trucks	27.4	120.6	119.5	120.3	119.6	120.5	120.7	121.5	120.9	121.3	121.2	120.7	121.0	121.1	120.2
55	Consumer goods excluding energy	26.2	123.8	123.2	123.5	123.6	124.4	124.4	125.0	123.9	124.5	124.4	123.6	122.9	121.6	121.1
56	Business equipment excluding autos and trucks	12.0	200.1	188.9	190.8	193.1	195.2	196.1	197.6	201.5	204.5	206.3	208.5	209.1	209.0	209.6
57	Business equipment excluding computer and office equipment	12.1	158.4	153.6	154.4	155.7	157.4	157.3	157.6	158.6	160.3	161.2	161.2	161.3	160.0	159.3
58	Materials excluding energy	29.8	188.5	180.8	181.5	184.6	186.0	189.3	190.7	190.3	191.8	193.0	192.8	190.4	188.1	188.4

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Monthly data seasonally adjusted

Group	SIC[2] code	1992 proportion	2000 avg.	2000 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.[r]	Oct.[r]	Nov.[r]	Dec.	2001 Jan.[p]
				Index (1992 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	.	**100.0**	**147.5**	**143.6**	**144.3**	**145.2**	**146.3**	**147.2**	**147.9**	**147.6**	**148.6**	**149.0**	**148.7**	**148.2**	**147.4**	**147.0**
60 Manufacturing	.	85.4	153.6	149.2	149.9	151.3	152.2	153.1	153.8	153.7	154.6	155.1	154.9	154.0	152.4	152.3
61 Primary processing	.	26.5	178.0	171.9	173.0	175.5	177.1	178.7	180.1	179.4	180.3	181.2	181.1	178.8	176.2	176.3
62 Advanced processing	.	58.9	139.3	136.8	137.1	137.9	138.5	139.1	139.4	139.5	140.5	140.8	140.5	140.4	139.2	139.0
63 Durable goods	..	45.0	193.4	185.1	186.3	188.9	191.0	193.0	194.6	194.7	196.9	198.4	197.6	196.7	194.9	194.4
64 Lumber and products	24	2.0	118.2	122.9	122.3	121.9	121.6	120.5	118.7	118.6	115.5	116.8	114.8	112.7	111.5	110.3
65 Furniture and fixtures	25	1.4	142.9	138.9	140.7	139.3	140.7	143.0	141.9	142.6	143.8	146.6	147.2	145.1	144.6	143.9
66 Stone, clay, and glass products	32	2.1	134.5	132.8	133.6	134.4	132.9	134.2	134.6	136.3	136.1	136.5	137.3	134.3	130.2	130.4
67 Primary metals	33	3.1	133.5	136.3	134.7	137.1	137.8	136.7	136.4	133.9	132.4	133.9	129.0	127.2	123.6	122.7
68 Iron and steel	331,2	1.7	131.0	134.8	133.5	136.9	136.8	135.9	135.5	129.9	129.7	131.9	123.7	121.9	118.1	117.3
69 Raw steel	331PT	.1	120.9	126.4	121.7	125.8	127.3	127.1	128.2	126.4	123.9	117.7	115.6	106.3	104.6	107.7
70 Nonferrous	333–6,9	1.4	136.4	138.3	136.4	137.6	139.1	137.9	137.6	138.8	135.7	136.5	135.3	133.6	130.0	129.2
71 Fabricated metal products	34	5.0	135.5	134.9	135.8	135.6	135.9	136.2	135.7	136.1	136.3	136.0	136.0	134.5	131.8	132.0
72 Industrial machinery and equipment	35	8.0	252.6	238.7	242.1	245.8	247.2	249.9	250.9	253.9	257.9	260.0	261.5	261.3	261.0	260.7
73 Computer and office equipment	357	1.8	1,343.6	1,149.5	1,195.9	1,224.7	1,245.1	1,272.3	1,316.2	1,370.4	1,421.6	1,464.2	1,487.4	1,502.8	1,508.3	1,524.4
74 Electrical machinery	36	7.3	550.8	460.2	474.8	495.2	516.5	533.8	555.0	571.2	580.0	592.2	597.4	606.4	620.0	630.2
75 Transportation equipment	37	9.5	130.9	132.0	130.7	131.9	132.1	133.6	133.5	128.0	132.4	132.4	129.2	126.8	122.6	118.1
76 Motor vehicles and parts	371	4.9	170.5	172.7	170.3	172.5	174.1	177.6	176.1	163.1	173.9	175.5	167.2	160.1	151.4	141.5
77 Autos and light trucks	371PT	2.6	153.0	157.1	155.1	156.0	159.2	161.1	160.1	147.8	156.4	158.8	145.8	140.1	131.5	123.2
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.6	93.8	93.8	93.5	93.7	92.7	92.3	93.6	94.9	93.5	92.1	93.6	95.4	95.2	95.7
79 Instruments	38	5.4	122.2	120.6	119.7	120.2	121.5	121.3	122.2	122.6	123.3	123.7	123.5	124.6	123.3	124.6
80 Miscellaneous	39	1.3	130.8	131.6	130.9	130.6	130.9	130.7	130.5	132.1	130.8	130.9	131.1	130.2	129.7	131.0
81 Nondurable goods	.	40.4	116.9	116.0	116.3	116.6	116.7	116.7	116.7	116.3	116.3	116.0	116.3	115.5	114.0	114.2
82 Foods	20	9.4	114.6	113.3	114.1	114.9	114.7	114.2	114.9	115.0	115.1	114.6	114.8	115.0	113.3	113.3
83 Tobacco products	21	1.6	95.3	99.8	97.4	94.3	95.6	95.3	93.8	95.8	96.6	94.5	93.7	93.1	94.2	95.2
84 Textile mill products	22	1.8	100.1	103.6	103.8	104.4	104.4	102.6	103.1	101.4	99.4	98.4	96.7	92.7	93.9	93.1
85 Apparel products	23	2.2	91.6	93.4	94.3	94.1	94.6	93.0	91.2	92.0	90.7	89.5	89.2	89.1	87.5	87.9
86 Paper and products	26	3.6	116.1	117.5	117.4	117.8	118.4	116.5	118.8	114.9	113.3	113.7	117.1	114.8	112.6	113.0
87 Printing and publishing	27	6.7	110.0	108.9	108.9	109.7	109.1	109.9	109.1	110.0	110.4	110.9	111.6	111.2	110.1	110.4
88 Chemicals and products	28	9.9	128.3	124.8	124.9	124.9	125.2	126.3	125.9	124.8	125.9	125.4	125.8	124.8	123.0	123.0
89 Petroleum products	29	1.4	117.0	113.7	115.5	118.9	117.2	118.9	118.8	117.0	117.6	117.4	116.5	116.8	114.0	113.7
90 Rubber and plastic products	30	3.5	142.2	143.2	143.2	143.0	143.5	142.6	143.5	144.4	142.1	141.9	141.3	138.9	136.3	137.9
91 Leather and products	31	.3	69.7	72.1	71.4	70.6	70.0	70.5	69.3	70.0	68.8	69.8	68.6	68.5	67.0	67.4
92 Mining	.	6.9	99.9	98.6	99.1	100.4	99.9	99.6	100.4	100.5	101.0	100.4	100.1	99.9	100.2	102.3
93 Metal	10	.5	96.8	101.3	99.1	99.7	98.8	95.7	97.5	92.9	95.8	99.3	96.3	93.6	93.0	92.9
94 Coal	12	1.0	108.9	106.8	102.6	110.1	112.6	112.2	113.6	110.3	109.3	107.0	110.2	108.6	106.1	110.7
95 Oil and gas extraction	13	4.8	95.0	93.5	94.0	94.6	94.0	94.3	94.8	95.7	96.3	95.7	95.1	95.4	96.2	98.2
96 Stone and earth minerals	14	.6	126.1	124.9	131.7	133.4	130.4	123.9	127.7	124.4	125.0	123.7	124.6	120.5	118.4	119.5
97 Utilities	..	7.7	121.0	117.8	119.5	114.7	118.7	121.6	121.7	119.1	122.1	121.7	120.0	123.8	132.6	124.7
98 Electric	491,3PT	6.2	124.0	120.8	121.0	119.7	122.8	125.2	124.8	121.1	126.1	124.7	124.2	127.3	132.4	128.0
99 Gas	492,3PT	1.6	111.2	106.8	113.1	98.3	104.4	108.7	110.5	111.0	108.4	110.5	105.8	111.5	129.6	112.8
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	.	80.5	152.6	147.9	148.7	150.1	151.0	151.7	152.6	153.2	153.5	153.9	154.3	153.8	152.6	153.1
101 Manufacturing excluding computer and office equipment		83.6	145.4	141.9	142.3	143.6	144.4	145.2	145.8	145.4	146.2	146.5	146.2	145.4	143.7	143.6
102 Computers, communications equipment, and semiconductors	.	5.9	1,197.8	955.1	999.4	1,048.5	1,097.8	1,140.2	1,193.1	1,248.0	1,281.6	1,310.3	1,334.8	1,361.0	1,393.6	1,424.7
103 Manufacturing excluding computers and semiconductors	...	81.1	128.2	127.1	127.1	127.8	128.0	128.4	128.4	127.7	128.2	128.4	128.0	127.0	125.2	124.8
104 Manufacturing excluding computers, communications equipment, and semiconductors	.	79.5	125.0	124.3	124.3	124.9	125.1	125.4	125.3	124.5	124.9	125.0	124.6	123.5	121.6	121.2
		Gross value (billions of 1992 dollars, annual rates)														
Major Markets																
105 **Products, total**	.	**2,001.9**	**2,860.5**	**2,828.5**	**2,846.9**	**2,853.1**	**2,868.9**	**2,872.7**	**2,883.5**	**2,865.7**	**2,882.9**	**2,889.1**	**2,867.4**	**2,866.0**	**2,847.3**	**2,813.1**
106 Final	...	1,552.1	2,203.1	2,170.2	2,183.5	2,186.3	2,202.8	2,205.6	2,218.6	2,202.8	2,220.5	2,228.1	2,205.4	2,207.0	2,190.8	2,161.5
107 Consumer goods	.	1,049.6	1,339.6	1,334.8	1,342.3	1,338.5	1,347.2	1,349.8	1,357.8	1,338.7	1,348.7	1,353.7	1,334.7	1,334.8	1,325.5	1,300.9
108 Equipment	.	502.5	865.7	840.3	846.2	854.0	862.2	862.2	867.3	872.8	880.8	883.3	880.9	882.6	875.5	872.6
109 Intermediate	..	449.9	657.0	657.2	662.3	665.6	665.0	666.0	663.9	661.8	661.5	660.2	661.0	658.0	655.5	650.5

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 December 2000. The recent annual revision is described in an article in the March 2001 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	1998	1999	2000	2000 Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,612	1,664	1,570	1,597	1,559	1,511	1,528	1,511	1,486	1,518	1,546	1,598	1,507
2 One-family	1,188	1,247	1,181	1,238	1,164	1,150	1,127	1,117	1,140	1,157	1,191	1,183	1,158
3 Two-family or more	425	417	389	359[r]	395[r]	361[r]	401[r]	394[r]	346[r]	361[r]	355	415	349
4 Started	1,617	1,667	1,594	1,630	1,652	1,591	1,571	1,527	1,519	1,537	1,529	1,564	1,568
5 One-family	1,271	1,335	1,263	1,327	1,310	1,258	1,227	1,201	1,229	1,226	1,232	1,233	1,304
6 Two-family or more	346	332	330	303[r]	342[r]	333[r]	344[r]	326[r]	290[r]	311[r]	297	331	264
7 Under construction at end of period[1]	971	993	978	1,031	1,029	1,023	1,024	1,020	1,016	1,009	1,011	1,006	1,008
8 One-family	659	679	658	706	703	697	696	691	692	689	691	685	687
9 Two-family or more	312	314	320	325[r]	326[r]	326[r]	328[r]	329[r]	324[r]	320[r]	320	321	321
10 Completed	1,474	1,636	1,606	1,728	1,660	1,705	1,545	1,531	1,612	1,575[r]	1,546	1,589	1,551
11 One-family	1,160	1,307	1,282	1,375	1,354	1,377	1,222	1,216	1,266	1,273[r]	1,212	1,293	1,260
12 Two-family or more	315	329	324	353	306	328	323	315	346	302	334	296	291
13 Mobile homes shipped	374	348	250	287	271	265	262	251	249	231	213	196	176
Merchant builder activity in one-family units													
14 Number sold	886	907	906	947	865	875	827	914	860	924[r]	940	900	1,034
15 Number for sale at end of period[1]	300	326	312	321	305	308	312	311	313	309[r]	312	316	308
Price of units sold (thousands of dollars)[2]													
16 Median	152.5	160.0	168.5	165.7	163.1	165.0	159.9	168.6	165.0	171.5[r]	176.0	174.0	158.6
17 Average	181.9	195.8	206.4	205.3	207.5	200.1	197.7	202.4	200.4	208.4[r]	215.0	212.1	208.1
EXISTING UNITS (one-family)													
18 Number sold	4,959	5,198	5,057	5,170[r]	4,910[r]	5,190[r]	5,220[r]	4,800[r]	5,240[r]	5,210[r]	5,100	5,330	4,980
Price of units sold (thousands of dollars)[2]													
19 Median	128.4	133.3	139.0	134.7	136.1	137.6	140.2	143.3	143.2	141.6	138.6	139.5	139.7
20 Average	159.1	168.3	176.2	171.5	173.3	176.0	178.9	177.7	183.0	178.6	176.9	176.5	178.5
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 **Total put in place**	**710,104**	**765,719**	**809,218**	**829,517**	**816,156**	**811,816**	**798,860**	**793,036**	**801,748**	**813,477**	**805,433**	**807,005**	**811,456**
22 Private	550,983	592,037	624,689	637,743	629,491	629,820	624,383	619,046	616,918	625,317	620,086	623,818	625,472
23 Residential	314,058	348,584	358,918	372,118	368,948	367,653	363,756	355,196	350,783	351,682	348,898	347,332	346,751
24 Nonresidential	236,925	243,454	265,771	265,625	260,543	262,167	260,627	263,850	266,135	273,635	271,188	276,486	278,721
25 Industrial buildings	40,464	35,016	40,553	39,030	38,670	39,814	39,951	42,081	41,552	40,872	42,651	45,897	43,638
26 Commercial buildings	95,753	103,759	115,080	116,030	115,042	113,381	112,834	112,114	115,279	118,445	117,094	116,659	120,685
27 Other buildings	39,607	41,279	45,778	45,808	44,136	45,540	44,559	45,689	46,779	46,689	46,790	47,134	47,312
28 Public utilities and other	61,101	63,400	64,359	64,757	62,695	63,432	63,283	63,966	62,525	67,629	64,653	66,796	67,086
29 Public	159,121	173,682	184,529	191,774	186,665	181,995	174,477	173,990	184,830	188,160	185,347	183,187	185,983
30 Military	2,538	2,122	2,249	2,249	2,180	2,246	2,157	2,100	2,331	2,418	1,844	2,590	2,082
31 Highway	48,339	54,447	52,558	59,007	55,923	51,966	48,148	49,262	52,694	53,183	48,081	47,207	48,715
32 Conservation and development	5,421	6,002	6,009	6,494	5,840	5,363	5,832	4,875	5,629	6,158	6,793	5,681	6,245
33 Other	102,823	111,110	123,712	124,024	122,722	122,420	118,340	117,753	124,176	126,401	128,629	127,709	128,941

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, Jan. 2001[1]
	2000 Jan.	2001 Jan.	2000				2000				2001	
			Mar.[r]	June[r]	Sept.[r]	Dec.[r]	Sept.	Oct.	Nov.	Dec.	Jan.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**2.7**	**3.7**	**5.6**	**2.4**	**3.3**	**2.3**	**.5**	**.2**	**.2**	**.2**	**.6**	**175.1**
2 Food	1.5	2.9	2.4	1.9	4.1	2.1	.2	.1	−.1[r]	.5	.3	170.9
3 Energy items	14.7	17.8	43.4	5.6	7.9	3.8	4.1[r]	.5[r]	.2[r]	.3[r]	3.9	132.5
4 All items less food and energy	2.0	2.6	2.9	2.2	2.9	2.0	.3	.1[r]	.3	.1	3	183.5
5 Commodities	−.1	.8	1.1	−.6	1.7	.0	.4[r]	−.1	.2[r]	−.1[r]	.1	144.8
6 Services	3.0	3.4	3.9	3.4	3.2	3.2	.1	.2	.3	.2[r]	4	205.7
PRODUCER PRICES (1982=100)												
7 Finished goods	2.5	4.8	7.9	2.3	2.0	2.9	.7[r]	.4	.1	.2[r]	1.1	141.2
8 Consumer foods	−.4	2.5	2.7	3.3	−1.2	2.4	.2	.7[r]	.3[r]	−.4	.8	138.4
9 Consumer energy	17.5	21.6	53.1	6.5	6.4	13.8	3.4[r]	1.6[r]	.8[r]	.8[r]	3.8	101.9
10 Other consumer goods	1.1	2.4	.8	1.3	2.4	.3	.3[r]	−.1[r]	.0[r]	.2[r]	.8	156.5
11 Capital equipment	.4	1.3	.9	1.5	1.7	.3	.2[r]	−.1[r]	.0	.1[r]	.3	140.2
Intermediate materials												
12 Excluding foods and feeds	4.6	4.4	9.5	3.1	3.1	1.2	.7	.2	−.1[r]	.2	.8	132.4
13 Excluding energy	2.4	1.5	4.2	2.7	.3	−.6	.0	.0	−.1	.0	.2	137.1
Crude materials												
14 Foods	−4.6	9.1	15.0	−7.3	−8.2	36.0	3.8[r]	3.1[r]	1.3	3.4[r]	2.2	105.3
15 Energy	50.8	110.2	84.9	163.6	20.0	64.0	11.7[r]	2.8[r]	−4.1	14.8	25.0	193.4
16 Other	16.3	−7.4	9.9	−11.9	−8.8	−10.2	.8[r]	−.6	−2.3	.3[r]	.5	138.7

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	1998	1999	2000	1999	2000			
				Q4	Q1	Q2	Q3	Q4
GROSS DOMESTIC PRODUCT								
1 **Total**	**8,790.2**	**9,299.2**	**9,965.7**	**9,559.7**	**9,752.7**	**9,945.7**	**10,039.4**	**10,125.0**
By source								
2 Personal consumption expenditures	5,850.9	6,268.7	6,758.6	6,446.2	6,621.7	6,706.3	6,810.8	6,895.6
3 Durable goods	693.9	761.3	820.4	787.6	826.3	814.3	824.7	816.2
4 Nondurable goods	1,707.6	1,845.5	2,009.5	1,910.2	1,963.9	1,997.6	2,031.5	2,045.1
5 Services	3,449.3	3,661.9	3,928.7	3,748.5	3,831.6	3,894.4	3,954.6	4,034.2
6 Gross private domestic investment	1,549.9	1,650.1	1,834.1	1,723.7	1,755.7	1,852.6	1,869.3	1,858.9
7 Fixed investment	1,472.9	1,606.8	1,776.8	1,651.0	1,725.8	1,780.5	1,803.0	1,797.8
8 Nonresidential	1,107.5	1,203.1	1,360.8	1,242.2	1,308.5	1,359.2	1,390.6	1,384.8
9 Structures	283.2	285.6	323.8	290.4	308.9	315.1	330.1	341.3
10 Producers' durable equipment	824.3	917.4	1,036.9	951.8	999.6	1,044.1	1,060.5	1,043.5
11 Residential structures	365.4	403.8	416.0	408.8	417.3	421.3	412.4	413.0
12 Change in business inventories	77.0	43.3	57.4	72.7	29.9	72.0	66.4	61.1
13 Nonfarm	76.4	43.6	58.8	71.8	32.4	72.2	67.5	63.0
14 Net exports of goods and services	−151.5	−254.0	−370.4	−299.1	−335.2	−355.4	−389.5	−401.6
15 Exports	966.0	990.2	1,099.0	1,031.0	1,051.9	1,092.9	1,130.8	1,120.3
16 Imports	1,117.5	1,244.2	1,469.4	1,330.1	1,387.1	1,448.3	1,520.3	1,521.9
17 Government consumption expenditures and gross investment	1,540.9	1,634.4	1,743.4	1,688.8	1,710.4	1,742.2	1,748.8	1,772.2
18 Federal	540.6	568.6	595.4	591.6	580.1	604.5	594.2	603.0
19 State and local	1,000.3	1,065.8	1,148.0	1,097.3	1,130.4	1,137.7	1,154.6	1,169.2
By major type of product								
20 Final sales, total	8,713.2	9,255.9	9,908.4	9,486.9	9,722.8	9,873.7	9,973.1	10,063.9
21 Goods	3,239.3	3,467.0	3,738.0	3,566.0	3,680.3	3,734.1	3,776.5	3,761.1
22 Durable	1,532.3	1,651.1	1,805.2	1,701.8	1,773.7	1,809.6	1,830.6	1,806.7
23 Nondurable	1,707.1	1,815.8	1,932.8	1,864.1	1,906.6	1,924.5	1,945.9	1,954.3
24 Services	4,673.0	4,934.6	5,255.5	5,050.3	5,135.2	5,231.4	5,281.6	5,373.7
25 Structures	800.9	854.3	914.9	870.7	907.4	908.2	915.0	929.1
26 Change in business inventories	77.0	43.3	57.4	72.7	29.9	72.0	66.4	61.1
27 Durable goods	45.8	27.2	39.7	47.5	20.7	48.3	39.2	50.5
28 Nondurable goods	31.2	16.1	17.7	25.2	9.2	23.7	27.2	10.6
MEMO								
29 **Total GDP in chained 1996 dollars**	**8,515.7**	**8,875.8**	**9,320.4**	**9,084.1**	**9,191.8**	**9,318.9**	**9,369.5**	**9,401.5**
NATIONAL INCOME								
30 **Total**	**7,038.1**	**7,469.7**	n.a.	**7,680.7**	**7,833.5**	**7,983.2**	**8,088.5**	n.a.
31 Compensation of employees	4,984.2	5,299.8	5,638.6	5,421.1	5,512.2	5,603.5	5,679.6	5,759.1
32 Wages and salaries	4,192.8	4,475.1	4,769.7	4,583.5	4,660.4	4,740.1	4,804.9	4,873.5
33 Government and government enterprises	692.7	724.4	761.0	734.5	749.9	760.2	765.4	768.7
34 Other	3,500.1	3,750.7	4,008.7	3,849.0	3,910.5	3,980.0	4,039.5	4,104.8
35 Supplement to wages and salaries	791.4	824.6	868.9	837.7	851.8	863.3	874.7	885.6
36 Employer contributions for social insurance	305.9	323.6	344.8	330.3	337.8	342.9	347.1	351.6
37 Other labor income	485.5	501.0	524.0	507.4	514.0	520.5	527.6	534.1
38 Proprietors' income[1]	620.7	663.5	710.5	689.6	693.9	709.5	724.8	713.8
39 Business and professional[1]	595.2	638.2	687.9	657.9	674.8	688.1	693.1	695.8
40 Farm[1]	25.4	25.3	22.6	31.7	19.1	21.5	31.7	18.0
41 Rental income of persons[2]	135.4	143.4	140.4	146.2	145.6	140.8	138.1	136.9
42 Corporate profits[1]	815.0	856.0	n.a.	893.2	936.3	963.6	970.3	n.a.
43 Profits before tax[3]	758.2	823.0	n.a.	870.7	920.7	942.5	945.1	n.a.
44 Inventory valuation adjustment	17.0	−9.1	n.a.	−19.2	−25.0	−13.6	−4.5	n.a.
45 Capital consumption adjustment	39.9	42.1	33.6	41.6	40.6	34.7	29.7	29.2
46 Net interest	482.7	507.1	n.a.	530.6	545.4	565.9	575.7	n.a.

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	1998	1999	2000	1999	2000			
				Q4	Q1	Q2	Q3	Q4
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**7,391.0**	**7,789.6**	**8,281.0**	**7,972.3**	**8,105.8**	**8,242.1**	**8,349.0**	**8,427.1**
2 Wage and salary disbursements	4,190.7	4,470.0	4,769.1	4,578.3	4,660.4	4,740.1	4,804.9	4,870.9
3 Commodity-producing industries	1,038.6	1,089.2	1,153.1	1,111.2	1,130.9	1,147.1	1,161.4	1,172.9
4 Manufacturing	756.6	782.4	815.9	795.1	802.8	813.1	821.4	826.3
5 Distributive industries	949.1	1,020.3	1,107.1	1,049.4	1,070.9	1,095.7	1,118.1	1,143.6
6 Service industries	1,510.3	1,636.0	1,748.1	1,683.2	1,708.6	1,737.2	1,760.1	1,786.5
7 Government and government enterprises	692.7	724.4	760.8	734.5	749.9	760.2	765.4	767.9
8 Other labor income	485.5	501.0	524.0	507.4	514.0	520.5	527.6	533.9
9 Proprietors' income[1]	620.7	663.5	710.5	689.6	693.9	709.5	724.8	713.8
10 Business and professional[1]	595.2	638.2	688.0	657.9	674.8	688.1	693.1	695.8
11 Farm[1]	25.4	25.3	22.6	31.7	19.1	21.5	31.7	17.9
12 Rental income of persons[2]	135.4	143.4	140.1	146.2	145.6	140.8	138.1	136.0
13 Dividends	351.1	370.3	396.6	380.2	386.9	392.6	399.7	407.2
14 Personal interest income	940.8	963.7	1,033.7	989.0	1,011.6	1,031.3	1,042.9	1,049.2
15 Transfer payments	983.0	1,016.2	1,067.7	1,027.4	1,046.9	1,066.1	1,074.2	1,083.6
16 Old-age survivors, disability, and health insurance benefits	578.0	588.0	622.4	592.8	607.9	624.3	627.2	630.4
17 LESS: Personal contributions for social insurance	316.2	338.5	360.7	345.9	353.4	358.8	363.1	367.5
18 EQUALS: Personal income	7,391.0	7,789.6	8,281.0	7,972.3	8,105.8	8,242.1	8,349.0	8,427.1
19 LESS: Personal tax and nontax payments	1,070.9	1,152.0	1,291.8	1,197.3	1,239.3	1,277.2	1,308.1	1,342.4
20 EQUALS: Disposable personal income	6,320.0	6,637.7	6,989.3	6,775.0	6,866.5	6,964.9	7,040.9	7,084.7
21 LESS: Personal outlays	6,054.7	6,490.1	6,998.4	6,674.1	6,855.6	6,944.3	7,054.7	7,138.9
22 EQUALS: Personal saving	265.4	147.6	−9.1	101.0	11.0	20.6	−13.8	−54.3
MEMO								
Per capita (chained 1996 dollars)								
23 Gross domestic product	31,474.2	32,511.9[r]	33,836.6	33,153.5	33,485.6	33,874.7	33,984.3	33,987.9
24 Personal consumption expenditures	20,988.5	21,900.4[r]	22,855.5	22,266.4	22,635.5	22,757.7	22,959.1	23,059.6
25 Disposable personal income	22,672.0	23,191.0	23,638.0	23,404.0	23,472.0	23,639.0	23,732.0	23,711.0
26 Saving rate (percent)	4.2	2.2	−.1	1.5	.2	.3	−.2	−.8
GROSS SAVING								
27 **Gross saving**	**1,654.4**	**1,717.6**	n.a.	**1,746.3**	**1,777.0**	**1,844.5**	**1,854.7**	n.a.
28 Gross private saving	1,375.7	1,343.5	n.a.	1,331.4	1,279.2	1,328.8	1,319.2	n.a.
29 Personal saving	265.4	147.6	−9.1	101.0	11.0	20.6	−13.8	−54.3
30 Undistributed corporate profits[1]	218.9	229.4	n.a.	241.7	262.7	278.5	279.6	n.a.
31 Corporate inventory valuation adjustment	17.0	−9.1	n.a.	−19.2	−25.0	−13.6	−4.5	n.a.
Capital consumption allowances								
32 Corporate	624.3	676.9	739.3	694.8	711.5	731.1	750.0	764.8
33 Noncorporate	265.1	284.5	301.0	288.7	294.1	298.7	303.3	307.8
34 Gross government saving	278.7	374.1	n.a.	414.9	497.7	515.7	535.5	n.a.
35 Federal	137.4	217.3	n.a.	238.4	333.0	339.9	354.1	n.a.
36 Consumption of fixed capital	88.4	92.8	99.8	95.0	97.2	98.9	100.8	102.3
37 Current surplus or deficit (−), national accounts	49.0	124.4	n.a.	143.3	235.8	240.9	253.3	n.a.
38 State and local	141.3	156.8	n.a.	176.6	164.7	175.8	181.4	n.a.
39 Consumption of fixed capital	99.5	106.8	116.8	109.9	112.7	115.6	118.2	120.6
40 Current surplus or deficit (−), national accounts	41.7	50.0	n.a.	66.6	52.0	60.1	63.2	n.a.
41 **Gross investment**	**1,629.6**	**1,645.6**	n.a.	**1,678.5**	**1,699.3**	**1,771.9**	**1,752.8**	n.a.
42 Gross private domestic investment	1,549.9	1,650.1	1,832.9	1,723.7	1,755.7	1,852.6	1,869.3	1,854.0
43 Gross government investment	278.8	308.7	336.4	324.4	334.2	331.9	333.6	345.9
44 Net foreign investment	−199.1	−313.2	n.a.	−369.6	−390.7	−412.5	−450.1	n.a.
45 **Statistical discrepancy**	**−24.8**	**−71.9**	n.a.	**−67.8**	**−77.7**	**−72.5**	**−101.8**	n.a.

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		2000		
				Q3	Q4	Q1	Q2	Q3
1 Balance on current account	−140,540	−217,138	−331,479	−89,649	−96,223	−101,505	−104,971	−113,773
2 Balance on goods and services	−105,932	−166,898	−264,971	−72,718	−76,280	−85,117	−88,598	−96,503
3 Exports	936,937	932,977	956,242	241,969	249,653	255,977	265,969	274,657
4 Imports	−1,042,869	−1,099,875	−1,221,213	−314,687	−325,933	−341,094	−354,567	−371,160
5 Income, net	6,186	−6,211	−18,483	−5,535	−5,683	−4,364	−4,103	−4,518
6 Investment, net	11,050	−1,036	−13,102	−4,193	−4,319	−2,987	−2,706	−3,172
7 Direct	71,935	67,728	62,704	15,701	16,275	17,068	19,015	21,558
8 Portfolio	−60,885	−68,764	−75,806	−19,894	−20,594	−20,055	−21,721	−24,730
9 Compensation of employees	−4,864	−5,175	−5,381	−1,342	−1,364	−1,377	−1,397	−1,346
10 Unilateral current transfers, net	−40,794	−44,029	−48,025	−11,396	−14,260	−12,024	−12,270	−12,752
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	68	−422	2,751	−686	3,711	−131	−574	110
12 Change in U.S. official reserve assets (increase, −)	−1,010	−6,783	8,747	1,951	1,569	−554	2,020	−346
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−350	−147	10	−184	−178	−180	−180	−182
15 Reserve position in International Monetary Fund	−3,575	−5,119	5,484	2,268	1,800	−237	2,328	1,300
16 Foreign currencies	2,915	−1,517	3,253	−133	−53	−137	−128	−1,464
17 Change in U.S. private assets abroad (increase, −)	−487,998	−328,231	−441,685	−124,174	−120,162	−178,273	−93,870	−76,968
18 Bank-reported claims[2]	−141,118	−35,572	−69,862	−11,259	−45,304	−55,511	18,320	−11,383
19 Nonbank-reported claims	−122,888	−10,612	−92,328	−27,943	−24,428	−52,563	−36,507	931
20 U.S. purchases of foreign securities, net	−118,976	−135,995	−128,594	−41,420	−17,150	−27,236	−38,196	−30,428
21 U.S. direct investments abroad, net	−105,016	−146,052	−150,901	−43,552	−33,280	−42,963	−37,487	−36,088
22 Change in foreign official assets in United States (increase, +)	18,876	−20,127	42,864	12,191	27,495	22,015	6,346	11,625
23 U.S. Treasury securities	−6,690	−9,921	12,177	12,963	5,122	16,198	−4,000	−9,001
24 Other U.S. government obligations	4,529	6,332	20,350	1,835	6,730	8,107	10,334	14,272
25 Other U.S. government liabilities[2]	−1,041	−3,550	−3,255	−760	89	−644	−781	−620
26 Other U.S. liabilities reported by U.S. banks[2]	22,286	−9,501	12,692	−2,032	14,427	−2,577	−111	6,339
27 Other foreign official assets[3]	−208	−3,487	900	185	1,127	931	904	635
28 Change in foreign private assets in United States (increase, +)	738,086	502,362	710,700	182,019	157,072	214,520	238,803	188,544
29 U.S. bank-reported liabilities[4]	149,026	39,769	67,403	24,585	19,618	−8,824	46,943	13,981
30 U.S. nonbank-reported liabilities	113,921	−7,001	34,298	−8,085	792	58,061	24,038	2,633
31 Foreign private purchases of U.S. Treasury securities, net	146,433	48,581	−20,464	9,639	−17,191	−9,248	−20,597	−12,642
32 U.S. currency flows	24,782	16,622	22,407	4,697	12,213	−6,847	989	757
33 Foreign purchases of other U.S. securities, net	197,892	218,075	331,523	95,620	92,250	132,416	87,107	118,882
34 Foreign direct investments in United States, net	106,032	186,316	275,533	55,563	49,390	48,962	100,323	64,933
35 Capital account transactions, net[5]	350	637	−3,500	171	−3,993	166	170	165
36 Discrepancy	−127,832	69,702	11,602	18,177	30,531	43,762	−47,924	−9,357
37 Due to seasonal adjustment	...	...	...	−9,739	5,738	5,724	−2,515	−9,691
38 Before seasonal adjustment	−127,832	69,702	11,602	27,916	24,793	38,038	−45,409	334
MEMO								
Changes in official assets								
39 U.S. official reserve assets (increase, −)	−1,010	−6,783	8,747	1,951	1,569	−554	2,020	−346
40 Foreign official assets in United States, excluding line 25 (increase, +)	19,917	−16,577	46,119	12,951	27,406	22,659	7,127	12,245
41 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	12,124	−11,531	1,331	−783	−1,673	6,109	1,913	3,450

1. Seasonal factors are not calculated for lines 11–16, 18–20, 22–35, and 38–41.
2. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.
3. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.
4. Reporting banks included all types of depository institutions as well as some brokers and dealers.
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	1998	1999	2000	2000						
				June[r]	July[r]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.	Dec.[p]
1 Goods and services, balance	−166,898	−264,971	−369,689	−29,893	−31,891	−30,126	−33,808	−33,620	−33,127	−32,994
2 Merchandise	−246,854	−345,559	−449,468	−36,929	−38,591	−36,751	−39,396	−39,955	−39,125	−39,176
3 Services	79,956	80,588	49,779	7,036	6,700	6,625	5,588	6,335	5,998	6,182
4 Goods and services, exports	932,977	956,242	1,068,397	91,265	89,632	92,845	92,631	91,105	90,557	89,820
5 Merchandise	670,324	684,358	773,304	66,445	65,073	67,950	67,813	66,323	65,848	64,925
6 Services	262,653	271,884	295,093	24,820	24,559	24,895	24,818	24,782	24,709	24,895
7 Goods and services, imports	1,099,875	1,221,213	1,438,086	−121,158	−121,523	−122,971	−126,439	−124,725	−123,684	−122,814
8 Merchandise	917,178	1,029,917	1,222,772	−103,374	−103,664	−104,701	−107,209	−106,278	−104,973	−104,101
9 Services	182,697	191,296	215,314	−17,784	−17,859	−18,270	−19,230	−18,447	−18,711	−18,713

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						2001	
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[p]
1 **Total**	**69,954**	**81,761[c]**	**71,516**	**66,516**	**65,333**	**66,256**	**65,257**	**65,523**	**67,647**	**67,542**	**66,486**
2 Gold stock[1]	11,047[c]	11,046[c]	11,048[c]	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046
3 Special drawing rights[2,3]	10,027	10,603	10,336	10,257	10,371	10,316	10,169	10,369	10,539	10,497	10,641
4 Reserve position in International Monetary Fund[2]	18,071	24,111	17,950	15,083	13,798	13,685	13,528	13,491	14,824	15,079	14,107
5 Foreign currencies[4]	30,809	36,001	32,182	30,130	30,118	31,209	30,514	30,617	31,238	30,920	30,692

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						2001	
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[p]
1 **Deposits**	**457**	**167**	**71**	**76**	**78**	**139**	**115**	**104**	**215**	**199**	**195**
Held in custody											
2 U.S. Treasury securities[2]	620,885	607,574	632,482	624,177	628,001	611,641	595,591	591,071	594,094	594,694	603,906
3 Earmarked gold[3]	10,763	10,343	9,933	9,688	9,674	9,620	9,565	9,505	9,451	9,397	9,343

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						
			June	July	Aug.	Sept.	Oct.[r]	Nov.	Dec.[p]
1 **Total**[1]	**759,928**	**806,318**	**836,024**[r]	**846,745**[r]	**849,175**[r]	**848,546**[r]	**850,116**	**849,049**	**844,688**
By type									
2 Liabilities reported by banks in the United States[2]	125,883	138,847	136,072	139,627	136,989	143,010	146,452	147,631	144,550
3 U.S. Treasury bills and certificates[3]	134,177	156,177	157,190	160,093	159,781	155,498	155,101	155,061	151,872
U.S. Treasury bonds and notes									
4 Marketable	432,127	422,266	433,829[r]	433,190[r]	433,639[r]	427,013[r]	419,863	414,896	415,964
5 Nonmarketable[4]	6,074	6,111	5,740	5,180	5,213	5,247	5,280	5,313	5,348
6 U.S. securities other than U.S. Treasury securities[5]	61,667	82,917	103,193	108,655	113,553[r]	117,778[r]	123,420	126,148	126,954
By area									
7 Europe[1]	256,026	244,805	253,416	257,712	255,635	257,498	264,131	262,099	253,492
8 Canada	10,552	12,503	13,542	13,728	12,692[r]	12,821[r]	12,632	11,744	12,394
9 Latin America and Caribbean	79,503	73,518	71,251[r]	73,350[r]	76,353[r]	77,548[r]	77,526	78,742	76,812
10 Asia	400,631	463,703	485,343	487,417	490,110	486,890	481,344	481,094	488,080
11 Africa	10,059	7,523	7,850	8,656	8,707	8,466	8,323	8,012	8,115
12 Other countries	3,157	4,266	4,622	5,882	5,678	5,323	6,160	7,358	5,795

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		
				Dec.	Mar.	June	Sept
1 Banks' liabilities	103,383	117,524	101,125	88,537	85,649	85,842	78,872
2 Banks' claims	66,018	83,038	78,162	67,365	63,492	67,862	60,355
3 Deposits	22,467	28,661	45,985	34,426	32,967	31,224	25,847
4 Other claims	43,551	54,377	32,177	32,939	30,525	36,638	34,508
5 Claims of banks' domestic customers[2]	10,978	8,191	20,718	20,826	21,753	18,802	19,123

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	1998	1999	2000	2000 June	July	Aug.	Sept.	Oct.	Nov.	Dec.^p
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**1,347,837**	**1,408,740**	**1,523,372**	**1,451,491**	**1,480,318**	**1,444,482**	**1,453,627**	**1,511,130^r**	**1,525,177**	**1,523,372**
2 Banks' own liabilities	884,939	971,536	1,048,773	1,012,619	1,050,467	1,013,420	1,027,122	1,074,532^r	1,073,534	1,048,773
3 Demand deposits	29,558	42,884	33,546	30,719	34,914	30,101	31,964	29,500	31,701	33,546
4 Time deposits[2]	151,761	163,620	191,781	182,963	186,483	184,820	184,822	185,459	192,420	191,781
5 Other[3]	140,752	155,853	172,953	168,148	172,466	173,971	174,458	194,628	187,066	172,953
6 Own foreign offices[4]	562,868	609,179	650,493	630,789	656,604	624,528	635,878	664,945^r	662,347	650,493
7 Banks' custodial liabilities[5]	462,898	437,204	474,599	438,872	429,851	431,062	426,505	436,598^r	451,643	474,599
8 U.S. Treasury bills and certificates[6]	183,494	185,676	177,742	180,822	182,699	180,925	174,604	173,984	173,896	177,742
9 Other negotiable and readily transferable instruments[7]	141,699	132,617	144,858	124,670	120,624	119,212	120,296	129,753^r	132,453	144,858
10 Other	137,705	118,911	151,999	133,380	126,528	130,925	131,605	132,861^r	145,294	151,999
11 Nonmonetary international and regional organizations[8]	11,883	15,276	12,281	21,366	16,689	14,630	15,658	17,104	17,074	12,281
12 Banks' own liabilities	10,850	14,357	11,878	20,924	16,294	14,377	15,404	16,751	16,676	11,878
13 Demand deposits	172	98	41	34	30	26	19	48	30	41
14 Time deposits[2]	5,793	10,349	6,264	12,545	10,305	9,062	7,627	5,925	6,542	6,264
15 Other[3]	4,885	3,910	5,573	8,345	5,959	5,289	7,758	10,778	10,104	5,573
16 Banks' custodial liabilities[5]	1,033	919	403	442	395	253	254	353	398	403
17 U.S. Treasury bills and certificates[6]	636	680	252	432	371	217	223	215	249	252
18 Other negotiable and readily transferable instruments[7]	397	233	149	10	21	26	26	138	147	149
19 Other	0	6	2	0	3	10	5	0	2	2
20 Official institutions[9]	260,060	295,024	297,660	293,262	299,720	296,770	298,508	301,553^r	302,692	297,660
21 Banks' own liabilities	80,256	97,615	97,052	88,392	92,739	90,985	95,049	102,654^r	102,110	97,052
22 Demand deposits	3,003	3,341	3,950	2,887	4,063	4,573	5,213	4,361	4,702	3,950
23 Time deposits[2]	29,506	28,942	35,638	33,696	34,641	32,009	36,679	34,035^r	35,335	35,638
24 Other[3]	47,747	65,332	57,464	51,809	54,035	54,403	53,157	64,258^r	62,073	57,464
25 Banks' custodial liabilities[5]	179,804	197,409	200,608	204,870	206,981	205,785	203,459	198,899	200,582	200,608
26 U.S. Treasury bills and certificates[6]	134,177	156,177	153,010	157,190	160,093	159,781	155,498	155,101	155,061	153,010
27 Other negotiable and readily transferable instruments[7]	44,953	41,182	47,360	47,611	46,363	45,644	47,660	43,753	44,828	47,360
28 Other	674	50	238	69	525	360	301	45	693	238
29 Banks[10]	885,336	900,379	981,552	926,262	955,206	921,181	927,099	963,606^r	973,539	981,552
30 Banks' own liabilities	676,057	728,492	789,052	755,644	792,072	754,093	762,392	797,354^r	794,924	789,052
31 Unaffiliated foreign banks	113,189	119,313	138,559	124,855	135,468	129,565	126,514	132,409^r	132,577	138,559
32 Demand deposits	14,071	17,583	15,532	14,543	17,508	11,959	12,918	12,160	12,834	15,532
33 Time deposits[2]	45,904	48,140	67,498	58,095	60,703	62,841	59,958	64,301^r	68,828	67,498
34 Other[3]	53,214	53,590	55,529	52,217	57,257	54,765	53,638	55,948^r	50,915	55,529
35 Own foreign offices[4]	562,868	609,179	650,493	630,789	656,604	624,528	635,878	664,945^r	662,347	650,493
36 Banks' custodial liabilities[5]	209,279	171,887	192,500	170,618	163,134	167,088	164,707	166,252^r	178,615	192,500
37 U.S. Treasury bills and certificates[6]	35,359	16,796	15,919	13,081	12,657	12,251	10,667	9,972	10,285	15,919
38 Other negotiable and readily transferable instruments[7]	45,332	45,695	35,104	34,657	34,018	33,893	32,679	34,261^r	34,643	35,104
39 Other	128,588	109,396	141,477	122,880	116,459	120,944	121,361	122,019^r	133,687	141,477
40 Other foreigners	190,558	198,061	231,879	210,601	208,743	211,901	212,362	228,867	231,872	231,879
41 Banks' own liabilities	117,776	131,072	150,791	147,659	149,362	153,965	154,277	157,773	159,824	150,791
42 Demand deposits	12,312	21,862	14,023	13,255	13,313	13,543	13,814	12,931	14,135	14,023
43 Time deposits[2]	70,558	76,189	82,381	78,627	80,834	80,908	80,558	81,198	81,715	82,381
44 Other[3]	34,906	33,021	54,387	55,777	55,215	59,514	59,905	63,644	63,974	54,387
45 Banks' custodial liabilities[5]	72,782	66,989	81,088	62,942	59,381	57,936	58,085	71,094	72,048	81,088
46 U.S. Treasury bills and certificates[6]	13,322	12,023	8,561	10,119	9,579	8,676	8,216	8,696	8,301	8,561
47 Other negotiable and readily transferable instruments[7]	51,017	45,507	62,245	42,392	40,261	39,649	39,931	51,601	52,835	62,245
48 Other	8,443	9,459	10,282	10,431	9,541	9,611	9,938	10,797	10,912	10,282
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	27,026	30,345	34,088	26,571	26,186	25,911	25,991	27,164	25,854	34,088

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	1998	1999	2000	2000						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.[p]
AREA										
50 **Total, all foreigners**	**1,347,837**	**1,408,740**	**1,523,372**	**1,451,491**	**1,480,318**	**1,444,482**	**1,453,627**	**1,511,130[r]**	**1,525,177**	**1,523,372**
51 **Foreign countries**	**1,335,954**	**1,393,464**	**1,511,091**	**1,430,125**	**1,463,669**	**1,429.852**	**1,437.969**	**1,494,026[r]**	**1,508,103**	**1,511,091**
52 Europe	427,375	441,810	449,144	442,979	476,570	451,531	459,595	480,968[r]	469,232	449,144
53 Austria	3,178	2,789	2,724	2,709	3,239	2,783	2,541	2,037	2,671	2,724
54 Belgium and Luxembourg	42,818	44,692	33,401	31,219	33,282	31,281	29,828	29,648[r]	32,389	33,401
55 Denmark	1,437	2,196	3,001	3,444	3,521	3,689	3,429	3,001	3,531	3,001
56 Finland	1,862	1,658	1,412	1,395	1,751	1,618	1,512	1,418	1,874	1,412
57 France	44,616	49,790	37,840	42,095	42,379	42,723	39,693	41,736[r]	43,534	37,840
58 Germany	21,357	24,753	35,535	28,938	26,484	25,893	26,212	28,633[r]	27,084	35,535
59 Greece	2,066	3,748	2,013	2,772	2,917	3,455	3,331	3,445[r]	3,344	2,013
60 Italy	7,103	6,775	5,079	6,739	5,700	5,566	5,959	5,594	5,521	5,079
61 Netherlands	10,793	8,143	7,485	8,783	12,313	13,087	10,311	14,450	13,283	7,485
62 Norway	710	1,327	2,305	2,150	2,337	1,636	3,501	4,102[r]	5,159	2,305
63 Portugal	3,236	2,228	2,404	2,376	2,169	2,144	2,244	2,262[r]	2,379	2,404
64 Russia	2,439	5,475	19,020	11,879	14,960	14,252	15,970	17,260[r]	20,022	19,020
65 Spain	15,781	10,426	7,801	9,935	8,829	8,791	8,421	9,270	6,900	7,801
66 Sweden	3,027	4,652	6,498	5,430	5,100	5,992	6,209	6,247	7,362	6,498
67 Switzerland	50,654	63,485	74,732	57,361	76,255	77,578	88,276	97,151[r]	86,154	74,732
68 Turkey	4,286	7,842	7,548	8,472	8,341	7,999	8,173	8,492	4,525	7,548
69 United Kingdom	181,554	172,687	169,476	184,205	194,017	170,705	171,867	170,396[r]	169,534	169,476
70 Yugoslavia[11]	233	286	276	276	277	277	275	270	279	276
71 Other Europe and other former U.S.S.R.[12]	30,225	28,858	30,594	32,801	32,699	32,062	31,843	35,556[r]	33,687	30,594
72 Canada	30,212	34,214	31,059	37,375	37,231	33,722	33,869	34,367	31,252	31,059
73 Latin America and Caribbean	554,866	578,695	702,272	641,860	643,748	633,150	637,599	658,210[r]	684,379	702,272
74 Argentina	19,014	18,633	19,492	16,559	19,092	17,552	18,560	18,746	17,886	19,492
75 Bahamas	118,085	135,811	189,454	184,295	170,530	176,104	171,452	180,951	179,570	189,454
76 Bermuda	6,846	7,874	9,695	8,025	7,074	8,157	8,100	8,730	8,404	9,695
77 Brazil	15,815	12,865	10,952	10,908	11,950	12,351	11,537	10,204	11,663	10,952
78 British West Indies	302,486	312,278	374,106	323,407	339,700	321,573	331,097	340,926	368,175	374,106
79 Chile	5,015	7,008	5,895	6,194	5,440	5,296	5,346	5,105	5,327	5,895
80 Colombia	4,624	5,669	4,554	4,361	4,627	4,735	4,658	4,945	4,560	4,554
81 Cuba	62	75	88	85	122	91	88	92[r]	86	88
82 Ecuador	1,572	1,956	2,118	2,276	2,219	2,082	2,074	2,084	2,059	2,118
83 Guatemala	1,336	1,626	1,637	1,658	1,730	1,659	1,671	1,667	1,678	1,637
84 Jamaica	577	520	815	687	725	915	830	680	722	815
85 Mexico	37,157	30,717	33,155	33,943	33,379	33,291	33,878	36,054	33,856	33,155
86 Netherlands Antilles	5,010	4,047	5,496	7,925	7,164	6,373	5,159	4,614	5,318	5,496
87 Panama	3,864	4,415	4,292	3,824	3,353	3,561	3,661	3,788	3,980	4,292
88 Peru	840	1,142	1,435	1,133	1,097	1,065	1,091	1,153	1,194	1,435
89 Uruguay	2,486	2,386	3,006	2,689	2,179	2,541	2,567	2,512	2,944	3,006
90 Venezuela	19,894	20,192	24,779	22,258	21,462	23,909	23,997	24,284[r]	25,963	24,779
91 Other	10,183	11,481	11,303	11,633	11,905	11,895	11,833	11,675[r]	10,994	11,303
92 Asia	307,960	319,489	306,412	289,816	285,018	291,017	286,551	299,147[r]	301,595	306,412
China										
93 Mainland	13,441	12,325	16,538	10,000	9,385	11,769	11,830	13,719	15,835	16,538
94 Taiwan	12,708	13,603	17,690	13,584	13,156	14,675	15,140	18,289	17,630	17,690
95 Hong Kong	20,900	27,701	26,768	23,638	25,675	26,749	26,583	25,784	25,924	26,768
96 India	5,250	7,367	4,532	5,613	5,712	5,547	5,838	5,548	5,173	4,532
97 Indonesia	8,282	6,567	8,524	7,341	7,342	7,318	7,310	7,589	8,375	8,524
98 Israel	7,749	7,488	8,055	6,124	5,794	5,951	7,132	6,668	6,538	8,055
99 Japan	168,563	159,075	150,434	153,649	147,549	146,382	142,782	150,196	149,679	150,434
100 Korea (South)	12,524	12,988	7,967	10,349	8,618	8,819	9,043	6,684	6,689	7,967
101 Philippines	3,324	3,268	2,430	2,003	1,649	1,679	1,822	1,676	2,334	2,430
102 Thailand	7,359	6,050	3,129	3,529	3,900	3,504	3,330	3,178	3,477	3,129
103 Middle Eastern oil-exporting countries[13]	15,609	21,314	23,760	18,578	22,195	21,968	21,851	23,852	23,732	23,760
104 Other	32,251	41,743	36,585	35,408	34,043	36,656	33,890	35,964[r]	36,209	36,585
105 Africa	8,905	9,468	10,836	8,729	9,739	9,607	9,821	9,663[r]	9,515	10,836
106 Egypt	1,339	2,022	2,622	1,966	1,780	1,615	1,544	1,546	1,655	2,622
107 Morocco	97	179	139	149	118	109	112	121	100	139
108 South Africa	1,522	1,495	1,011	601	792	708	842	767	853	1,011
109 Zaire	5	14	4	6	5	7	5	4	4	4
110 Oil-exporting countries[14]	3,088	2,914	4,052	3,405	4,258	4,470	4,499	4,405	4,027	4,052
111 Other	2,854	2,844	3,008	2,602	2,786	2,698	2,819	2,820[r]	2,876	3,008
112 Other	6,636	9,788	11,368	9,366	11,363	10,825	10,534	11,671	12,130	11,368
113 Australia	5,495	8,377	10,090	8,563	10,346	9,825	9,507	10,562	10,961	10,090
114 Other	1,141	1,411	1,278	803	1,017	1,000	1,027	1,109	1,169	1,278
115 Nonmonetary international and regional organizations	11,883	15,276	12,281	21,366	16,689	14,630	15,658	17,104	17,074	12,281
116 International[15]	10,221	12,876	11,008	20,106	15,295	13,118	14,387	16,126	16,068	11,008
117 Latin American regional[16]	594	1,150	740	768	786	1,146	888	589	523	740
118 Other regional[17]	1,068	1,250	533	492	608	366	383	389	483	533

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	1998	1999	2000	2000						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.[p]
1 **Total, all foreigners**	**734,995**	**793,139**	**894,579**	**827,178**	**829,845**	**796,497**	**840,425**	**862,671[r]**	**864,863**	**894,579**
2 **Foreign countries**	**731,378**	**788,576**	**889,893**	**822,455**	**825,959**	**792,720**	**835,560**	**857,448[r]**	**861,023**	**889,893**
3 Europe	233,321	311,686	383,872	353,006	357,980	327,409	359,865	365,685[r]	371,891	383,872
4 Austria	1,043	2,643	2,941	2,119	2,617	1,956	2,584	2,809	2,681	2,941
5 Belgium and Luxembourg	7,187	10,193	5,516	6,392	6,302	5,819	6,344	6,020	5,036	5,516
6 Denmark	2,383	1,669	3,312	3,442	3,349	3,278	3,403	3,093	3,462	3,312
7 Finland	1,070	2,020	7,402	2,601	2,897	2,701	3,561	4,927	6,517	7,402
8 France	15,251	29,142	40,323	28,635	25,845	23,229	27,062	34,217[r]	34,567	40,323
9 Germany	15,923	29,205	36,973	33,583	30,452	31,804	33,229	33,017	32,161	36,973
10 Greece	575	806	658	836	754	557	516	628[r]	876	658
11 Italy	7,284	8,496	7,629	7,688	6,447	7,358	6,215	6,482	6,738	7,629
12 Netherlands	5,697	11,810	17,294	15,669	13,159	14,999	15,507	16,165	15,975	17,294
13 Norway	827	1,000	5,012	1,932	2,401	1,448	4,474	4,655	6,159	5,012
14 Portugal	669	1,571	1,382	1,424	1,454	1,273	1,480	1,574	1,249	1,382
15 Russia	789	713	517	744	718	666	643	647	663	517
16 Spain	5,735	3,796	2,848	3,844	4,767	3,566	3,208	3,360	2,593	2,848
17 Sweden	4,223	3,264	9,301	8,692	8,404	8,761	8,501	8,504	8,815	9,301
18 Switzerland	46,874	79,158	82,383	86,284	94,550	87,172	100,345	103,818[r]	107,986	82,383
19 Turkey	1,982	2,617	3,175	3,188	2,735	2,855	2,821	2,831	3,260	3,175
20 United Kingdom	106,349	115,971	148,875	137,697	143,459	123,360	132,503	122,829	125,223	148,875
21 Yugoslavia[2]	53	50	50	49	49	49	49	49	49	50
22 Other Europe and other former U.S.S.R.[3]	9,407	7,562	8,281	8,187	7,621	6,558	7,420	10,060[r]	7,881	8,281
23 Canada	47,037	37,206	40,068	42,606	40,420	37,934	37,610	38,639	39,283	40,068
24 Latin America and Caribbean	342,654	355,168	378,821	334,463	334,855	338,764	347,550	357,575[r]	358,393	378,821
25 Argentina	9,552	10,894	11,546	10,729	10,660	10,597	10,840	11,166	11,468	11,546
26 Bahamas	96,455	99,066	96,999	83,524	76,477	78,896	83,126	83,523	79,167	96,999
27 Bermuda	5,011	8,007	9,343	6,285	6,906	4,684	6,265	8,426	8,324	9,343
28 Brazil	16,184	16,987	20,567	17,902	18,199	18,555	19,061	20,202	19,840	20,567
29 British West Indies	153,749	167,189	189,100	164,969	172,232	175,936	178,744	184,812	188,994	189,100
30 Chile	8,250	6,607	5,816	6,213	6,070	5,985	5,954	5,756[r]	5,772	5,816
31 Colombia	6,507	4,524	4,370	3,797	3,909	3,953	3,850	3,846	3,938	4,370
32 Cuba	0	0	0	0	0	3	0	0	0	0
33 Ecuador	1,400	760	635	613	610	607	623	639	629	635
34 Guatemala	1,127	1,135	1,246	1,235	1,215	1,277	1,226	1,245	1,247	1,246
35 Jamaica	239	295	355	291	299	305	337	379	355	355
36 Mexico	21,212	17,899	17,431	17,066	16,426	16,840	16,849	16,723[r]	16,946	17,431
37 Netherlands Antilles	6,779	5,982	5,801	6,502	6,652	5,804	5,770	6,158	6,554	5,801
38 Panama	3,584	3,387	2,935	3,063	2,981	2,882	2,781	2,668	2,839	2,935
39 Peru	3,275	2,529	2,808	2,458	2,488	2,487	2,697	2,653	2,713	2,808
40 Uruguay	1,126	801	675	620	649	777	728	663	677	675
41 Venezuela	3,089	3,494	3,520	3,471	3,357	3,410	3,390	3,321	3,451	3,520
42 Other	5,115	5,612	5,674	5,725	5,725	5,766	5,309	5,395	5,479	5,674
43 Asia	98,607	75,143	78,770	82,398	83,127	79,022	81,655	87,682[r]	83,363	78,770
China										
44 Mainland	1,261	2,110	1,608	1,688	1,822	1,601	1,519	1,912	1,644	1,608
45 Taiwan	1,041	1,390	2,247	1,335	922	790	2,475	3,691	2,483	2,247
46 Hong Kong	9,080	5,903	6,715	4,261	5,777	5,403	6,014	6,540	6,454	6,715
47 India	1,440	1,738	2,178	1,905	2,013	2,037	2,006	1,787	1,736	2,178
48 Indonesia	1,942	1,776	1,917	1,856	1,940	1,880	1,982	2,009	1,961	1,917
49 Israel	1,166	1,875	2,729	1,610	1,982	2,281	1,116	1,551	1,911	2,729
50 Japan	46,713	28,641	35,112	33,256	31,209	32,494	35,234	35,773	36,468	35,112
51 Korea (South)	8,289	9,426	7,784	15,855	18,915	16,924	14,457	18,589	16,189	7,784
52 Philippines	1,465	1,410	1,784	1,868	1,802	1,483	1,495	1,473	1,758	1,784
53 Thailand	1,807	1,515	1,381	1,255	1,051	1,059	1,071	1,046	1,221	1,381
54 Middle Eastern oil-exporting countries[4]	16,130	14,267	10,091	12,128	10,367	10,006	9,961	9,867[r]	8,487	10,091
55 Other	8,273	5,092	5,224	5,381	5,327	3,064	4,325	3,444	3,051	5,224
56 Africa	3,122	2,268	2,151	2,482	2,505	2,215	2,597	2,291[r]	1,977	2,151
57 Egypt	257	258	201	230	217	186	176	201	184	201
58 Morocco	372	352	204	259	272	247	254	252	235	204
59 South Africa	643	622	366	760	411	358	372	322	341	366
60 Zaire	0	24	0	0	0	0	0	0	0	0
61 Oil-exporting countries[5]	936	276	471	430	751	616	913	656	342	471
62 Other	914	736	909	803	854	808	882	860[r]	875	909
63 Other	6,637	7,105	6,211	7,500	7,072	7,376	6,283	5,576	6,116	6,211
64 Australia	6,173	6,824	5,962	7,240	6,891	7,036	6,036	5,238	5,938	5,962
65 Other	464	281	249	260	181	340	247	338	178	249
66 Nonmonetary international and regional organizations[6]	3,617	4,563	4,686	4,723	3,886	3,777	4,865	5,223	3,840	4,686

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	1998	1999	2000	2000						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.[p]
1 **Total**	**875,891**	**944,937**	**1,085,295**	**1,011,076**[r]	.	..	**1,009,702**	.	.	**1,085,295**
2 Banks' claims	734,995	793,139	894,579	827,178	829,845	796,497	840,425	862,671	864,863	894,579
3 Foreign public borrowers	23,542	35,090	38,327	41,224	48,478	41,459	40,436	49,693	49,373	38,327
4 Own foreign offices[2]	484,535	529,682	612,778	557,717	557,557	544,142	576,452	586,918	593,256	612,778
5 Unaffiliated foreign banks	106,206	97,186	99,648	88,954	85,738	78,561	87,276	83,035	82,988	99,648
6 Deposits	27,230	34,538	23,886	22,371	21,856	21,822	23,765	23,598	23,758	23,886
7 Other	78,976	62,648	75,762	66,583	63,882	56,739	63,511	59,437	59,230	75,762
8 All other foreigners	120,712	131,181	143,826	139,283	138,072	132,335	136,261	143,025	139,246	143,826
9 Claims of banks' domestic customers[3]	140,896	151,798	190,716	183,898[r]	.	.	169,277	.	.	190,716
10 Deposits	79,363	88,006	99,846	105,846[r]	..	..	87,108	.	.	99,846
11 Negotiable and readily transferable instruments[4]	47,914	51,161	78,147	62,975	..	.	70,334	.	.	78,147
12 Outstanding collections and other claims	13,619	12,631	12,723	15,077	.	.	11,835	..	..	12,723
MEMO										
13 Customer liability on acceptances	4,520	4,553	4,258	5,055[r]	.	.	4,701	.	.	4,258
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	39,978	31,125	53,153	44,139	46,337	55,293	57,784	53,848	55,899	53,153

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	2000		
				Dec.	Mar.	June	Sept.
1 **Total**	**258,106**	**276,550**	**250,418**	**267,082**	**262,173**	**273,139**	**263,500**
By borrower							
2 Maturity of one year or less	211,859	205,781	186,526	187,894	181,050	185,927	174,809
3 Foreign public borrowers	15,411	12,081	13,671	22,811	23,436	24,850	23,647
4 All other foreigners	196,448	193,700	172,855	165,083	157,614	161,077	151,162
5 Maturity of more than one year	46,247	70,769	63,892	79,188	81,123	87,212	88,691
6 Foreign public borrowers	6,790	8,499	9,839	12,013	12,852	15,905	16,236
7 All other foreigners	39,457	62,270	54,053	67,175	68,271	71,307	72,455
By area							
Maturity of one year or less							
8 Europe	55,690	58,294	68,679	80,842	79,638	75,561	69,486
9 Canada	8,339	9,917	10,968	7,859	8,408	7,344	8,225
10 Latin America and Caribbean	103,254	97,207	81,766	69,498	62,923	66,140	65,918
11 Asia	38,078	33,964	18,007	21,802	23,002	29,091	23,874
12 Africa	1,316	2,211	1,835	1,122	957	1,520	1,594
13 All other[3]	5,182	4,188	5,271	6,771	6,122	6,271	5,712
Maturity of more than one year							
14 Europe	6,965	13,240	14,923	22,951	23,951	25,404	27,550
15 Canada	2,645	2,525	3,140	3,192	3,127	3,323	3,261
16 Latin America and Caribbean	24,943	42,049	33,442	39,051	39,714	42,427	41,166
17 Asia	9,392	10,235	10,018	11,257	11,612	12,549	13,131
18 Africa	1,361	1,236	1,232	1,065	965	924	895
19 All other[3]	941	1,484	1,137	1,672	1,754	2,585	2,688

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 Sept.	1998 Dec.	1999 Mar.	1999 June	1999 Sept.	1999 Dec.	2000 Mar.	2000 June	2000 Sept.
1 **Total**	**645.8**	**721.8**	**1071.9**	**1051.6**	**981.9**	**930.4**	**930.4**	**934.5**	**949.4**	**989.6**	**952.9r**
2 G-10 countries and Switzerland	228.3	242.8	240.0	217.7	208.9	224.0	208.2	232.3	278.5	320.0	286.9
3 Belgium and Luxembourg	11.7	11.0	11.7	10.7	15.6	16.2	15.7	14.3	14.2	13.8	13.0
4 France	16.6	15.4	20.3	18.4	21.6	20.7	20.0	29.0	27.1	32.6	29.1
5 Germany	29.8	28.6	31.4	30.9	34.7	32.1	37.4	38.7	37.3	31.5	37.8
6 Italy	16.0	15.5	18.5	11.5	17.8	16.4	15.0	18.1	20.0	20.8	18.8
7 Netherlands	4.0	6.2	8.4	7.8	10.7	13.3	11.7	12.3	17.1	16.1	17.6
8 Sweden	2.6	3.3	2.1	2.3	4.0	2.6	3.6	3.0	3.9	3.5	4.3
9 Switzerland	5.3	7.2	7.6	8.5	7.8	8.3	8.8	10.3	10.1	13.8	10.9
10 United Kingdom	104.7	113.4	100.1	85.4	56.2	74.7	52.3	68.2	107.8	144.3	118.7
11 Canada	14.0	13.7	15.9	16.8	15.9	17.1	17.9	16.3	17.5	18.3	18.7
12 Japan	23.7	28.6	23.9	25.4	24.6	22.6	25.7	22.1	23.5	25.4	18.1
13 Other industrialized countries	66.1	65.5	78.5	69.0	80.1	79.7	71.7	68.4	62.8	75.2	73.8r
14 Austria	1.1	1.5	2.1	1.4	2.8	2.8	3.0	3.5	2.6	2.8	3.5
15 Denmark	1.5	2.4	3.0	2.2	3.4	2.9	2.1	2.6	1.5	1.2	1.8
16 Finland	.8	1.3	1.6	1.4	1.5	.9	.9	.9	.8	1.2	2.8
17 Greece	6.7	5.1	5.8	5.9	6.5	5.9	6.6	6.0	5.7	6.8	6.4
18 Norway	8.0	3.6	3.2	3.2	3.1	3.0	3.8	3.3	3.0	4.6	8.5
19 Portugal	.9	.9	1.1	1.4	1.4	1.2	1.2	1.0	1.0	2.0	1.5
20 Spain	13.3	12.6	19.5	13.7	15.7	16.6	15.1	12.1	11.3	12.2	10.5
21 Turkey	2.7	4.5	5.2	4.8	5.2	4.9	4.7	4.8	5.1	5.6	5.6
22 Other Western Europe	4.9	8.3	10.4	10.4	10.2	10.3	9.2	6.8	8.3	8.0	8.4
23 South Africa	2.0	2.2	5.4	4.4	4.8	4.7	4.0	3.8	4.8	4.5	4.2r
24 Australia	24.0	23.1	21.4	20.3	25.4	26.6	21.1	23.5	18.6	26.3	20.5
25 OPEC[2]	19.8	26.0	26.0	27.1	26.2	26.2	30.1	31.4	28.9	32.3	31.8
26 Ecuador	1.1	1.3	1.2	1.3	1.2	1.1	.9	.8	.7	.7	.6
27 Venezuela	2.4	2.5	3.1	3.2	3.5	3.2	3.0	2.8	3.0	2.9	2.9
28 Indonesia	5.2	6.7	4.7	4.7	4.5	5.0	4.4	4.2	3.9	4.1	4.4
29 Middle East countries	10.7	14.4	16.1	17.0	16.7	16.5	21.4	23.1	21.1	24.0	22.7
30 African countries	.4	1.2	.8	1.0	.4	.5	.5	.5	.2	.7	1.2
31 Non-OPEC developing countries	130.3	139.2	140.4	143.4	146.4	148.6	144.6	149.4	154.8	158.3	149.6r
Latin America											
32 Argentina	14.3	18.4	22.9	23.1	24.4	22.8	22.8	23.2	22.4	21.6	21.4
33 Brazil	20.7	28.6	24.0	24.7	24.2	25.2	23.5	27.7	28.1	28.3	28.5
34 Chile	7.0	8.7	8.5	8.3	8.6	8.2	7.7	7.4	8.2	8.1	7.4
35 Colombia	4.1	3.4	3.4	3.2	3.3	3.1	2.7	2.5	2.5	2.4	2.4
36 Mexico	16.2	17.4	18.7	18.9	19.7	18.5	19.4	18.7	18.3	20.5	17.5
37 Peru	1.6	2.0	2.2	2.2	2.2	2.1	1.8	1.7	1.9	2.1	2.1
38 Other	3.3	4.1	4.6	5.4	5.3	5.5	5.5	5.9	6.5	6.7	6.3
Asia											
China											
39 Mainland	2.5	3.2	2.8	3.0	5.0	5.3	3.3	3.6	4.6	3.8	3.4
40 Taiwan	10.3	9.5	12.5	13.3	11.8	12.6	12.3	12.0	12.6	12.6	12.8
41 India	4.3	4.9	5.3	5.5	5.5	6.7	7.0	7.7	7.9	8.2	5.8
42 Israel	.5	.7	.9	1.1	1.1	2.0	1.0	1.8	3.3	1.5	1.1
43 Korea (South)	21.5	15.6	13.1	13.7	13.7	15.3	16.0	15.2	17.4	21.2	21.0
44 Malaysia	6.0	5.1	5.0	5.6	5.9	6.0	6.1	6.1	6.5	6.8	6.9r
45 Philippines	5.8	5.7	4.7	5.1	5.4	5.7	5.8	6.2	5.3	5.3	4.7
46 Thailand	5.7	5.4	5.3	4.7	4.5	4.2	4.0	4.1	4.3	4.0	3.9
47 Other Asia	4.1	4.3	3.1	2.9	3.0	2.8	2.9	2.9	2.6	2.5	2.3
Africa											
48 Egypt	.7	.9	1.7	1.3	1.4	1.4	1.3	1.4	1.4	1.3	1.1
49 Morocco	.7	.6	.5	.5	.5	.5	.5	.4	.3	.3	.4
50 Zaire	.1	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	.9	.8	1.1	1.0	.9	1.0	1.0	1.0	.9	.9	.8r
52 Eastern Europe	6.9	9.1	6.3	5.5	6.8	5.7	5.4	5.2	6.3	9.4	9.0r
53 Russia[4]	3.7	5.1	2.8	2.2	2.0	2.1	2.0	1.6	1.7	1.5	1.4
54 Other	3.2	4.0	3.5	3.3	4.8	3.7	3.4	3.6	4.7	7.9	7.6
55 Offshore banking centers	135.1	140.2	121.0	93.9	83.0	66.0	79.1	59.9	42.0	52.4	50.6
56 Bahamas	20.5	24.2	30.7	35.4	22.0	10.4	18.2	13.7	2.4	.5	.6
57 Bermuda	4.5	9.8	10.4	4.6	3.9	5.7	8.2	8.0	7.3	6.3	6.3
58 Cayman Islands and other British West Indies	37.2	43.4	27.8	12.8	13.9	7.2	6.3	1.3	.0	5.1	5.9
59 Netherlands Antilles	26.1	14.6	6.0	2.6	2.7	1.3	9.1	1.7	2.5	2.6	1.9
60 Panama[5]	2.0	3.1	4.0	3.9	3.9	3.9	3.9	3.9	3.4	3.3	2.5
61 Lebanon	.1	.1	.2	.1	.1	.1	.2	.1	.1	.1	.1
62 Hong Kong, China	27.9	32.2	30.6	23.3	22.8	22.0	22.4	21.0	22.2	20.7	20.6r
63 Singapore	16.7	12.7	11.1	11.1	13.5	15.2	10.6	10.1	4.1	13.6	12.7
64 Other[6]	.1	.1	.2	.2	.2	.1	.2	.1	.1	.1	.1
65 Miscellaneous and unallocated[7]	59.6	99.1	459.9	495.1	430.4	380.2	391.2	387.9	376.1	342.1	351.1

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	1999			2000		
				June	Sept.	Dec.	Mar.	June	Sept.
1 **Total**	**61,782**	**57,382**	**46,570**	**49,337**	**52,979**	**53,044**	**53,489**	**70,534**	**76,944**
2 Payable in dollars	39,542	41,543	36,668	36,032	36,296	37,605	35,614	47,864	51,751
3 Payable in foreign currencies	22,240	15,839	9,902	13,305	16,683	15,415	17,875	22,670	25,193
By type									
4 Financial liabilities	33,049	26,877	19,255	25,058	27,422	27,980	29,180	44,068	49,895
5 Payable in dollars	11,913	12,630	10,371	13,205	12,231	13,883	12,858	22,803	26,159
6 Payable in foreign currencies	21,136	14,247	8,884	11,853	15,191	14,097	16,322	21,265	23,736
7 Commercial liabilities	28,733	30,505	27,315	24,279	25,557	25,064	24,309	26,466	27,049
8 Trade payables	12,720	10,904	10,978	10,935	12,651	12,857	12,401	13,764	14,218
9 Advance receipts and other liabilities	16,013	19,601	16,337	13,344	12,906	12,207	11,908	12,702	12,831
10 Payable in dollars	27,629	28,913	26,297	22,827	24,065	23,722	22,756	25,061	25,592
11 Payable in foreign currencies	1,104	1,592	1,018	1,452	1,492	1,318	1,553	1,405	1,457
By area or country									
Financial liabilities									
12 Europe	23,179	18,027	12,589	19,578	21,695	23,241	24,050	30,332	36,175
13 Belgium and Luxembourg	632	186	79	70	50	31	4	163	169
14 France	1,091	1,425	1,097	1,287	1,675	1,659	1,849	1,702	1,299
15 Germany	1,834	1,958	2,063	1,959	1,712	1,974	1,880	1,671	2,132
16 Netherlands	556	494	1,406	2,104	2,066	1,996	1,970	2,035	2,040
17 Switzerland	699	561	155	143	133	147	97	137	178
18 United Kingdom	17,161	11,667	5,980	13,097	15,096	16,521	16,579	21,463	28,601
19 Canada	1,401	2,374	693	320	344	284	313	714	249
20 Latin America and Caribbean	1,668	1,386	1,495	1,369	1,180	892	846	2,874	3,447
21 Bahamas	236	141	7	1	1	1	1	78	105
22 Bermuda	50	229	101	52	26	5	1	1,016	1,182
23 Brazil	78	143	152	131	122	126	128	146	132
24 British West Indies	1,030	604	957	944	786	492	489	463	501
25 Mexico	17	26	59	19	28	25	22	26	35
26 Venezuela	1	1	2	1	0	0	0	0	0
27 Asia	6,423	4,387	3,785	3,217	3,622	3,437	3,275	9,453	9,320
28 Japan	5,869	4,102	3,612	3,035	3,384	3,142	2,985	6,024	4,782
29 Middle Eastern oil-exporting countries[1]	25	27	0	2	3	4[r]	4	5	7
30 Africa	38	60	28	29	31	28	28	33	48
31 Oil-exporting countries[2]	0	0	0	0	0	0	0	0	0
32 All other[3]	340	643	665	545	550	98	668	662	656
Commercial liabilities									
33 Europe	9,767	10,228	10,030	8,718	9,265	9,262	8,646	9,293	9,470
34 Belgium and Luxembourg	479	666	278	189	128	140	78	178	155
35 France	680	764	920	656	620	672	539	711	727
36 Germany	1,002	1,274	1,392	1,143	1,201	1,131	914	948	1,023
37 Netherlands	766	439	429	432	535	507	648	562	424
38 Switzerland	624	375	499	497	593	626	536	565	647
39 United Kingdom	4,303	4,086	3,697	2,959	3,175	3,071	2,661	2,982	3,034
40 Canada	1,090	1,175	1,390	1,670	1,753	1,775	2,024	2,053	1,897
41 Latin America and Caribbean	2,574	2,176	1,618	1,674	1,957	2,310	2,286	2,607	2,523
42 Bahamas	63	16	14	19	24	22	9	10	15
43 Bermuda	297	203	198	180	178	152	287	300	377
44 Brazil	196	220	152	112	120	145	115	119	166
45 British West Indies	14	12	10	5	39	48	23	22	19
46 Mexico	665	565	347	490	704	887	805	1,073	1,080
47 Venezuela	328	261	202	149	182	305	193	239	124
48 Asia	13,422	14,966	12,342	10,039	10,428	9,886	9,681	10,965	11,221
49 Japan	4,614	4,500	3,827	2,753	2,689	2,609	2,274	2,200	2,069
50 Middle Eastern oil-exporting countries[1]	2,168	3,111	2,852	2,209	2,618	2,551	2,308	3,489	3,720
51 Africa	1,040	874	794	832	959	950	943	950	1,285
52 Oil-exporting countries[2]	532	408	393	392	584	499	536	575	693
53 Other[3]	840	1,086	1,141	1,346	1,195	881	729	598	653

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	1999			2000		
				June	Sept.	Dec.	Mar.	June	Sept.
1 **Total**	**65,897**	**68,128**	**77,462**	**63,884**	**67,566**	**76,669**	**84,266**	**80,725**	**94,806**
2 Payable in dollars	59,156	62,173	72,171	57,006	60,456	69,170	74,331	72,294	82,877
3 Payable in foreign currencies	6,741	5,955	5,291	6,878	7,110	7,472	9,935	8,431	11,929
By type									
4 Financial claims	37,523	36,959	46,260	31,957	33,877	40,231	47,798	44,303	58,303
5 Deposits	21,624	22,909	30,199	13,350	15,192	18,566	23,316	17,462	30,928
6 Payable in dollars	20,852	21,060	28,549	11,636	13,240	16,373	21,442	15,361	27,974
7 Payable in foreign currencies	772	1,849	1,650	1,714	1,952	2,193	1,874	2,101	2,954
8 Other financial claims	15,899	14,050	16,061	18,607	18,685	21,665	24,482	26,841	27,375
9 Payable in dollars	12,374	11,806	14,049	14,800	15,718	18,593	19,659	22,384	20,541
10 Payable in foreign currencies	3,525	2,244	2,012	3,807	2,967	3,072	4,823	4,457	6,834
11 Commercial claims	28,374	31,169	31,202	31,927	33,689	36,438	36,468	36,422	36,503
12 Trade receivables	25,751	27,536	27,202	27,791	29,397	32,629	31,443	31,277	31,533
13 Advance payments and other claims	2,623	3,633	4,000	4,136	4,292	3,809	5,025	5,145	4,970
14 Payable in dollars	25,930	29,307	29,573	30,570	31,498	34,204	33,230	34,549	34,362
15 Payable in foreign currencies	2,444	1,862	1,629	1,357	2,191	2,207	3,238	1,873	2,141
By area or country									
Financial claims									
16 Europe	11,085	14,999	12,294	13,978	13,878	13,023	16,789	18,254	23,706
17 Belgium and Luxembourg	185	406	661	457	574	529	540	317	304
18 France	694	1,015	864	1,368	1,212	967	1,835	1,292	1,477
19 Germany	276	427	304	367	549	504	669	576	696
20 Netherlands	493	677	875	997	1,067	1,229	1,981	1,984	2,486
21 Switzerland	474	434	414	504	559	643	612	624	626
22 United Kingdom	7,922	10,337	7,766	8,631	8,157	7,561	9,044	11,668	16,191
23 Canada	3,442	3,313	2,503	2,828	3,172	2,553	3,175	5,799	7,517
24 Latin America and Caribbean	20,032	15,543	27,714	11,486	12,749	18,206	21,945	14,874	21,691
25 Bahamas	1,553	2,308	403	467	755	1,593	1,299	655	1,358
26 Bermuda	140	108	39	39	524	11	11	34	22
27 Brazil	1,468	1,313	835	1,102	1,265	1,476	1,646	1,666	1,568
28 British West Indies	15,536	10,462	24,388	7,393	7,263	12,099	15,814	7,751	15,722
29 Mexico	457	537	1,245	1,702	1,791	1,798	1,979	2,048	2,280
30 Venezuela	31	36	55	71	47	48	65	78	101
31 Asia	2,221	2,133	3,027	2,801	3,205	5,457	4,430	3,923	4,002
32 Japan	1,035	823	1,194	949	1,250	3,262	2,021	1,410	1,726
33 Middle Eastern oil-exporting countries[1]	22	11	9	5	5	23[r]	29	42	85
34 Africa	174	319	159	228	251	286	232	320	284
35 Oil-exporting countries[2]	14	15	16	5	12	15	15	39	3
36 All other[3]	569	652	563	636	622	706	1,227	1,133	1,103
Commercial claims									
37 Europe	10,443	12,120	13,246	12,961	14,367	16,389	16,118	15,928	16,481
38 Belgium and Luxembourg	226	328	238	286	289	316	271	425	393
39 France	1,644	1,796	2,171	2,094	2,375	2,236	2,520	2,692	2,924
40 Germany	1,337	1,614	1,822	1,660	1,944	1,960	2,034	1,906	2,143
41 Netherlands	562	597	467	389	617	1,429	1,337	1,242	1,310
42 Switzerland	642	554	483	385	714	610	611	563	682
43 United Kingdom	2,946	3,660	4,769	4,615	4,789	5,827	5,354	4,929	5,198
44 Canada	2,165	2,660	2,617	2,855	2,638	2,757	3,088	3,250	2,945
45 Latin America and Caribbean	5,276	5,750	6,296	6,278	5,879	5,959	5,899	5,792	5,798
46 Bahamas	35	27	24	21	29	20	15	48	75
47 Bermuda	275	244	536	583	549	390	404	381	387
48 Brazil	1,303	1,162	1,024	887	763	905	849	894	982
49 British West Indies	190	109	104	127	157	181	95	51	55
50 Mexico	1,128	1,392	1,545	1,478	1,613	1,678	1,529	1,565	1,615
51 Venezuela	357	576	401	384	365	439	435	466	379
52 Asia	8,376	8,713	7,192	7,690	8,579	9,165	9,101	9,173	8,991
53 Japan	2,003	1,976	1,681	1,511	1,823	2,074	2,082	1,882	2,071
54 Middle Eastern oil-exporting countries[1]	971	1,107	1,135	1,465	1,479	1,625	1,533	1,241	1,197
55 Africa	746	680	711	738	682	631	716	766	895
56 Oil-exporting countries[2]	166	119	165	202	221	171	82	160	392
57 Other[3]	1,368	1,246	1,140	1,405	1,544	1,537	1,546	1,513	1,393

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	1999	2000	2000 Jan. – Dec.	2000 June	July	Aug.	Sept.	Oct.	Nov.	Dec.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	2,340,659	3,605,196	3,605,196	300,356	271,572	286,819	297,677	339,995	284,909	286,161
2 Foreign sales	2,233,137	3,430,306	3,430,306	282,563	255,999	262,546	289,118	323,659	275,855	275,034
3 **Net purchases, or sales (−)**	**107,522**	**174,890**	**174,890**	**17,793**	**15,573**	**24,273**	**8,559**	**16,336**	**9,054**	**11,127**
4 **Foreign countries**	**107,578**	**174,903**	**174,903**	**17,823**	**15,563**	**24,249**	**8,603**	**16,338**	**9,068**	**11,145**
5 Europe	98,060	164,656	164,656	14,853	13,349	15,678	10,014	14,040	7,485	10,779
6 France	3,813	5,727	5,727	−653	1,292	575	−565	1,757	408	40
7 Germany	13,410	31,752	31,752	2,544	371	2,670	643	1,383	988	777
8 Netherlands	8,083	4,915	4,915	584	554	594	792	−135	323	1,691
9 Switzerland	5,650	11,960	11,960	67	1,702	1,114	780	488	−598	−684
10 United Kingdom	42,902	58,736	58,736	7,026	6,460	7,098	5,163	6,283	3,210	7,773
11 Canada	−335	5,956	5,956	−46	−166	1,267	−924	194	1,477	1,468
12 Latin America and Caribbean	5,187	−17,812	−17,812	1,898	1,363	4,907	−3,406	−4,400	−2,979	−2,759
13 Middle East[1]	−1,066	9,189	9,189	4	98	908	52	754	340	277
14 Other Asia	4,445	12,494	12,494	870	815	1,789	2,707	5,840	3,310	1,451
15 Japan	5,723	2,070	2,070	439	492	568	2,467	2,640	662	1,615
16 Africa	372	415	415	54	−124	2	−56	−27	80	−45
17 Other countries	915	5	5	190	228	−302	216	−63	−645	−26
18 **Nonmonetary international and regional organizations**	**−56**	**−11**	**−11**	**−30**	**10**	**24**	**−42**	**−2**	**−14**	**−18**
BONDS[2]										
19 Foreign purchases	854,692	1,206,662	1,206,662	107,320[r]	87,580	107,808	106,384	103,028	114,686	117,904
20 Foreign sales	602,100	871,418	871,418	75,117	67,010	69,514	76,225	71,686	77,596	90,143
21 **Net purchases, or sales (−)**	**252,592**	**335,244**	**335,244**	**32,203[r]**	**20,570**	**38,294**	**30,159**	**31,342**	**37,090**	**27,761**
22 **Foreign countries**	**252,994**	**335,348**	**335,348**	**32,254[r]**	**20,482**	**38,215**	**30,161**	**31,356**	**37,224**	**27,759**
23 Europe	140,674	179,706	179,706	19,378	7,789	21,618	17,058	16,965	16,522	16,560
24 France	1,870	2,216	2,216	159	85	334	−819	347	272	138
25 Germany	7,723	4,067	4,067	897	154	1,185	44	433	537	−78
26 Netherlands	2,446	1,130	1,130	−169	−575	850	−818	848	183	275
27 Switzerland	4,553	3,833	3,833	324	1,003	757	333	350	483	−89
28 United Kingdom	106,344	140,152	140,152	16,218	4,003	15,909	15,950	12,503	12,952	12,825
29 Canada	6,043	13,287	13,287	1,092	943	1,965	811	897	1,179	414
30 Latin America and Caribbean	58,783	59,443	59,443	4,390	4,743	3,829	6,338	5,018	6,600	4,126
31 Middle East[1]	1,979	2,076	2,076	138[r]	264	54	−702	−54	437	1,077
32 Other Asia	42,817	78,280	78,280	7,059	6,601	10,562	6,777	8,215	11,839	5,535
33 Japan	17,541	38,842	38,842	3,945	3,320	5,664	3,573	3,690	7,435	2,932
34 Africa	1,411	938	938	72	10	37	49	58	25	76
35 Other countries	1,287	1,618	1,618	125	132	150	−170	257	622	−29
36 **Nonmonetary international and regional organizations**	**−402**	**−70**	**−70**	**−51**	**88**	**110**	**−2**	**−14**	**−134**	**2**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	15,640	−9,253	−9,253	−3,291[r]	−14,970	672	10,270	3,002	5,563	−3,195
38 Foreign purchases	1,177,303	1,802,870	1,802,870	152,855[r]	136,467	142,850	148,930	153,024	141,600	135,417
39 Foreign sales	1,161,663	1,812,123	1,812,123	156,146[r]	151,437	142,178	138,660	150,022	136,037	138,612
40 Bonds, net purchases, or sales (−)	−5,676	−3,872	−3,872	5,751	−6,488	−2,812	267	−3,439	8,434	−1,175
41 Foreign purchases	798,267	959,415	959,415	82,953	68,425	74,803	92,182	98,523	94,938	83,721
42 Foreign sales	803,943	963,287	963,287	77,202	74,913	77,615	91,915	101,962	86,504	84,896
43 **Net purchases, or sales (−), of stocks and bonds**	**9,964**	**−13,125**	**−13,125**	**2,460[r]**	**−21,458**	**−2,140**	**10,537**	**−437**	**13,997**	**−4,370**
44 **Foreign countries**	**9,679**	**−13,262**	**−13,262**	**2,610[r]**	**−21,217**	**−1,986**	**10,361**	**−604**	**13,758**	**−3,951**
45 Europe	59,247	−23,632	−23,632	−2,091[r]	−23,431	−5,786	6,352	−3,901	7,373	−4,452
46 Canada	−999	−3,857	−3,857	971[r]	255	910	−1,126	1,816	574	−1,357
47 Latin America and Caribbean	−4,726	−15,108	−15,108	2,055[r]	−979	−892	604	999	−521	−205
48 Asia	−42,961	26,039	26,039	1,624[r]	2,977	3,159	3,880	−47	5,742	1,872
49 Japan	−43,637	21,912	21,912	3,165	4,119	1,478	2,082	−1,255	2,067	1,824
50 Africa	710	947	947	−37	532	−50	49	13	−28	−4
51 Other countries	−1,592	2,349	2,349	88	−571	673	602	516	618	195
52 **Nonmonetary international and regional organizations**	**285**	**151**	**151**	**−150**	**−241**	**−154**	**180**	**167**	**239**	**−419**

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	1999	2000	2000	2000						
			Jan. – Dec	June	July	Aug.	Sept	Oct.	Nov.	Dec.[p]
1 **Total estimated**	**−9,953**	**−53,791**	**−53,791**	**−17,932**	**−6,061**	**−114**	**−8,516**	**−3,038**	**−14,106**	**−9,789**
2 Foreign countries	−10,518	−53,330	−53,330	−17,597	−5,746	−117	−8,741	−3,223	−13,959	−9,904
3 Europe	−38,228	−50,705	−50,705	−9,935	−6,351	3,707	−1,284	−3,708	−10,991	−6,850
4 Belgium and Luxembourg	−81	73	73	252	−138	138	−127	320	53	−96
5 Germany	2,285	−7,304	−7,304	609	−2,199	−36	−1,738	1,424	−2,185	−1,065
6 Netherlands	2,122	2,140	2,140	−389	−584	91	836	183	264	−1,622
7 Sweden	1,699	1,082	1,082	−47	114	56	214	−118	−104	328
8 Switzerland	−1,761	−10,326	−10,326	−1,928	−1,398	−338	−959	−57	−301	64
9 United Kingdom	−20,232	−33,669	−33,669	−9,243	−4,372	3,054	−1,865	−3,793	−6,035	−4,199
10 Other Europe and former U.S.S.R.	−22,260	−2,701	−2,701	811	2,226	742	2,355	−1,667	−2,683	−260
11 Canada	7,348	−308	−308	226	−872	222	1,417	160	−1,173	−1,492
12 Latin America and Caribbean	−7,523	−4,914	−4,914	−3,839	1,415	245	−4,979	3,963	−507	−245
13 Venezuela	362	1,288	1,288	16	89	45	314	152	251	300
14 Other Latin America and Caribbean	1,661	−11,581	−11,581	−4,748	1,261	61	−4,936	3,030	−1,262	−1,746
15 Netherlands Antilles	−9,546	5,379	5,379	893	65	139	−357	781	504	1,201
16 Asia	29,359	1,639	1,639	−3,988	−488	−4,918	−3,319	−4,688	−1,289	−458
17 Japan	20,102	10,580	10,580	−2,660	672	367	1,717	1,608	4,445	−3,855
18 Africa	−3,021	−414	−414	−130	4	9	−139	−6	−16	−44
19 Other	1,547	1,372	1,372	69	546	618	−437	1,056	17	−815
20 Nonmonetary international and regional organizations	565	−461	−461	−335	−315	3	225	185	−147	115
21 International	190	−483	−483	−286	−333	15	391	39	−146	24
22 Latin American regional	666	76	76	−9	−1	−10	1	28	−1	6
MEMO										
23 Foreign countries	−10,518	−53,330	−53,330	−17,597	−5,746	−117	−8,741	−3,223	−13,959	−9,904
24 Official institutions	−9,861	−6,302	−6,302	−1,412	−639	449	−6,626	−7,150	−4,967	1,068
25 Other foreign	−657	−47,028	−47,028	−16,185	−5,107	−566	−2,115	3,927	−8,992	−10,972
Oil-exporting countries										
26 Middle East[2]	2,207	3,483	3,483	859	267	217	−1,030	−724	−888	48
27 Africa[3]	0	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	1998	1999	2000	2000 Sept.	2000 Oct.	2000 Nov	2000 Dec.	2001 Jan.	2001 Feb.
	Exchange Rates								
COUNTRY/CURRENCY UNIT									
1 Australia/dollar[2]	62.91	64.54	58.15	55.21	52.80	52.18	54.66	55.52	53.38
2 Austria/schilling	12.379	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
3 Belgium/franc	36.31	n.a.	n.a.	n.a.	n.a.	n.a	n.a.	n.a.	n.a.
4 Brazil/real	1.1605	1.8207	1.8301	1.8397	1.8813	1.9483	1.9632	1.9561	2.0060
5 Canada/dollar	1.4836	1.4858	1.4855	1.4864	1.5125	1.5426	1.5219	1.5032	1.5216
6 China, P.R./yuan	8.3008	8.2783	8.2784	8.2785	8.2785	8.2774	8.2771	8.2776	8.2771
7 Denmark/krone	6.7030	6.9900	8.0953	8.5849	8.7276	8.6992	8.3059	7.9629	8.1103
8 European Monetary Union/euro[3]	n.a.	1.0653	0.9232	0.8695	0.8525	0.8552	0.8983	0.9376	0.9205
9 Finland/markka	5.3473	n.a.	n.a.	n.a.	n.a.	n.a	n.a.	n.a.	n.a.
10 France/franc	5.8995	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
11 Germany/deutsche mark	1.7597	n.a.	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a
12 Greece/drachma	295.70	306.30	365.92	389.67	398.29	397.94	379.58	n.a.	n.a.
13 Hong Kong/dollar	7.7467	7.7594	7.7924	7.7985	7.7977	7.7991	7.7991	7.7998	7.7999
14 India/rupee	41.36	43.13	45.00	45.97	46.43	46.82	46.78	46.61	46.56
15 Ireland/pound[2]	142.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a
16 Italy/lira	1,736.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
17 Japan/yen	130.99	113.73	107.80	106.84	108.44	109.01	112.21	116.67	116.23
18 Malaysia/ringgit	3.9254	3.8000	3.8000	3.8000	3.8000	3.8000	3.8000	3.8000	3.8000
19 Mexico/peso	9.152	9.553	9.459	9.362	9.537	9.508	9.467	9.769	9.711
20 Netherlands/guilder	1.9837	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
21 New Zealand/dollar[2]	53.61	52.94	45.68	41.71	40.01	39.90	42.97	44.42	43.45
22 Norway/krone	7.5521	7.8071	8.8131	9.2331	9.3794	9.3524	9.0616	8.7817	8.9180
23 Portugal/escudo	180.25	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a
24 Singapore/dollar	1.6722	1.6951	1.7250	1.7406	1.7525	1.7478	1.7361	1.7380	1.7435
25 South Africa/rand	5.5417	6.1191	6.9468	7.1805	7.4902	7.6889	7.6439	7.7786	7.8214
26 South Korea/won	1,400.40	1,189.84	1,130.90	1,117.57	1,131.10	1,156.54	1,216.94	1,272.63	1,252.85
27 Spain/peseta	149.41	n.a.	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28 Sri Lanka/rupee	65.006	70.868	76.964	78.731	79.291	80.381	82.030	85.833	87.136
29 Sweden/krona	7.9522	8.2740	9.1735	9.6853	9.9930	10.0965	9.6604	9.4910	9.7518
30 Switzerland/franc	1.4506	1.5045	1.6904	1.7586	1.7745	1.7779	1.6855	1.6305	1.6686
31 Taiwan/dollar	33.547	32.322	31.260	31.198	31.846	32.433	33.123	32.673[r]	32.330
32 Thailand/baht	41.262	37.887	40.210	41.992	43.334	43.791	43.246	43.149	42.665
33 United Kingdom/pound[2]	165.73	161.72	151.56	143.36	145.06	142.58	146.29	147.75	145.25
34 Venezuela/bolivar	548.39	606.82	680.52	690.39	692.86	695.77	698.85	700.02	703.36
	Indexes[4]								
NOMINAL									
35 Broad (January 1997=100)[5]	116.48	116.87	119.93	121.53	123.27	124.21	123.28	123.14[r]	123.77
36 Major currencies (March 1973=100)[6]	95.79	94.07	98.34	100.65	102.24	103.08	101.26	100.24	101.44
37 Other important trading partners (January 1997=100)[7]	126.03	129.94	130.26	130.37	131.99	132.87	133.61	135.01[r]	134.52
REAL									
38 Broad (March 1973=100)[5]	99.20[r]	98.52[r]	102.18[r]	103.82[r]	105.23	105.73	104.84[r]	105.26[r]	105.83
39 Major currencies (March 1973=100)[6]	97.23[r]	96.66[r]	102.85[r]	105.56[r]	107.30[r]	108.12[r]	106.17[r]	105.93[r]	107.32
40 Other important trading partners (March 1973=100)[7]	108.11[r]	107.23[r]	107.68[r]	108.02[r]	109.08[r]	109.20[r]	109.62[r]	110.93[r]	110.46

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. The euro is reported in place of the individual euro area currencies. By convention, the rate is reported in U.S. dollars per euro. The bilateral 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	340.750	Greek drachmas

4. Starting with the February 2001 *Bulletin*, revised index values resulting from the annual revision of data that underlie the calculated trade weights are reported. For more information on the indexes of foreign exchange value of the dollar, see *Federal Reserve Bulletin*, vol. 84 (October 1998), pp. 811–818.
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

STATISTICAL RELEASES—List Published Semiannually, with Latest Bulletin *Reference*

SPECIAL TABLES—Data Published Irregularly, with Latest Bulletin *Reference*

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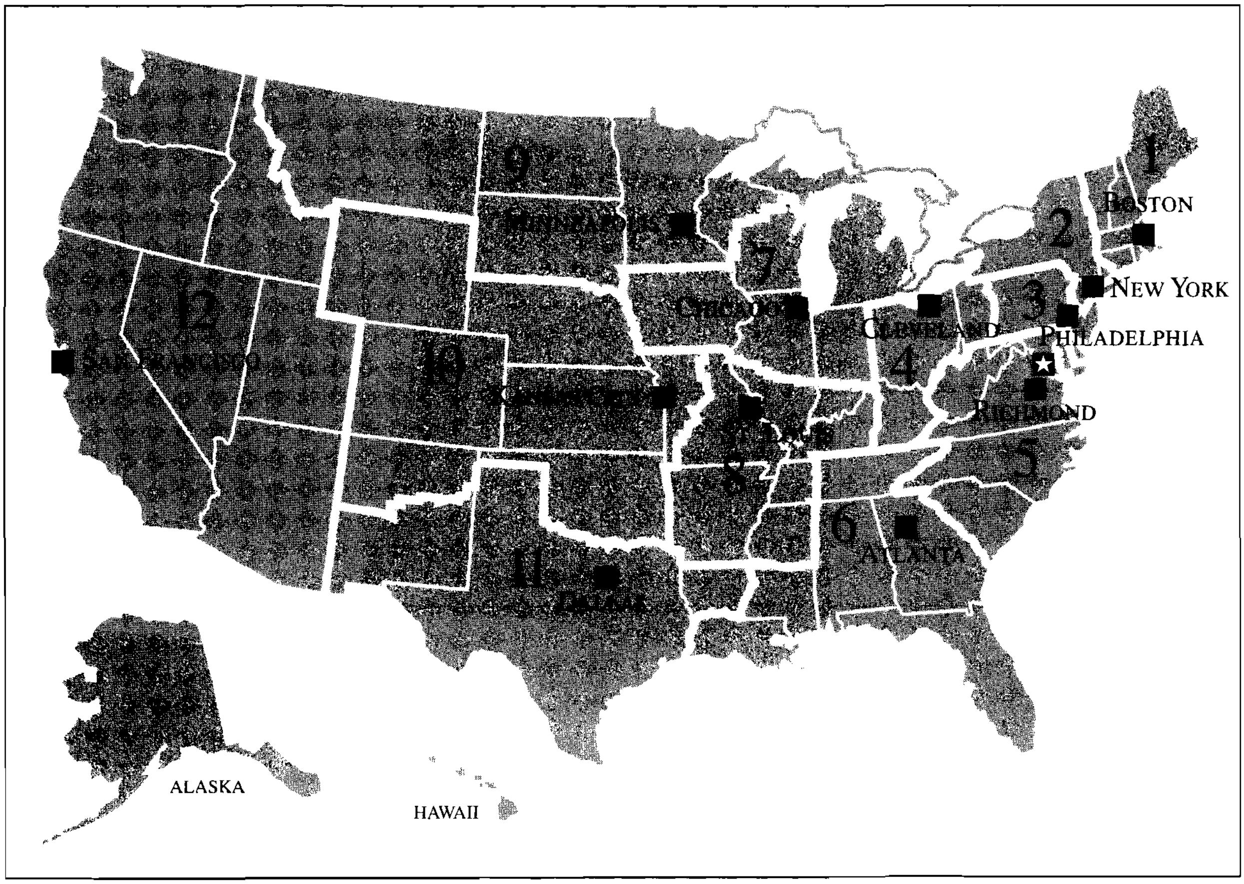

Legend

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

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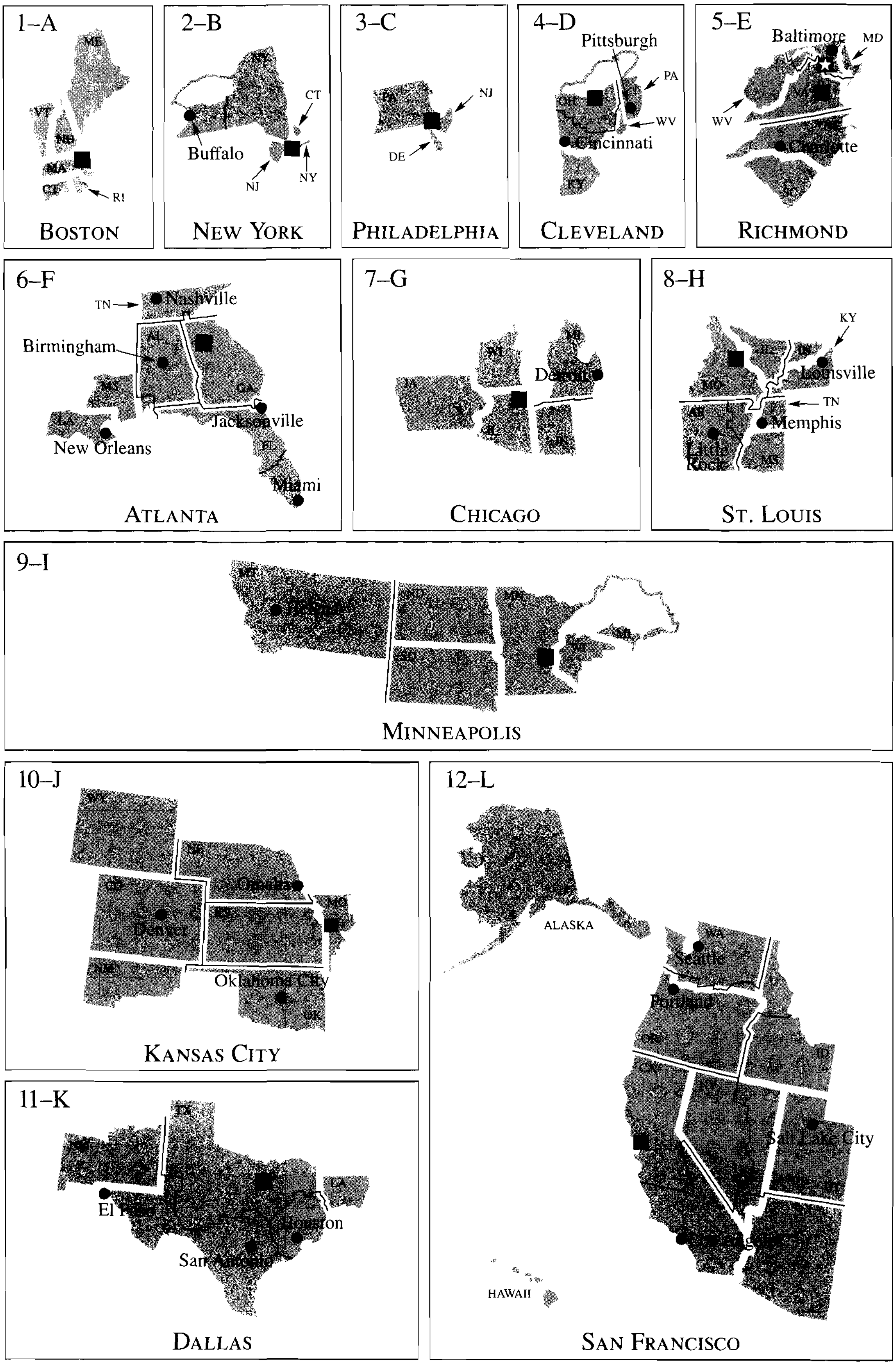
The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

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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