

President's Foreword

The recession that began in late 2007 has broadened and deepened, leading to the greatest financial stress our economy has seen since the 1930s. Many borrowers are still finding it difficult to obtain access to credit under terms and conditions they would find in healthier times. For consumers, the loss of wealth from the collapse of housing and equity prices has been staggering. In 2008, the net worth of U.S. households declined by 18 percent, or by more than \$11 trillion—which amounts to nearly a year's worth of U.S. gross domestic product.

The financial crisis and its sweeping effects on the economy have presented the Federal Reserve System with unique and historic challenges. As a voting member of the Federal Open Market Committee in 2008, I was privileged to contribute to the innovative and unprecedented actions taken to respond to rapidly deteriorating market conditions and to promote an economic recovery. Unfortunately, the need for these efforts continues.



Within the Fourth Federal Reserve District, the Federal Reserve Bank of Cleveland maintained highly attentive regulatory oversight of financial institutions in 2008 and provided research that informed our perspectives on the most pressing public policy issues. Regional outreach activities focused on opportunities to gain firsthand insights on economic and financial conditions.

The Bank also continued to maintain the highest levels of efficiency and effectiveness in our operations while providing leadership to Federal Reserve System and U.S. Treasury strategic objectives. All of these efforts are outlined in the Operational Highlights section of this report, beginning on page 22.



Unusual circumstances call for unusual responses. In addition to the need for innovative thinking about monetary policy, the Bank began to address the rise of home mortgage foreclosures and the collapse of housing markets within the Fourth District from a new perspective. We drew on the knowledge of our management and staff in the Research, Supervision and Regulation, Policy Analysis, Community Development, and Legal functions to assess the housing situation both nationally and regionally. Working together, these experts analyzed the underlying dynamics and evaluated potential solutions in real time as the crisis unfolded.

This year's *Annual Report* essay contains some of the fruits of these efforts. We conclude that the housing market collapse must be viewed as the result of a destructive cycle, and that remedies must be targeted to address multiple points of market dysfunction. We pay particular attention to policies that may be appropriate in relatively weak housing markets. Simple, one-size-fits-all, or short-term solutions will not get the job done and will not restore health to this important sector of the economy. Despite the magnitude of the challenge, however, we express optimism about the steps now being taken to address the situation.

Also helping us to navigate through turbulent economic times in 2008 were our Bank's boards of directors and advisory councils in Cleveland, Pittsburgh, and Cincinnati. I am indebted to them for their dedicated service.

First, I thank Benedict (Bick) Weissenrieder, chairman and CEO of Hocking Valley Bank in Athens, Ohio, who is retiring after eight years of service, first on the Cincinnati Board of Directors and then as a Cleveland director since 2003. Bick has participated on three committees, including serving as chairman of the Operations Committee for the past three years. His many contributions, wise counsel, and unfailing support have been invaluable to our Bank.

I also thank Georgiana Riley, president and CEO of TIGG Corporation in Oakdale, Pennsylvania, who is retiring from our Pittsburgh Board of Directors after two three-year terms. Our Bank has greatly valued her business insights and guidance.

Thanks also go to two retiring members of our Cincinnati Board of Directors. Glenn Leveridge, president of the Winchester Market of the Central Bank and Trust Company in Lexington, Kentucky, served for six years. We thank Glenn for his dedicated service and leadership. In addition, Charlotte Martin, president and CEO of Great Lakes Bankers Bank in Gahanna, Ohio, retired from the Cincinnati Board after six years. I thank Charlotte for her service to date, and I am pleased that she has been elected to serve on the Cleveland Board beginning in 2009.

Finally, I thank Henry L. Meyer III, chairman and CEO of KeyCorp in Cleveland, who served as our Bank's representative on the Federal Advisory Council in 2008 and will continue in that capacity for the coming year. We are grateful beneficiaries of Henry's strong leadership in this important role.



The challenges that the Federal Reserve Bank of Cleveland faced in 2008 were also very personal. In January, we learned that R. Chris Moore, our beloved first vice president, was battling a rare and systemic form of cancer. Throughout the year, we witnessed Chris's extraordinary courage and determination as he fought to regain his health while maintaining a full work schedule. Sadly, we lost Chris on February 20, 2009. This *Annual Report* is dedicated to his memory.

The 1,400 employees at the Cleveland, Cincinnati, and Pittsburgh offices brought a full measure of support and dedication to ensure the Bank's success during this extraordinary and demanding year. Our officers and staff continue to work tirelessly to advance our strategic objectives of leadership in thought and deed, external focus, and operational excellence. I extend my heartiest thanks for their commitment to the Federal Reserve Bank of Cleveland and, more broadly, to our nation's financial system.

Sandra Pianalto
President and Chief Executive Officer



DEDICATION

R. CHRIS MOORE

*First Vice President
and Chief Operating Officer*

This *Annual Report* is dedicated to a strong and vibrant leader at the Federal Reserve Bank of Cleveland who left us far too soon: First Vice President and Chief Operating Officer R. Chris Moore. Chris passed away on February 20, 2009, at age 53 following a valiant battle with cancer.

Chris joined the Bank in 1977 as an assistant examiner in the Supervision and Regulation Department. He was appointed vice president in 1988, and in 1996, he was appointed senior vice president in charge of the Bank’s Supervision and Regulation, Data Services, and Credit Risk Management departments. He was appointed first vice president in March 2003.

As first vice president and chief operating officer, Chris oversaw the Bank’s financial services, including cash processing, check clearing, electronic payments, and savings bond processing, as well as related support functions, such as information technology services, financial management, human resources, protection, and facilities. He also led the Bank’s culture change efforts.

Chris also served the Federal Reserve System in many leadership positions. Most recently, he was the vice chairman of the Federal Reserve System’s Conference of First Vice Presidents and a member of the Conference of Presidents’ Committee on Credit and Risk Management.

“Chris was a huge contributor and popular leader,” says President and CEO Sandra Pianalto. “We will deeply miss his wonderful blend of wisdom and humor. His many contributions to this Bank and to the Federal Reserve System helped forge our past successes, and his presence in our midst will be sorely missed.”

A native of Cleveland, Ohio, Chris earned a BBA in finance from Southern Methodist University in Dallas, Texas, and an MBA in banking and finance from the Weatherhead School of Management at Case Western Reserve University in Cleveland.

An avid curler, Chris competed at the national level and in the trials for the 1992, 1998, and 2002 Olympic Games. He was also a director and, most recently, president of the United States Curling Association.

