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FEDERAL RESERVE SYSTEM

12 CFR Part 201

[Regulation A]

Extensions of Credit by Federal Reserve Banks

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) has adopted final amendments to its Regulation A to reflect the Board's approval of a decrease in the primary credit rate at each Federal Reserve Bank. The secondary credit rate at each Reserve Bank automatically decreased by formula as a result of the Board's primary credit rate action.

DATES: The amendments to part 201 (Regulation A) are effective October 17, 2008. The rate changes for primary and secondary credit were effective on the dates specified in 12 CFR 201.51, as amended.

FOR FURTHER INFORMATION CONTACT: Jennifer J. Johnson, Secretary of the Board (202/452-3259); for users of Telecommunication Devices for the Deaf (TDD) only, contact 202/263-4869.

SUPPLEMENTARY INFORMATION: The Federal Reserve Banks make primary and secondary credit available to depository institutions as a backup source of funding on a short-term basis, usually overnight. The primary and secondary credit rates are the interest rates that the twelve Federal Reserve Banks charge for extensions of credit under these programs. In accordance with the Federal Reserve Act, the primary and secondary credit rates are established by the boards of directors of the Federal Reserve Banks, subject to the review and determination of the Board.

The Board approved requests by the Reserve Banks to decrease by 50 basis points the primary credit rate in effect at each of the twelve Federal Reserve Banks, thereby decreasing from 2.25 percent to 1.75 percent the rate that each Reserve Bank charges for extensions of primary credit. As a result of the Board's action on the primary credit rate, the rate that each Reserve Bank charges for extensions of secondary credit automatically decreased from 2.75 percent to 2.25 percent under the secondary credit rate formula. The final amendments to Regulation A reflect these rate changes.

The 50-basis-point decrease in the primary credit rate was associated with a similar decrease in the target for the federal funds rate (from 2.00 percent to 1.50 percent) approved by the Federal Open Market Committee (Committee) and announced at the same time. A press release announcing these actions indicated that:

Incoming economic data suggest that the pace of economic activity has slowed markedly in recent months. Moreover, the intensification of financial market turmoil is likely to exert additional restraint on spending, partly by further reducing the ability of households and businesses to obtain credit. Inflation has been high, but the Committee believes that the decline in energy and other commodity prices and the weaker prospects for economic activity have reduced the upside risks to inflation.

The Committee will monitor economic and financial developments carefully and will act as needed to promote sustainable economic growth and price stability.

Regulatory Flexibility Act Certification

Pursuant to the Regulatory Flexibility Act (5 U.S.C. 605(b)), the Board certifies that the new primary and secondary credit rates will not have a significantly adverse economic impact on a substantial number of small entities because the final rule does not impose any additional requirements on entities affected by the regulation.

Administrative Procedure Act

The Board did not follow the provisions of 5 U.S.C. 553(b) relating to notice and public participation in connection with the adoption of these amendments because the Board for good cause determined that delaying implementation of the new primary and secondary credit rates in order to allow notice and public comment would be unnecessary and contrary to the public

interest in fostering price stability and sustainable economic growth. For these same reasons, the Board also has not provided 30 days prior notice of the effective date of the rule under section 553(d).

12 CFR Chapter II

List of Subjects in 12 CFR Part 201

Banks, Banking, Federal Reserve System, Reporting and recordkeeping.

Authority and Issuance

■ For the reasons set forth in the preamble, the Board is amending 12 CFR Chapter II to read as follows:

PART 201—EXTENSIONS OF CREDIT BY FEDERAL RESERVE BANKS (REGULATION A)

■ 1. The authority citation for part 201 continues to read as follows:

Authority: 12 U.S.C. 248(i)–(j), 343 *et seq.*, 347a, 347b, 347c, 348 *et seq.*, 357, 374, 374a, and 461.

■ 2. In § 201.51, paragraphs (a) and (b) are revised to read as follows:

§ 201.51 Interest rates applicable to credit extended by a Federal Reserve Bank.¹

(a) *Primary credit.* The interest rates for primary credit provided to depository institutions under § 201.4(a) are:

Federal Reserve Bank	Rate	Effective
Boston	1.75	October 8, 2008.
New York	1.75	October 8, 2008.
Philadelphia	1.75	October 8, 2008.
Cleveland	1.75	October 8, 2008.
Richmond	1.75	October 8, 2008.
Atlanta	1.75	October 8, 2008.
Chicago	1.75	October 8, 2008.
St. Louis	1.75	October 9, 2008.
Minneapolis	1.75	October 8, 2008.
Kansas City	1.75	October 8, 2008.
Dallas	1.75	October 8, 2008.
San Francisco	1.75	October 8, 2008.

(b) *Secondary credit.* The interest rates for secondary credit provided to depository institutions under 201.4(b) are:

¹ The primary, secondary, and seasonal credit rates described in this section apply to both advances and discounts made under the primary, secondary, and seasonal credit programs, respectively.

Federal reserve bank	Rate	Effective
Boston	2.25	October 8, 2008.
New York	2.25	October 8, 2008.
Philadelphia	2.25	October 8, 2008.
Cleveland	2.25	October 8, 2008.
Richmond	2.25	October 8, 2008.
Atlanta	2.25	October 8, 2008.
Chicago	2.25	October 8, 2008.
St. Louis	2.25	October 9, 2008.
Minneapolis	2.25	October 8, 2008.
Kansas City	2.25	October 8, 2008.
Dallas	2.25	October 8, 2008.
San Francisco	2.25	October 8, 2008.

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By order of the Board of Governors of the Federal Reserve System,

Dated: October 9, 2008.

Jennifer J. Johnson,

Secretary of the Board.

[FR Doc. E8-24519 Filed 10-16-08; 8:45 am]

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FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR Part 330

RIN 3064-AD36

Deposit Insurance Regulations; Temporary Increase in Standard Coverage Amount; Mortgage Servicing Accounts

AGENCY: Federal Deposit Insurance Corporation (FDIC).

ACTION: Interim rule with request for comments.

SUMMARY: The FDIC is adopting an interim rule to amend its deposit insurance regulations to reflect Congress's recent action to temporarily increase the standard deposit insurance amount from \$100,000 to \$250,000 and to simplify the deposit insurance rules for funds maintained in mortgage servicing accounts.

The FDIC's main goals in revising its insurance rule on mortgage servicing accounts are to simplify a rule that has become increasingly complex in application due to developments in securitizations and to provide additional certainty with respect to the deposit insurance coverage of these accounts at a time of turmoil in the housing and financial markets. The FDIC believes this regulatory change will help improve public confidence in the banking system.

DATES: The effective date of the interim rule is October 10, 2008. Written comments must be received by the FDIC not later than December 16, 2008.

ADDRESSES: You may submit comments by any of the following methods:

• *Agency Web Site:* <http://www.fdic.gov/regulations/laws/federal>. Follow instructions for submitting comments on the Agency Web Site.

• *E-mail:* Comments@FDIC.gov. Include "Mortgage Servicing Accounts" in the subject line of the message.

• *Mail:* Robert E. Feldman, Executive Secretary, Attention: Comments, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.

• *Hand Delivery/Courier:* Guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 7 a.m. and 5 p.m. (EST).

• *Federal eRulemaking Portal:* <http://www.regulations.gov>. Follow the instructions for submitting comments.

Public Inspection: All comments received will be posted without change to <http://www.fdic.gov/regulations/laws/federal> including any personal information provided. Paper copies of public comments may be ordered from the Public Information Center by telephone at (877) 275-3342 or (703) 562-2200.

FOR FURTHER INFORMATION CONTACT:

Joseph A. DiNuzzo, Counsel, Legal Division (202) 898-7349 or Christopher Hencke, Counsel, Legal Division (202) 898-8839, Federal Deposit Insurance Corporation, Washington, DC 20429.

SUPPLEMENTARY INFORMATION:

I. Background

A. Temporary Increase in Insurance Coverage

The Emergency Economic Stabilization Act of 2008 temporarily increased the standard maximum deposit insurance amount ("SMDIA") from \$100,000 to \$250,000, effective October 3, 2008, and ending December 31, 2009.¹ After that date, the SMDIA will, by law, return to \$100,000. In the interim rule the FDIC is amending its deposit insurance regulations to reflect the temporary increase in the SMDIA.

B. Mortgage Servicing Accounts

The FDIC was established to maintain public confidence and stability in the United States banking system and protect insured depositors. The regulations governing deposit insurance coverage are codified at 12 CFR part 330, and they include specific rules on deposits of payments collected by mortgage servicers and placed into accounts at insured depository institutions. 12 CFR 330.7(d) ("mortgage servicing accounts"). Accounts maintained by a mortgage servicer, in a custodial or other fiduciary capacity,

may include funds paid by mortgagors for principal, interest and escrowed amounts for taxes and insurance premiums. Principal and interest funds are insured for the interest of each owner (mortgagee, investor or security holder) in those accounts. Under section 330.7(d) funds maintained by a servicer, in a custodial or other fiduciary capacity, which represent payments by mortgagors of taxes and insurance premiums are added together and insured for the ownership interest of each mortgagor in those accounts.

The FDIC's rules for mortgage servicing accounts were adopted in 1990, after the Financial Services Reform, Recovery, and Enforcement Act of 1989, abolished the Federal Savings and Loan Insurance Corporation ("FSLIC") and transferred the insurance of savings association deposits to the FDIC. Prior to that time, the FDIC did not have specific rules for mortgage servicing accounts, and the FSLIC's rules provided insurance coverage for principal and interest funds based on the interest of each mortgagor.²

As described above, under section 330.7(d), funds representing payments of principal and interest are insurable on a pass-through basis to each mortgagee, investor or security holder. In contrast, funds representing payments of taxes and insurance are insurable on a pass-through basis to each mortgagor or borrower. When the FDIC adopted these rules in 1990, it focused largely on the fact that principal and interest funds are owned by the investors, on whose behalf the servicer, as agent, accepts the principal and interest payments, and are not owned by the borrowers. By contrast, under the current rule, taxes and insurance funds are insured to the mortgagors or borrowers on the theory that the borrower still owns the funds until the tax and insurance bills are actually paid by the servicer.

Over the past several years, securitization methods and vehicles for mortgages have become more layered and complex. The FDIC believes that it has become much more difficult and time-consuming for a servicer to identify and determine the share of any investor in a securitization and in the principal and interest funds on deposit at an insured depository institution.

Under the current regulation, in the event of the failure of an FDIC-insured depository institution, the FDIC is concerned that there could be unexpected loss to securitization investors of principal and interest payments deposited at the institution by

¹ Public Law 110-343 (October 3, 2008).

² 12 CFR 564.3(b)(2)(1989).