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Credit Union News Flash

June 30, 2009

The Helping Families Save Their Homes Act of 2009 established the Corporate Credit Union Stabilization Fund (CCUSF). The Fund will absorb and spread the cost of stabilizing and insuring the corporate credit union system over seven years.

Many of us sat through the NCUA Webinar on June 24, 2009 and have tried to decipher NCUA Letter to Credit Unions No. 09-CU-14. We have received a myriad of questions regarding the webinar, NCUA's letter and the question and answer portion of the webinar. Summarized below are the accounting entries to be included in your June 30, 2009 financial statements and call reports per NCUA.

NCUSIF Deposit

Most Credit Union recognized and expense equal to 69 basis points of their insured shares (100,000/per account) in either 2008 or the first quarter of 2009. With the set up of the Corporate Stabilization Plan, the NCUSIF was relieved from the obligations arising from its actions on January 28, 2009 and the subsequent conservatorship of US Central and Wescorp Federal Credit Union. As a result, the NCUSIF recorded a recovery of amounts previously impaired. Prior to closing your June 30, 2009, you should adjust your NCUSIF deposit to its original amount prior to the write down of 69 basis points. **The other side of the entry is to other income. It may not be recorded to the capitalization expense account.** The entry is to record a recovery of earnings, not a change in estimate.

For those Credit Unions who have not yet taken the charge against their insurance deposit, NCUA during the webinar Q&A, instructed these Credit Unions to amend the March 2009 call reports to record the charge and then book the recovery as of June 2009. If your Credit Union is one of the few who has not yet recorded the NCUSIF charge, we suggest you call us for further discussion.

Insurance Premium

Earlier this year, NCUA assessed and instructed Credit Unions to accrue an insurance premium expense of 31 basis points of insured shares (\$100,000 per account). The premium was assessed but not billed. Under the Act, the insured share deposit limit of \$250,000 was extended until 2013. Because of the recovery of the deposit write offs, NCUA has revised its estimate of the premium assessment to 15 basis points of insured shares (\$ 250,000 per account). This estimate could change based upon several factors.

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According to NCUA instructions, Credit Unions should adjust their accruals for the insurance premium to reflect an estimate of 15 basis points (\$250,000 per account) of insured shares in the June 30, 2009 financial statements and call reports. This will require your data processor to provide you with the appropriate information.

This adjustment is accounted for as a change in estimate and therefore will flow through the expense account in which the original entry was recorded. If you have not accrued an amount for the insurance premium assessment you must do so in June 30, 2009 financial statements and call report.

If you have any questions or wish us to review your entries, please do not hesitate to contact us at 732-747-0500, bfouratt@curchin.com.

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