



Credit Union Resources, Inc.

A Member of the Credit Union System

DATE: March 25, 2009

TO: Credit Union CEO's, CFO's and Accounting Personnel

FROM: Chad Stanislav, Vice President
Financial & Technology Resources

RE: Accounting for the NCUA Corporate Stabilization

1) The initial write-down of 69% of 1% of the credit union's insured shares as of December 31, 2008 should be posted immediately (at least by 3/31/09). NCUA recommends the following entry:

Debit Member Insurance Expense
Credit NCUSIF Deposit

For financial reporting purposes, we recommend the following entry:

Debit Non-Operating Gains/Losses
Credit NCUSIF Deposit

We feel this is appropriate due to the fact that this was a decision which was made by a third party and should be non-occurring in nature and would not normally happen in the ordinary course of business.

However, the write-down must be reflected as Member Insurance Expense on the call report. If a credit union chooses to record it this way to facilitate call reporting, we will not take exception.

We do not feel a prior period adjustment is appropriate. The decision of the NCUA Board to institute this program was not made until January 28, 2009. Also, GAAP requires that other than temporary impairments be recognized in current period earnings.

2) The premium assessment of 0.3% of insured shares as of December 31, 2008 should be accrued by September 2009. (That is, .003 x insured shares.) NCUA recommends this premium be recorded to Member Insurance Expense as well. We would prefer to see a new expense account established titled NCUA Assessment, somewhere in the operating expenses. However, this will need to be reflected on the call report as Member Insurance Expense. Again, we will not take exception if the credit union elects to follow NCUA's advice.

This is an operating expense because the Federal Credit Union Act gives NCUA the authority to assess a premium each year. This could be reoccurring in the normal course of business.

(continued)

The AICPA has indicated the NCUSIF impairment (69%) and the premium fee (.30%) may be recognized in 2008 if so elected. This provides another option to recognizing the impairment and the premium fee.

- 3) When the credit union is billed by NCUA in September 2009, the following entry should be made:

Debit NCUSIF Deposit (to bring the deposit up to 1% of shares)
Debit Accrued Expense
Credit Cash

This assumes the credit union has been accruing for the premium. If not, the appropriate expense account would be debited instead of the Accrued Expense account.