



Letter from the
President



During the recent economic crisis, the Federal Reserve deployed nearly every resource at its disposal to restore the financial system to working order and guide the economy out of recession.

These efforts shaped news coverage—and public perception—of the central bank’s work. The media focused on Washington’s activities, scrutinizing the details of every initiative by the Federal Open Market Committee (FOMC) and the Board of Governors. The commentary—a mix of the good, the bad and the ugly—centered primarily on the historic nature of our programs, their potential market impacts and their reception by the powerhouses of Washington and Wall Street.

The Federal Reserve System’s extraordinary efforts were not limited to the FOMC. As I frequently remind the press and public, members of the committee rely on the dedicated staff of the Federal Reserve Banks for the execution of each initiative. Without the hard work of the regional Banks—including the men and women of the Federal Reserve Bank of Dallas—we might not have staved off economic collapse.

With financial markets drained of confidence and liquidity, it became critical that lending to depository institutions be properly designed and flawlessly executed. To aid in this effort, our staff continued to maintain and refine the application used throughout the Federal Reserve System for discount window lending operations—an important responsibility in a year when the Dallas Fed saw a prodigious increase in the number of loans extended.



In addition, the Dallas Fed played a key role in many new programs and initiatives designed to assist in the implementation of monetary policy, including interest payments on reserves and enhancement of controls that manage credit risk. The Dallas Fed also contributed to the detailed requirements and design of the proposed term deposit facility, one of several tools that may be used to support a smooth withdrawal of monetary policy accommodation at the appropriate time.

The Dallas Fed's supervision and regulation team made a vital contribution to financial safety and soundness. Our experienced staff of bank examiners refocused their tactics, paying heightened attention to risk. We established a support unit to coordinate resources, ensuring that the most experienced examiners worked with financial institutions facing the most severe challenges. We continued to beef up our statistical bank-risk assessments and extend their use to credit risk to help identify shaky institutions at the earliest possible sign. The breadth of knowledge accrued by our bank supervisors, coupled with relatively favorable banking conditions in our district, put us at the forefront in providing examiner assistance to other Federal Reserve districts and government agencies.

Getting the Word Out

The financial crisis intensified the public's need for insight and information—and mine, too. Our research staff increased the frequency of regional, national and international briefings to keep me apprised of economic developments. In Dallas Fed publications, our economists produced articles on pressing issues—foreclosures, financial markets and our local economy's battle with recession, to name a few. Highly respected journals and news media around the world cited many of our efforts. In addition, Bank staffers

significantly expanded their speaking engagements and participation in conferences across the country, doing their best to contribute to the national dialogue on the Great Recession. Members of the Dallas Fed's Globalization and Monetary Policy Institute—our flagship center for study of an increasingly interconnected world economy and its effects on monetary policy—briefed the FOMC on global inflation dynamics.

In response to the nation's mortgage foreclosure woes, the Bank collaborated with consumer and community organizations to launch the Dallas–Fort Worth Home Ownership Preservation Enterprise (HOPE) Partnership. Since its 2005 inception, the group has mobilized lenders and housing counselors for workshops to assist thousands of homeowners in resolving their delinquent loans and avoiding foreclosure. The success of those efforts led to the formation of the Greater Houston Foreclosure Prevention and Texas Foreclosure Prevention task forces. The Bank joined with the Texas task force to run consumer awareness ads in movie theaters, alerting consumers to scams and other fraudulent activities that might affect them.

Our public outreach initiatives provided our audiences with up-to-date information on the economic landscape. To address the causes and effects of the financial crisis and to promote better understanding of the recession, the Bank provided timely programs to secondary educators and university and college faculty. This effort came in the form of conferences and presentations at a variety of venues, including the Bank and branch offices, on school campuses and at national and state conferences. And we took the discussion to Main Street, organizing programs and hosting roundtable discussions with bankers and civic leaders in communities in Texas, northern Louisiana



and southern New Mexico. Conferences on community development lending and entrepreneurship in the changing economy provided constituents with important information at a time of economic upheaval.

Staying on Course

In addition to meeting the demands of the economic downturn, we maintained customer service excellence in our financial services. To support the needs of the marketplace, we redistributed to other Reserve Banks nearly 700 million new notes warehoused in our vaults on behalf of the Board of Governors and the U.S. Treasury. In 2009, the Dallas Fed provided cash to more than 3,700 banks and branches, circulating some 5.7 billion bills through our vault doors. Our coin holdings increased almost 20 percent from the prior year as coin flowed back from circulation and other sources at an unprecedented rate. During 2009, the Federal Reserve continued the consolidation of check processing functions. Dallas ceased processing paper checks as that business was transferred to the Cleveland Reserve Bank, ending a function that had been conducted in Dallas since 1915. This transition resulted in a significant downsizing of our staff but was accomplished with minimal customer impact.

In an ongoing initiative to help the U.S. Treasury reduce costs, our Go Direct contact center in Dallas continued enrolling federal benefit recipients in its electronic deposit program. The contact center processed more than 690,000 enrollments in 2009, a 20 percent increase over 2008. Since 2004, the Dallas Fed has processed almost 2.5 million enrollments. In 2009, we developed technology enhancements that helped reduce enrollment times, providing a significant cost savings for the Treasury and the taxpayer.

The Bank's role in supporting the technology infrastructure for the Federal Reserve System helped maintain effective operations during the crisis. In addition to providing and supporting the application used by all Reserve Banks for lending activities, the Bank provides the financial management system used by all Reserve Banks for procurement, asset management and accounts payable. Bank staff fostered significant improvements in the Federal Reserve's desktop computing infrastructure, supporting the work of more than 20,000 employees across the System. In addition, we upgraded our telecommunications complex and hosted an 85 percent increase in secure conference calls for the System, supporting increased demand for communication and collaboration.

Suffice it to say that the staff of the Federal Reserve Bank of Dallas and its branches worked long and hard, rising to the challenges presented in 2009. Their hard work enabled the Federal Reserve to do what it must do in times of economic turmoil—bring a sense of stability and calm to an economy wrought by contraction and panic. I speak for all my colleagues on the FOMC and the constituents of the Eleventh District when I say how grateful I am for a job well done.

Richard W. Fisher

