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MESSAGE FROM THE PRESIDENT

February 14, 1992

The 1991 annual report of the Federal Reserve Bank of Atlanta features some of our accomplishments for the year along with the consolidated financial statements of the Atlanta, Birmingham, Jacksonville, Miami, Nashville, and New Orleans branches. The names of all directors and officers who served the Sixth District during the past year are listed as well.

In addition to the review of the year’s developments, this report includes a discussion of the ongoing debate about the Community Reinvestment Act (CRA), which intensified with the release of the 1990 Home Mortgage Disclosure Act (HMDA) data in October 1991. On the surface, the summary HMDA figures suggest that lenders discriminate against minorities in approving home purchase loans. Many bankers counter that the HMDA data do not tell the whole story, failing to state systematically why loan applications were rejected. The essay addresses ways in which Congress, community groups, and banks can move beyond the tensions that have persisted for so long and achieve a working relationship in implementing this important public policy.

I would like to express my appreciation to all of the Sixth District’s directors for their valuable counsel throughout the year. In particular, I want to acknowledge those directors whose service ended in 1991, including branch directors Roy D. Terry and Shirley A. Zeitlin, who both served for six years.

My special thanks go to outgoing Chairman of the Atlanta Board of Directors Larry L. Prince, who served for two years in that position and three years as deputy chairman. I also wish to recognize Virgil H. Moore, Jr., who ended his six-year tenure as a head office director.

Robert P. Forrestal
President and Chief Executive Officer
CRA AND THE 1990 HMDA DATA:
MOVING BEYOND THE IMPASSE

By Robert P. Forrestal

It has been fourteen years since Congress enacted the Community Reinvestment Act (CRA), mandating banks to help meet the credit needs of all segments of the communities they serve. By doing so, Congress in a sense passed judgment on the banking industry, although CRA was just one title within more general legislation aiming to revitalize deteriorated urban and rural communities. Lawmakers were responding to complaints that banks were discriminating against residents of low- and moderate-income areas.

Despite more than a decade of experience with CRA, bankers, regulators, and community groups continue to disagree on how the law should be interpreted. Lawmakers and regulators have sought to clarify norms and procedures and to facilitate the communication process among all parties, but in spite of these efforts CRA has become a more, rather than less, heated issue. Because mergers and acquisitions are occurring more frequently during this period of banking industry consolidation, CRA-based protests lodged by community activists have taken on new significance. Such protests seek the strongest action against banks deemed to fall short of CRA obligations—the denial by regulators of a proposed merger or acquisition. These protests have heightened media interest in CRA and, in turn, intensified the public debate.

Many banks have responded earnestly and creatively to the spirit of CRA; others have continued to criticize the legislation, especially for the perceived uncertainties in the regulatory standards and for the implicit pressures banks feel toward credit allocation. The law’s intentional vagueness, meant to encourage local solutions to local problems, has proved to be a mixed blessing because it has helped to perpetuate the debate about what the law does and does not require of financial institutions.

HMDA DATA REKINDLE CONTROVERSY

Release of the 1990 Home Mortgage Disclosure Act (HMDA) data in October 1991 served to refuel the ongoing debate. Although banks’ CRA examination summaries are publicly available, a bank’s mortgage-lending record, as documented for HMDA, has become in the minds of many a proxy for a bank’s CRA record. A vast expansion in the scope of HMDA data, as mandated by the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), heightened the public’s expectations for revelations about lending practices of financial institutions.

On the face of it, the summary HMDA figures appear shocking and clearly, for some, raise the issue of whether banks and other lenders discriminate against minorities in approving loans. According to the data for the nation as a whole, blacks, for example, were turned down for mortgages two-and-a-half times more often than whites. This imbalance holds true even for blacks with higher incomes, who were turned down twice as often as whites in the same income bracket. Additionally, the numbers indicate that banks are receiving relatively few applications from blacks: only 4.3 percent of the applicants were black—far fewer than their 12 percent share of the U.S. population. It is understandable that many representatives of community groups, the media, and Congress see the data as proof positive that banks discriminate in a major area of lending—home mortgages.
Many bankers counter that the HMDA data do not "speak for themselves." The data indeed do not tell the whole story. In particular, they fail to state systematically why loan applications were rejected. The data do not even lend themselves to deriving meaningful inferences along these lines because important information is omitted—for example, there are no figures for applicants' overall indebtedness as a percentage of income or for applicants' assets that could be used as downpayments. It should also be kept in mind that the approved mortgage loans covered in the 1990 HMDA data do not represent the entire residential mortgage market. Despite recent expansions in scope to encompass nondepository lenders that extend home loans, including independent mortgage companies, a number of institutions are not covered. Depository institutions with less than $10 million in assets and those operating outside metropolitan statistical areas (MSAs) are not represented, for example. Whatever the implications of HMDA figures, at best the data are not all-encompassing.

Nonetheless, whether lending discrimination occurs or not, there is the perception of a problem. The questions raised are serious ones that deserve attention. Individual bankers are certainly justified in turning down mortgage applications when applicants' overall debt is too high, credit history is bad, or other factors indicate poor creditworthiness. CRA in no way mandates banks to give short shrift to safety and soundness principles, recognizing that no long-range social good can come of asking banks to compromise prudent lending standards. However, from a public policy point of view, pointing the finger at the possibility that disparities in indebtedness follow racial lines only begs the question of credit discrimination. Such arguments detract attention from the broader issues that are the real problem.

It would be helpful, of course, if the HMDA data were to include more complete information—specifically, for loan officers routinely to include the reasons for turning down applicants. Doing so would shed further light on this important consideration and would also better educate consumers on the tenets of creditworthiness. However, further research into the HMDA data cannot be the main solution, nor can lending ratios defined by the Home Mortgage Disclosure Act be the standard by which an institution's responsiveness to credit needs be judged. Ultimately, the answers to the social problems on which CRA has focused attention rest with changes in attitudes and actions. Congress, community groups, and banks must work together to achieve an operating consensus on both CRA's broader, albeit perhaps implicit, goals and its day-to-day implementation.

According to the 1990 HMDA data, minorities who apply for home purchase loans are rejected at a higher rate than whites. However, the data are incomplete. For example, they do not encompass the entire market for home mortgages, nor do they include figures for applicants' overall indebtedness as a percentage of income.

Home-Purchase Loan Application Denials
In the United States, by Race

Public Problems in Private Hands

Congress bears some of the responsibility for the ongoing tension surrounding CRA. As they have tended to do for other social problems, lawmakers have "privatized" the issue of housing affordability for the working poor. There is certainly merit in an approach that produces affordable housing without significant government subsidies. However, it is
unrealistic to expect a single industry—banking—to shoulder the burden successfully.

This transfer of responsibility for social problems to private industry can be traced in large measure to fiscal policy constraints that have arisen from the huge federal budget deficits of the last decade. With

**HIGH DEBT LEVELS CAN PUT HOME OWNERSHIP OUT OF REACH FINANCIALLY FOR LOW-INCOME FAMILIES, BUT DIFFERENCES IN DENIAL RATES BETWEEN RACES HOLD EVEN AT HIGHER INCOME LEVELS. CLEARLY, THE DATA RAISE COMPLEX QUESTIONS. SUCH DIFFICULT AND LONG-STANDING ISSUES DO NOT LEND THEMSELVES TO SIMPLE SOLUTIONS.**

Home-Purchase Loan Application Denials In the United States, by Income and Race (based on median 1980 MSA income)

The government already so heavily in debt and voters unwilling to increase taxes, new programs designed to solve social ills are not an option, and some existing ones, such as federal housing subsidies, have been disbanded. Yet, the problems persist and, in many instances, have grown. In response, lawmakers have turned to the private sector, requiring businesses to provide some health-care benefits, for example. It has become accepted practice to ask private industry to solve public problems.

Financial institutions are in a unique position, however, being called on to shoulder the majority of the burden in correcting housing problems. The “social compact” under which banks operate—in return for unique subsidies such as deposit insurance and their federal and state charters, banks are highly regulated—places them under obligations not required of other private enterprises. Because of this special role in the U.S. economy, banks have been handed social problems with which society has grappled unsuccessfully to date.

**DISCRIMINATION’S LEGACY**

An unfortunate reality is that the long history of discrimination in the United States has resulted in ongoing economic hardships for minorities. Many of these problems have their roots in de facto job discrimination in the past that means minorities today often have the least seniority and are the most vulnerable when businesses must lay off employees during times of economic downturn or longer-term industry changes. Because it is usually the newest or least-skilled workers who receive the pink slips, minority employees tend to be disproportionately affected. A series of laws begun in the 1960s have not been enough to counter discrimination along with the ills it has set in motion, and Congress is still passing civil rights legislation to try to protect minorities’ rights. The chief legacy of such tenacious discrimination is poverty: a significantly larger percentage of blacks and Hispanics than whites have low incomes. In 1990 some 32 percent of blacks and 28 percent of Hispanics were below the poverty level, as opposed to 11 percent of whites.

Not surprisingly, people with low incomes often have fewer assets and live in neighborhoods with fewer amenities such as good schools, factors that figure into the issues surrounding home-purchase loans. Additionally, any given level of debt will have a greater proportionate impact on lower-income households. It is, of course, true that consumer debt rose to relatively high levels in the 1980s. Consumer installment credit grew from 14 1/2 percent of disposable personal income at the end of 1980 to 17 3/4 percent in the
fourth quarter of 1990, and the latter figure does not indicate the post-1986 run-up in home equity loans for purchases like autos. When combined with lower incomes and assets, high debt levels can put home ownership out of reach financially.

A study for a group of Atlanta banks that formed the Atlanta Mortgage Consortium corroborates this argument. The supervision and regulation staff of the Federal Reserve Bank of Atlanta, which did the study for the consortium, found that a large proportion of the consortium’s mortgage applicants, most of whom were minorities, had adequate income but their levels of outstanding installment debt were too great to allow approval for a mortgage loan under current market standards.

Even for those minorities who do own their homes, it is harder to trade up in housing because houses tend to appreciate less and more slowly in many minority neighborhoods. Often these neighborhoods are stunted by poor schools, a lack of amenities such as shopping convenience, less adequate police protection, and other characteristics that would enhance property values. Because the equity in a home is usually a person’s or family’s largest asset, minorities are left with fewer assets. (For instance, the median net worth of a black household is estimated to be less than 10 percent that of a white household.) Even so, very poor living conditions may drive some minorities to submit marginal mortgage loan applications and risk having an application rejected. Trying to establish home ownership as an investment toward improving a neighborhood or to move into a new neighborhood may be worth the risk simply because the alternative—staying in a neighborhood that does not have good schools, for example—has become unbearable. If so, overreaching their circumstances may partially account for minorities’ higher loan rejection rate. In any case, it seems clear that the greater incidence of loan rejections is only a symptom of the underlying socioeconomic problems such communities face.

**The Role of Policymakers**

Clearly, the problems facing both minorities and banks called on to serve them are complex and frustrating. It will be impossible for banks alone to provide the answer, although they certainly can help. Achieving an effective and lasting antidote to the social ills, such as housing affordability and discrimination, that affect a large portion of the U.S. population will require a strategic and comprehensive approach involving many facets of society. Such a solution to

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**Mortgage Application Denial Rates in the Southeast are similar to rates nationally.** HMDA data at the MSA level have not been thoroughly explored, but further study at any level is not the most pressing need. Rather, Congress, community groups, and banks must move beyond the current debate over data and work together to find more effective ways of addressing the underlying issues.

**Home-Purchase Loan Application Denials In Selected Southeastern MSAs, by Race**

The deep-seated problem of inadequate housing for the poor—and it bears repeating that a disproportionate share of minorities are poor—will require a readjustment of the nation’s fiscal status, not so much to fund housing but more importantly to improve the nation’s educational system and make other investments in
human capital that attack the roots of poverty. However, given the fiscal discipline that must be pursued for the foreseeable future, it is necessary to seek interim improvement from other quarters.

The Role of Community Groups

Community groups can have a vital role in achieving success through the Community Reinvestment Act. The law’s intentional vagueness about specifically how credit needs are to be met is designed to foster local solutions, as noted above. In addition, the federal government's fiscal constraints have reinforced the need for community-based solutions to community problems. State and local governments have been forced to become more accountable for achievements of their housing programs, and housing priorities are being refocused to a needs-based strategy. New programs introduced through the National Affordable Housing Act of 1990 require or encourage community needs assessments and call for matching funds from local communities and private enterprise. These programs also continue a recent bent toward special set-asides for community-based development organizations. In addition, other recent federal programs, including housing and tax legislation such as low-income housing tax credit, special funds in the new HOME program, and terms for disposing of properties held by the Resolution Trust Corporation, have preferential policies for such organizations.

Community groups can also help surmount the continuing controversy surrounding CRA by making further progress toward ending what was, until recently, an overemphasis on single-family homes as the solution to the question of housing affordability. In some parts of the country these groups are attempting to develop and request many different types of housing and forms of ownership, such as co-ops and mutual housing. It is certainly time to recognize that the suburban standard of a free-standing house and a yard is probably unrealistic for many poor families and to move beyond insisting on acquisition of single-family homes as a goal. In other industrialized nations, particularly in Europe, a percentage of the population comparable to that in the United States owns their own home. However, some form of multi-family housing, such as row houses or condominiums, tends to be more common than it is among U.S. homeowners, who favor detached dwellings. Community advocates throughout the nation might better serve minorities’ needs by devoting more of their energies to forms of credit besides home mortgage loans—small-business lending, for example. Unfortunately, the HMDA data, with their focus on mortgages, divert attention away from progress toward recognizing the need for a broader, more achievable alternative such as communal housing and narrow the focus again to single-family housing.

Some community groups have begun to search for different answers, and they are to be commended for having pioneered new programs over the years, such as credit counseling and “due diligence” investigations that help establish for bankers the soundness of a potential loan. When nonprofit community organizations perform these functions, they save lending institutions time and resources, and, on balance, increase the likelihood that more credit will be directed toward lower-income and minority neighborhoods.

The Role of Banks

Banks, however, cannot simply sit back and wait for changes on the part of Congress and community groups. Both lack the resources to make quick and dramatic changes. Meanwhile, banks can do more than they are doing now, working in the context of CRA to find solutions to the problems highlighted by the HMDA data. Indeed, banks probably have to take the leadership role.

In an effort to meet the requirements of the Community Reinvestment Act, some banks and mortgage-lending consortiums, like that in Atlanta, have tried lowering their credit standards. Only the very largest and best capitalized banks can afford to consider taking this risk. Even if an institution can afford it, this type of “stand-alone” initiative is not the ideal approach. Any programs promulgated under these circumstances cannot begin to achieve the scale needed to address fully this nation’s housing needs. Significantly lowering loan standards and proffering loans to applicants who would otherwise have no chance to
qualify is not a realistic solution, either for banks or for those in need, as demonstrated by the Atlanta Mortgage Consortium's experience. The consortium found that in its first round of loans, for which lending standards were liberalized, it had a past-due ratio of 9.6 percent at the end of December 1989, eighteen months into the program. During the first year and a half of a new loan program, past dues are usually nonexistent. At the end of October 1991, forty months into the program, the past due ratio was approximately 12.3 percent—more than twice the typical rate of past dues. Clearly, no one benefits when loan obligations cannot be met.

If lower credit standards are not the answer, what can banks do? First, as implied by the other titles in the Housing and Community Development Act of 1977, CRA is meant to encourage partnerships or joint ventures incorporating government programs and other public subsidies to meet the needs of those outside the economic mainstream. Banks' involvement in tandem financing, for example, using low-interest-rate public loans or subsidies, is likely to be a much more effective solution than lowering credit standards. Structuring this type of arrangement requires that unique relationships be developed and new technical expertise be acquired, some beyond the present scope of a financial institution. Determining the boundaries of this gray area constitutes the current dilemma.

In addition to sorting out matters directly related to the nature of loans, it is imperative that banks get to know low- and moderate-income and minority communities better if they are to serve them adequately. Many banks have reached out to accomplish this task by forming community development corporations, delegating community development responsibilities to a line of staff, establishing community development lending as a line of business with their brightest underwriters, or forming community development banks. In whatever way works best for an organization, depending on its particular expertise and business plan, developing an internal knowledge of its surrounding communities is a critical point if a financial institution is to become an active participant in the growth of those communities.

Banks must also remember that CRA encompasses more than housing. Credit needs in any community are diverse, and the most pressing need could be for water and sewage treatment, small or minority business credit, or education financing. After all, CRA requires banks to help meet the general credit needs of their communities, not just housing credit. Such synergistic credit offerings could catalyze economic development at a variety of levels.

The days when banks were simple financial intermediaries are over. Banks can no longer play the role of order-takers, simply accepting or turning down loan applications. Like department stores, telephone companies, and airlines, banks are being squeezed financially to find more new business, and, more generally, to redefine their role in the economy. At the same time, banks are operating under a “social compact” that prompts them politically and morally to “do the right thing.” It will become increasingly necessary for banks to learn how to market their services to the fullest, finding profit opportunities with lower-income credit seekers.

**Conclusion**

It is time for all parties involved in CRA to achieve a working relationship in its implementation. The HMDA data for 1990 may not tell the whole story, but neither can they be dismissed. Realistically, Congress is unlikely to provide financial support for housing for many years because the federal budget deficit has been excessive for so long. The fiscal constraint that is necessary also augurs poorly for more general programs for overcoming the poverty that underlies many of the disparities in lending. In the interim, community groups need to continue widening their scope of issues and solutions and generally building their capacity to foster local development. Banks too, however, need to become more resourceful and creative in their compliance with CRA. Banks have much to lose by not doing a better job with CRA—most importantly their social credibility, which is already shakier than it was in decades past—and much to win if they succeed in reaching a segment of society too long neglected.
**Sixth District Highlights**

**Financial Services**

**Volumes and Prices.** The Sixth Federal Reserve District experienced a year of mixed growth in the volume of priced financial services. Automated clearinghouse (ACH), funds transfer, and bookentry volumes continued growth patterns consistent with prior years. Check-processing volume increased slightly from 1990 levels. Definitive safekeeping and nonecash collection volumes decreased, reflecting the continuing contraction of these paper-based services industrywide.

The District's six offices—in Atlanta, Birmingham, Jacksonville, Miami, Nashville, and New Orleans—together processed approximately 2.9 billion checks in 1991, far exceeding volumes processed by any other Reserve District. Basic transaction volume for funds transfers grew about 4.9 percent over 1990, ACH volume rose approximately 11 percent, and, in securities services, online bookentry transfer volume decreased approximately 14 percent. Noncash collection volume fell approximately 21 percent, and definitive securities safekeeping volume dropped 28 percent. The Sixth District fully recovered the $88.5 million cost of providing these services (including the private sector adjustment factor) in 1991 while offering the various products at prices that continue to be among the Federal Reserve System's lowest.

**Noncash Collection and Definitive Safekeeping Consolidation.** The Atlanta Fed's Jacksonville Branch is one of four sites that will serve as the Federal Reserve System Regional Noncash Collection processors after consolidation. In January the Jacksonville Branch began processing noneash items—such as coupons and bonds—for paying agents in the San Francisco District. (These items had been processed by the Minneapolis Fed for several years.) In October Jacksonville began processing items for paying agents in New Mexico, part of the Kansas City District.

To reduce processing costs and raise operational efficiencies during the phaseout of definitive safekeeping services, the Atlanta District consolidated this service in two offices—Atlanta and Birmingham—during 1991.

**Check Collection.** In January the District began offering electronic delivery of payor bank services information—for example, MICR key account data—through the Fedline customer terminal system. In August the District offices successfully implemented the Federal Reserve System's new payor bank services pricing structure, which had been approved in 1989 for implementation by all Reserve Banks by January 1992. The change to the new structure provides for consistent pricing among Districts as well as offices and also encourages the use of electronic delivery methods. Over the year a total of eighty-six District institutions converted to electronic delivery of payor bank service information. The District also began offering electronic delivery of regional check advice statements through Fedline in July.

**Fiscal Services.** The Federal Reserve Bank of Atlanta implemented two new systems in the savings bond area during 1991. Under the Savings Bond Regional Delivery System issuing agents are no longer allowed to inscribe bonds; the new system requires that all over-the-counter bond applications be processed through a central location—in this District, the Birmingham branch. The District also implemented the H/HH redesign for savings bonds intended to improve operational efficiencies in handling savings bonds.

**Cash Services.** The District successfully completed the development of new computer software to automate various cash functions in 1991 and installed the system in New Orleans and Atlanta. In addition, the District coordinated a comprehensive study of currency quality for the System.

**Supervision and Regulation**

**Bank Supervision.** Weak economic conditions added impetus to the banking industry's consolidation in 1991, affecting both large and small institutions in the District and presenting a number of challenges
for bank supervisors. The number of troubled institutions rose, largely as the result of continued deterioration in real estate. The Bank’s supervision and regulation department sought to facilitate the orderly resolution of problem institutions in various ways. Requests for assistance on special projects and examinations outside the Sixth District rose to all-time highs, and the department devoted more than the equivalent of three staff years to fulfilling such requests and to supporting various federal criminal investigations. The bank holding company applications section processed an increased number of applications related to emergency acquisitions by Sixth District institutions of failed thrifts and banks. Additionally, applications continued to become more complex because of deterioration in financial factors and a greater number of protests by individuals and community groups.

Legislative interest in banking supervision and regulation was intense throughout the year: Congress considered a series of bills to restructure the banking industry and increased its scrutiny of examination procedures in light of several large bank failures and concerns over the availability of credit. The department responded to several congressional requests for information and provided testimony before the House Banking Committee concerning foreign bank agencies operating in the Sixth District.

The department devoted considerable resources to assist in the development and local implementation of the Board of Governors’ expanded training program for new examiners.

Consumer and Community Affairs. The consumer affairs staff assisted in the processing of greatly expanded 1990 Home Mortgage Disclosure Act (HMDA) data from Sixth District state member banks and mortgage companies. Release of the data and a continued interest in the publication of Community Reinvestment Act ratings focused increased attention on bank lending patterns, and the department devoted a substantial amount of examination time to a thorough exploration of lending issues.

In addition to giving presentations and workshops on the Community Reinvestment Act, the department began publishing a quarterly newsletter highlighting issues raised and initiatives developed in response to the legislation. The completion in 1991 of a multiyear automation project enables more efficient preparation of tailored responses to constituent requests for information.

Discount and Credit. Lending by the Federal Reserve has been subject to greater scrutiny by Congress and the press during this period of consolidation and readjustment of the banking industry. Congressional concerns that extended lending could delay the closure of insolvent banks has led to the enactment of legislative measures limiting the amount and duration of advances. The Federal Reserve System’s role in the speedy resolution of Southeast Bank, N.A., was something of a test case for the Federal Reserve’s lending role in prompt resolution of troubled institutions. In its investigation of the Federal Reserve’s lending practices, Congress requested lending records dating back to 1985 on all failed institutions.

Through a series of five reductions—on February 4, April 30, September 13, November 6, and December 20—the discount rate was lowered from 6.5 percent to 3.5 percent during the course of the year.

Research

Research. Economic uncertainty caused by the Persian Gulf War as well as continuing changes in the financial services industry in the United States and abroad amplified the need for the Bank’s research department to conduct research in support of President Forrestal’s participation in monetary policy decisions. Staff presented to policymakers, scholars, and the general public insights on the impact of the oil price shock that followed Iraq’s invasion of Kuwait, on the economic and financial implications of the impending unification of the European Community in 1992, and on the effects of the globalization of equity markets.

The professional stature of the Atlanta Fed’s research department continued to grow as staff contributed to the U.S. Treasury Department’s proposals for restructuring the financial services industry, had articles published in prestigious academic journals and reprinted in financial industry guidebooks, and made numerous presentations to academic and Federal Reserve System conferences. The Atlanta Fed-Emory University Workshop series, which
brings economists from around the nation to report
on work in progress, continued into its fifth year.

The department further extended its work in fi-
nancial market institutions and instruments. Staff
contributed to the understanding of policy-related is-
Sues by exploring the economic value and consumer
benefits of bank mergers and acquisitions. Secondary
and derivative markets formed another focus of inter-
est, resulting in publication of several introductory
articles on products such as forwards, futures, swaps,
and options and their uses in financial engineering. In
the area of regional economics, a major initiative was
began to make analysis and forecasting more rigorous
and to link results more closely with the work of the
macropolicy team.

The macropolicy group, too, moved to fortify its
analytical and forecasting efforts, and economists
evaluated the policy implications of specific Federal
Reserve System activities. Work centered on domestic
monetary issues, including a study of the efficiency
of monetary policy operating procedures, the use
of consumer confidence surveys in policy analysis,
and the improvement of the Fed’s discount window
as a tool of monetary control—an inquiry undertak-
en by a visiting scholar. The department’s interna-
tional economists produced studies on subjects
including the information contained in the forward
rate in foreign exchange markets, bank regulation
across countries, the process of financial liberaliza-
tion in developing countries, and the effectiveness of
policy coordination strategies.

Public Affairs. Conferences and seminars for
bankers, business economists, educators, staff, and
the public were an important focus of educational
activities in 1991. With support from the financial
services division, supervision and regulation depart-
ment, and the EFT product management office, the
department organized a banking conference featuring
prominent industry figures. The public affairs
department also worked closely with research staff
in cosponsoring a National Association of Business
Economists roundtable on southeastern financial
and economic conditions.

In addition, the department hosted a colloquium
in New Orleans on current issues in economics and
finance for college professors in Alabama, Louisiana,
and Mississippi. Staff worked with supervision and
regulation to present a seminar for Atlanta-area
senior citizens on banking issues. Department man-
agers also offered three series of informational semi-
nars for support staff on the activities of the System,
the Bank, and the research division as well as on re-
sources for responding to public inquiries.

Publications staff redesigned the department’s
three newsletters—Economics Update, Financial Up-
date, and Regional Update—as well as the Economic
Review. The use of recycled paper in all new and
reprinted publications was implemented. Department
staff, in collaboration with economics teachers in all
six District states, produced and distributed a cur-
riculum supplement to accompany the 1991 outlook
issue of Regional Update.

Statistical Reports. The Atlanta Fed’s statistical
reports department introduced electronic filing of
several weekly depository institution reports via the
Fedline electronic communications system, making it
possible for reporting banks to calculate their reserve
requirements from actual and estimated data over
Fedline and enhancing the department’s ability to re-
cieve other reports via diskette. The department
supported the Bank’s expanded responsibilities for
processing Home Mortgage Disclosure Act reports
with data-entry and project-planning assistance. Staff
also refined data for Sixth District institutions includ-
ed in the data base for a newly established National
Information Center, containing information on the
structure, characteristics, and regulatory relation-
ships of U.S. financial institutions. Staff conducted ex-
tensive contingency planning and testing of capacity to
recover and perform statistics and reserve accounting
mainframe processing from the System’s Culpeper,
Virginia, contingency processing center from a local
remote site. Such abilities help ensure that data flows
to the Board of Governors would not be adversely af-
fected by an emergency in the Atlanta facility.

Secretary’s Office. The Bank’s Distinguished
Speakers Series had an international orientation in
1991, as Jaime Serra-Puche, Mexico’s Secretary of
Trade and Industry, Council of Economic Advisors
member John Taylor, and economists Judith Kipper
and C. Fred Bergsten all addressed issues in the
global economy. Banking consultant Lowell Bryan
and economists Henry Kaufman and Francis Schott discussed domestic financial industry and economic concerns. Federal Reserve Governor Edward Kelley spoke to a joint meeting of the Sixth Federal Reserve District’s head office and branch directors. The Advisory Council on Small Business, Agriculture, and Labor held two meetings in which members exchanged views with President Forrestal and Atlanta Fed staff on business and credit conditions in the region. President Forrestal also met twice with the Financial Institutions Advisory Committee, which represents commercial banks, thrifts, and credit unions, to discuss Community Reinvestment Act compliance, the prospects for federal banking legislation, future plans for the electronic funds transfer system, and other topics.

**Corporate Services**

**Payments System Reliability.** As another step toward providing continuous availability of its mainframe computer, which makes electronic payments services available to financial institutions and their customers via the Federal Reserve’s telecommunications network, the Atlanta Fed divided its computer system into multiple images to isolate the environment for electronic payments processing. The Bank also initiated maintenance of duplicate copies of critical payments information to serve in case of hardware failure.

The Federal Reserve System announced a plan to consolidate all general purpose mainframe computers into centers to be located in Richmond, Dallas, and East Rutherford, New Jersey. Consolidation will not only raise efficiency in the long run by eliminating redundant operations and resources but also improve the reliability of the Federal Reserve payments services. It will also allow the System to provide a more uniform level of customer service. Initial plans call for the transition to take place over a two- to four-year period.

**Payments System Risk Initiatives.** The Federal Reserve Bank of Atlanta implemented the Federal Reserve’s payments system risk policy changes in January 1991. During the year, three phases of software releases were implemented along with a new version of the Funds software, which contains the required changes for monitoring institutions posting securities collateral for bookentry daylight overdrafts. Additionally, the Risk Reduction Manual and District Procedures were revised to incorporate the 1991 policy changes, and seminars were conducted for large District institutions to provide an overview of proposed posting and policy changes.

**Software Development Projects.** The Atlanta Fed continued the development of a new computer software system for the Federal Reserve’s expense accounting system, known as PACS (Planning and Control System). During 1991 the user group, composed of representatives from all twelve districts, completed the establishment of requirements for the new system. Atlanta’s automation staff completed the system’s general design, which the users approved during December 1991, and made plans to conduct software programming during 1992. The PACS software will be the System’s first major application to use a platform consisting of both mainframe and PC software.

In support of the Federal Reserve System’s automation objectives, the Atlanta Fed is in the process of modifying the System customer-billing (accounts receivable) software so that it will process all districts’ billing operations at a single site using one software application.

Programming of a Cash Automation System (CAS) was completed in 1991. The software operates on IBM AS/400 midrange computers and automates numerous functions in the District’s cash services that include currency, coin, and food coupon processing, distribution, and redemption. The New Orleans and Atlanta Branches implemented the automated system in 1991, with remaining Branch implementations planned for the first half of 1992.

The District continued its leadership in a Systemwide project to enhance financial payments data security using Message Authentication Code (MAC), a form of digital signature that ensures the integrity of a message by indicating whether or not it has been modified.

**Facilities Planning.** With the assistance of a facilities consultant a long-term facilities study for the Atlanta office was conducted focusing on options for the
next twenty-five years. A final strategic decision was deferred to allow clarification of three System-level issues—automation consolidation, the future role of the supervision and regulation division, and the check collection same-day settlement policy—that will potentially have a significant impact on future facilities needs.

In the interim the facilities strategy includes leasing sufficient space to accommodate operations during the next ten years. An additional floor has been leased at 55 Park Place, site of the supervision and regulation division, to accommodate additional examination staff, to provide staging space for the ongoing Bank renovations program, and to house the auditing and statistical reports departments, which are being temporarily relocated.

In addition, a number of lease/purchase options are under evaluation to meet needs for space to house the Atlanta Fed’s payments operations over the next ten years.

**Human Resources.** In recent years the Sixth District, like most other employers, has seen an increase in work force diversity. In line with this diversity the Atlanta Fed and its branches have seen a significant rise in the number of minorities and women in officer and management ranks. Since 1984 the number of blacks in management has increased 89 percent (from 27 to 51); and the number of Hispanics and other minority individuals, by 92 percent (from 12 to 23). The number of women in management positions has increased 84 percent (from 76 to 140) over the same period.

As a supplement to the Bank’s ongoing supervisory/management training efforts in all offices, two special programs were introduced in 1991 to strengthen management effectiveness. A new program in leadership was offered for those in presupervisory positions, and a series of workshops and group sessions was held with line managers to stress their role in maintaining an effective employee relations environment. The program, in which approximately 250 staff members participated, covered such topics as the Americans with Disabilities Act, Workforce 2000 issues, and progressive discipline.

The Sixth District announced a new Flexible Spending Account benefit option for employees. Under this program staff may establish medical and dependent care accounts that will allow significant tax savings. In addition, the District’s change to self-insured Workers Compensation coverage resulted in significant cost savings in 1991 that promise to continue.

To ensure sound compensation philosophy and pay systems, the Sixth District appointed a special senior officer task group to conduct a comprehensive review of compensation programs and to recommend improvements.
Board of Directors

LARRY L. PRINCE
CHAIRMAN
Chairman and Chief Executive Officer
Genuine Parts Company
Atlanta, Georgia

EDWIN A. HUSTON
DEPUTY CHAIRMAN
Senior Executive Vice President—Finance
Ryder System, Inc.
Miami, Florida

LEO BENATAR
Chairman and President
Engraph, Inc.
Atlanta, Georgia

SAUNDRA H. GRAY
Co-owner
Gemini Springs Farm
DeBary, Florida

J. THOMAS HOLTON
Chairman and President
Sherman International Corp.
Birmingham, Alabama

VIRGIL H. MOORE, JR.
Chairman
First Farmers and Merchants National Bank
Columbia, Tennessee

ANDRE M. RUBENSTEIN
Chairman and Chief Executive Officer
Rubenstein Brothers, Inc.
New Orleans, Louisiana

W.H. SWAIN
Chairman
First National Bank
Oneida, Tennessee

JAMES B. WILLIAMS
Chairman and Chief Executive Officer
SunTrust Banks, Inc.
Atlanta, Georgia

Federal Advisory Council Member

E.B. ROBINSON, JR.
Chairman and Chief Executive Officer
Deposit Guaranty National Bank
Jackson, Mississippi

Branch Directors

BIRMINGHAM

ROY D. TERRY
CHAIRMAN
President and Chief Executive Officer
Terry Manufacturing Company, Inc.
Roanoke, Alabama

S. EUGENE ALLRED
Chairman, President, and
Chief Executive Officer
Frit Industries, Inc.
Ozark, Alabama

JULIAN W. BANTON
Chairman, President, and
Chief Executive Officer
SouthTrust Bank of Alabama, N.A.
Birmingham, Alabama

ROBERT M. BARRETT
Chairman and President
The First National Bank of Wetumpka
Wetumpka, Alabama

DONALD E. BOOMERSHINE
President
Better Business Bureau of Central
Alabama, Inc.
Birmingham, Alabama

WILLIAM F. CHILDRESS
President
First American Federal Savings and Loan Association
Huntsville, Alabama

NELDA P. STEPHENSON
President
Nelda Stephenson Chevrolet, Inc.
Florence, Alabama

JACKSONVILLE

HUGH M. BROWN
CHAIRMAN
President and Chief Executive Officer
BAMSI, Inc.
Titusville, Florida

PERRY M. DAWSON
President and Chief Executive Officer
Suncoast Schools Federal Credit Union
Tampa, Florida

MERLE L. GRASER
Chairman and Chief Executive Officer
First National Bank of Venice
Venice, Florida

HUGH H. JONES, JR.
Chairman and Chief Executive Officer
Barnett Bank of Jacksonville, N.A.
Jacksonville, Florida

LANA JANE LEWIS-BRENT
Vice Chairman, President, and
Chief Executive Officer
Sunshine-Jr. Stores, Inc.
Panama City, Florida

JOAN D. RUFFIER
Member
Florida Board of Regents
Orlando, Florida

SAMUEL H. VICKERS
President and Chief Executive Officer
Design Containers, Inc.
Jacksonville, Florida
### MIAMI

<table>
<thead>
<tr>
<th>Name</th>
<th>Title and Position</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOROTHY C. WEAVER</td>
<td>Chairman, Executive Vice President, InterCap Investments, Inc.</td>
<td>Coral Gables, Florida</td>
</tr>
<tr>
<td>ROBERTO G. BLANCO</td>
<td>Vice Chairman and Chief Financial Officer, Republic National Bank of Miami</td>
<td>Miami, Florida</td>
</tr>
<tr>
<td>R. KIRK LANDON</td>
<td>Chairman and Chief Executive Officer, American Bankers Insurance Group</td>
<td>Miami, Florida</td>
</tr>
<tr>
<td>A. GORDON OLIVER</td>
<td>President and Chief Executive Officer, Citizens and Southern National Bank of Florida</td>
<td>Fort Lauderdale, Florida</td>
</tr>
<tr>
<td>JOSE L. SAUMAT (resigned)</td>
<td>President, Greater Miami Trading, Inc.</td>
<td>Miami, Florida</td>
</tr>
<tr>
<td>PAT L. TORNILLO, JR.</td>
<td>Executive Vice President, United Teachers of Dade</td>
<td>Miami, Florida</td>
</tr>
<tr>
<td>MICHAEL T. WILSON</td>
<td>President, Vinegar Bend Farms, Inc.</td>
<td>Belle Glade, Florida</td>
</tr>
</tbody>
</table>

### NASHVILLE

<table>
<thead>
<tr>
<th>Name</th>
<th>Title and Position</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHIRLEY A. ZEITLIN</td>
<td>Chairman, President, Shirley Zeitlin &amp; Co. Realtors</td>
<td>Nashville, Tennessee</td>
</tr>
<tr>
<td>WILLIAMS E. ARANT, JR.</td>
<td>President and Chief Executive Officer, First National Bank of Knoxville</td>
<td>Knoxville, Tennessee</td>
</tr>
<tr>
<td>HAROLD A. BLACK</td>
<td>Professor and Head, Department of Finance, College of Business Administration</td>
<td>Knoxville, Tennessee</td>
</tr>
<tr>
<td>JAMES D. HARRIS</td>
<td>President and Chief Executive Officer, Brentwood National Bank</td>
<td>Brentwood, Tennessee</td>
</tr>
<tr>
<td>VICTORIA B. JACKSON</td>
<td>President and Chief Executive Officer, Diesel Sales and Service Co., Inc., and ProDiesel, Inc.</td>
<td>Nashville, Tennessee</td>
</tr>
<tr>
<td>WILLIAM BAXTER LEE III</td>
<td>Chairman and President, Southeast Services Corporation</td>
<td>Knoxville, Tennessee</td>
</tr>
<tr>
<td>EDWIN W. MOATS, JR. (resigned)</td>
<td>Chairman and Chief Executive Officer, Metropolitan Federal Savings and Loan Association</td>
<td>Nashville, Tennessee</td>
</tr>
<tr>
<td>MARGUERITE W. SALLEE</td>
<td>President and Chief Executive Officer, Corporate Child Care Management Services</td>
<td>Nashville, Tennessee</td>
</tr>
</tbody>
</table>

### NEW ORLEANS

<table>
<thead>
<tr>
<th>Name</th>
<th>Title and Position</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAMES A. HEPNER (resigned)</td>
<td>Chairman, President, Jackson State University</td>
<td>Jackson, Mississippi</td>
</tr>
<tr>
<td>JO ANN SLAYDON</td>
<td>Chairman, President, Slaydon Consultants and Insight Productions and Advertising</td>
<td>Baton Rouge, Louisiana</td>
</tr>
<tr>
<td>JOEL B. BULLARD, JR.</td>
<td>President, Joe Bullard Automotive Companies</td>
<td>Mobile, Alabama</td>
</tr>
<tr>
<td>VICTOR BUSSIE</td>
<td>President, Louisiana AFL-CIO</td>
<td>Baton Rouge, Louisiana</td>
</tr>
<tr>
<td>EARL W. LUNDY</td>
<td>Chairman and Chief Executive Officer, First National Bank of Vicksburg</td>
<td>Vicksburg, Mississippi</td>
</tr>
<tr>
<td>KAY L. NELSON</td>
<td>Managing Director, Nelson Capital Corporation, New Orleans, Louisiana</td>
<td></td>
</tr>
<tr>
<td>LUCIMARIAN T. ROBERTS</td>
<td>President, Mississippi Coast Coliseum Commission</td>
<td>Pass Christian, Mississippi</td>
</tr>
<tr>
<td>STANLEY S. SCOTT (resigned)</td>
<td>President, Crescent Distributing Company</td>
<td>Harahan, Louisiana</td>
</tr>
<tr>
<td>A. HARTIE SPENCE</td>
<td>President, Calcasieu Marine National Bank</td>
<td>Lake Charles, Louisiana</td>
</tr>
</tbody>
</table>
OFFICERS

HEAD OFFICE
ROBERT P. FORRESTAL
President and Chief Executive Officer
JACK GUYYN'
First Vice President and
Chief Operating Officer
W. RONNIE CALDWELL
Executive Vice President

SENIOR VICE PRESIDENTS
PATRICK K. BARRON
Senior Vice President (transferred)
SHEILA L. TSCHINKEL
Senior Vice President and
Director of Research
EDMUND WILLINGHAM
Senior Vice President and
General Counsel
RICHARD R. OLIVER
Senior Vice President and
System EFT Product Manager
JOHN M. WALLACE'
Senior Vice President and
General Auditor
** Advisor to Management Committee
H. TERRY SMITH'
Senior Vice President

VICE PRESIDENTS
LOIS C. BERTHAUME
Vice President
WILLIAM C. HUNTER
Vice President
BOBBIE H. McCrackin
Vice President and
Public Affairs Officer
FRANCIS J. CRAVEN, JR.
Vice President and
Director of Human Resources
ZANE R. KELLEY
Vice President
JOHN D. PELICK
Vice President
ANNE M. DeBEER
Vice President
JOHN R. KERR
Vice President
MARY S. ROSENBAUM
Vice President
ROBERT E. HECK
Vice President (retired)
B. FRANK KING
Vice President and
Associate Director of Research
RONALD N. ZIMMERMAN
Vice President

ASSISTANT VICE PRESIDENTS
JOHN H. ATKINSON
Examining Officer
ALBERT E. MARTIN III
Assistant General Counsel
RONALD J. ROBINSON
Assistant Vice President
JOHN R. BRANSCOMB
Assistant Vice President
NANCY R. McCrummen
Assistant Vice President
MELINDA J. RUSHING
Assistant Vice President
CHRISTOPHER G. BROWN
Assistant Vice President
RUTH W. MEDNIKOW
Assistant Vice President
ROBERT T. SEXTON
Assistant Vice President
JENNIFER H. BUDDIN
Assistant Vice President
AMELIA A. MURPHY
Examining Officer
GENE D. SULLIVAN
Research Officer (retired)
DAVID F. CARR
Assistant Vice President
ALVIN L. PILKINTON, JR.
Assistant General Auditor
LARRY D. WALL
Research Officer
CHAPELLE D. DAVIS
Examining Officer
TED G. REDDY III
Assistant Vice President
JESSIE T. WATSON
Assistant Vice President
WILLIAM B. ESTES III
Examining Officer
MARION P. RIVERS III
Examining Officer
ADRIENNE M. WELLS
Assistant Vice President
JAYNE FOX-BRYAN
Assistant Vice President and
Corporate Secretary
WILLIAM T. ROBERDS
Research Officer
DAVID D. WHITEHEAD
Research Officer (retired)
# Branches

## Atlanta
- **Donald E. Nelson**
  - Senior Vice President and Branch Manager
- **Wardlyn M. Bassler**
  - Vice President and Assistant Branch Manager
- **James L. Brown**
  - Assistant Vice President
- **Robert A. Love**
  - Assistant Vice President
- **Robert I. McKenzie**
  - Assistant Vice President
- **William R. Powell**
  - Assistant Vice President

## Birmingham
- **Frederick R. Herr**
  - Senior Vice President and Coordinating Branch Manager
- **Robert G. Dole**
  - Assistant Vice President and Assistant Branch Manager
- **Frederic L. Fullerton**
  - Assistant Vice President
- **Edward B. Hughes**
  - Assistant Vice President
- **James M. McKee**
  - Assistant Vice President
- **James M. McKee**
  - Management Committee

## Jacksonville
- **James D. Hawkins**
  - Senior Vice President and Coordinating Branch Manager
- **Robert J. Slack**
  - Assistant Vice President and Assistant Branch Manager
- **Richard L. Berry**
  - Assistant Vice President
- **Lee C. Jones**
  - Assistant Vice President
- **Jeffrey L. Weltziem**
  - Assistant Vice President
- **James M. McKee**
  - Management Committee

## Miami
- **James T. Curry**
  - Vice President and Branch Manager
- **Juan Del Busto**
  - Assistant Vice President and Assistant Branch Manager
- **Vicki A. Anderson**
  - Assistant Vice President
- **Fred D. Cox**
  - Assistant Vice President
- **Robert de Zayas**
  - Assistant Vice President

## Nashville
- **Melvyn K. Purcell**
  - Vice President and Branch Manager
- **E. Channing Workman, Jr.**
  - Assistant Vice President and Assistant Branch Manager
- **William W. Dykes**
  - Assistant Vice President
- **Margaret A. Thomas**
  - Assistant Vice President
- **Joel E. Warren**
  - Assistant Vice President

## New Orleans
- **Robert J. Muss0**
  - Vice President and Branch Manager
- **William H. Smelt**
  - Assistant Vice President and Assistant Branch Manager
- **Amy S. Goodman**
  - Assistant Vice President
- **William E. Thompson III**
  - Assistant Vice President
- **Patricia D. Van de Graaf**
  - Assistant Vice President
**Statement of Condition**

<table>
<thead>
<tr>
<th>Assets</th>
<th>December 31, 1990</th>
<th>December 31, 1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold Certificate Account</td>
<td>$465,000,000</td>
<td>$479,000,000</td>
</tr>
<tr>
<td>Special Drawing Rights Certificate Account</td>
<td>303,000,000</td>
<td>303,000,000</td>
</tr>
<tr>
<td>Coin</td>
<td>53,559,550</td>
<td>46,309,635</td>
</tr>
<tr>
<td>Loans and Securities</td>
<td>8,442,763,252</td>
<td>9,115,275,522</td>
</tr>
<tr>
<td>Items in Process of Collection</td>
<td>581,434,267</td>
<td>895,199,642</td>
</tr>
<tr>
<td>Bank Premises</td>
<td>58,207,950</td>
<td>56,962,197</td>
</tr>
<tr>
<td>Other Assets</td>
<td>3,533,589,537</td>
<td>3,003,780,411</td>
</tr>
<tr>
<td>Interdistrict Settlement Account</td>
<td>2,887,248,610</td>
<td>1,987,388,156</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$16,324,803,166</strong></td>
<td><strong>$15,886,915,563</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Reserve Notes</td>
<td>$11,768,411,002</td>
<td>$11,425,796,490</td>
</tr>
<tr>
<td>Deposits*</td>
<td>3,739,887,575</td>
<td>3,101,919,515</td>
</tr>
<tr>
<td>Deferred Credit Items</td>
<td>225,759,680</td>
<td>792,359,948</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>99,730,709</td>
<td>81,241,610</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$15,833,788,966</strong></td>
<td><strong>$15,401,317,563</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital Accounts</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Paid In</td>
<td>$245,507,100</td>
<td>$242,799,000</td>
</tr>
<tr>
<td>Surplus</td>
<td>245,507,100</td>
<td>242,799,000</td>
</tr>
<tr>
<td><strong>Total Capital Accounts</strong></td>
<td><strong>$491,014,200</strong></td>
<td><strong>$485,598,000</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities and Capital Accounts</strong></td>
<td><strong>$16,324,803,166</strong></td>
<td><strong>$15,886,915,563</strong></td>
</tr>
</tbody>
</table>

*Includes depository institution accounts, collected funds due to other Federal Reserve Banks, U.S. Treasurer-General account, other and miscellaneous deposits
# Statement of Earnings and Expenses

<table>
<thead>
<tr>
<th>Earnings and Expenses</th>
<th>December 31, 1990</th>
<th>December 31, 1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Income</td>
<td>$1,098,795,378</td>
<td>$997,067,482</td>
</tr>
<tr>
<td>Current Expenses</td>
<td>123,553,422</td>
<td>129,128,941</td>
</tr>
<tr>
<td>Cost of Earnings Credits</td>
<td>12,996,381</td>
<td>13,482,866</td>
</tr>
<tr>
<td><strong>Total Current Income</strong></td>
<td><strong>$1,225,344,219</strong></td>
<td><strong>$1,129,624,333</strong></td>
</tr>
<tr>
<td><strong>Current Net Income</strong></td>
<td><strong>$962,245,575</strong></td>
<td><strong>$854,455,675</strong></td>
</tr>
<tr>
<td>Net Additions (Deductions)*</td>
<td>211,986,696</td>
<td>38,592,616</td>
</tr>
<tr>
<td>Assessment for Expenses of Board of Governors</td>
<td>10,157,200</td>
<td>10,430,300</td>
</tr>
<tr>
<td>Federal Reserve Currency Cost</td>
<td>5,840,582</td>
<td>11,484,999</td>
</tr>
<tr>
<td>Cost of Unreimbursed Treasury Services</td>
<td>6,915,174</td>
<td>6,844,689</td>
</tr>
<tr>
<td><strong>Net Income before Payment to U.S. Treasury</strong></td>
<td><strong>$1,151,319,315</strong></td>
<td><strong>$864,288,303</strong></td>
</tr>
<tr>
<td>Dividends Paid</td>
<td>$14,123,790</td>
<td>$14,806,390</td>
</tr>
<tr>
<td>Payments to U.S. Treasury (Interest on Federal Reserve Notes)</td>
<td>1,110,510,675</td>
<td>852,190,013</td>
</tr>
<tr>
<td>Transferred to Surplus</td>
<td>26,684,850</td>
<td>(2,708,100)</td>
</tr>
<tr>
<td><strong>Total Income Distributed</strong></td>
<td><strong>$1,151,319,315</strong></td>
<td><strong>$864,288,303</strong></td>
</tr>
<tr>
<td>Surplus Account</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surplus January 1</td>
<td>$218,822,250</td>
<td>$245,507,100</td>
</tr>
<tr>
<td>Surplus December 31</td>
<td>$245,507,100</td>
<td>$242,799,000</td>
</tr>
</tbody>
</table>

*Includes gains/losses on sales of U.S. government securities and foreign exchange transactions*
## Summary of Operations

<table>
<thead>
<tr>
<th>Services to Depository Institutions</th>
<th>1990</th>
<th>1991</th>
<th>Percent Change From One Year Ago</th>
<th>Percent Change From One Year Ago</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Check Clearing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government Checks Processed</td>
<td>74,069</td>
<td>69,034</td>
<td>-6.8</td>
<td>1.2</td>
</tr>
<tr>
<td>Commercial Checks Processed</td>
<td>2,815,922</td>
<td>2,894,449</td>
<td>2.8</td>
<td>8.3</td>
</tr>
<tr>
<td><strong>Electronic Payments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACH Commercial and Government</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments Processed</td>
<td>236,344</td>
<td>261,681</td>
<td>10.7</td>
<td>20.1</td>
</tr>
<tr>
<td>Wire Transfers of Funds</td>
<td>9,075</td>
<td>9,522</td>
<td>4.9</td>
<td>6.8</td>
</tr>
<tr>
<td><strong>Cash Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency Orders Processed</td>
<td>114</td>
<td>98</td>
<td>-14.0</td>
<td>-3.4</td>
</tr>
<tr>
<td>Coin Orders Processed</td>
<td>49</td>
<td>48</td>
<td>-2.0</td>
<td>-10.9</td>
</tr>
<tr>
<td><strong>Loans to Depository Institutions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans Processed*</td>
<td>1,606</td>
<td>1,878</td>
<td>16.9</td>
<td>-12.3</td>
</tr>
<tr>
<td><strong>Securities Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-Line Bookentry Transfers</td>
<td>59</td>
<td>51</td>
<td>-13.6</td>
<td>-6.3</td>
</tr>
<tr>
<td>Noncash Items Processed</td>
<td>796</td>
<td>628</td>
<td>-21.1</td>
<td>-20.8</td>
</tr>
<tr>
<td>Definitive Safekeeping Receipts</td>
<td>131</td>
<td>95</td>
<td>-27.5</td>
<td>-28.4</td>
</tr>
<tr>
<td><strong>Services to U.S. Treasury</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Savings Bonds Issued</td>
<td>6,783</td>
<td>6,954</td>
<td>2.5</td>
<td>-17.7</td>
</tr>
<tr>
<td>U.S. Savings Bonds Redeemed</td>
<td>328</td>
<td>251</td>
<td>-23.5</td>
<td>22.4</td>
</tr>
<tr>
<td><strong>Other Treasury Issues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued</td>
<td>89</td>
<td>68</td>
<td>-23.6</td>
<td>-15.2</td>
</tr>
<tr>
<td>Redeemed</td>
<td>5</td>
<td>3</td>
<td>-40.0</td>
<td>-28.6</td>
</tr>
<tr>
<td>Deposits to Treasury Tax and Loan Accounts</td>
<td>829</td>
<td>747</td>
<td>-9.9</td>
<td>-2.4</td>
</tr>
<tr>
<td>Food Coupons Destroyed</td>
<td>460,273</td>
<td>490,224</td>
<td>6.5</td>
<td>28.4</td>
</tr>
</tbody>
</table>

*Numbers shown are actual, not thousands.