

# NCUA Accounting Bulletin



NO. 05-02

DATE: September 2005

**PURPOSE.** To provide guidance on the sale of held-to-maturity (HTM) debt securities (investments) under Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, for federally insured credit unions seeking to sell HTM investments to meet member share withdrawals, demand for emergency loans, and to cover other immediate cash needs to return the credit union to operating status.

**APPLICABILITY.** This guidance applies to credit unions materially affected by hurricane Katrina, such as a direct affect on the credit union's facilities or its ability to operate, or to a material portion of the credit union's membership base. Those affected credit unions seeking to sell HTM investments to meet member share withdrawals, demand for emergency loans, and to cover other immediate cash needs to return the credit union to operating status are covered by this guidance.

**GUIDANCE.** For financial reporting consistent with generally accepted accounting principles (GAAP), under normal circumstances the sale of any HTM investments would call into question an institution's intent to hold the remaining HTM investments to maturity in the future. However, paragraph 8 of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, indicates that events that are isolated, nonrecurring, and unusual for the reporting enterprise that could not be reasonably anticipated may cause an enterprise to sell or transfer a held-to-maturity security without necessarily calling into question its intent to hold other debt securities to maturity.

The FASB staff believes that the above provision encompasses the sales of HTM investments by a credit union that are required to meet the abnormally increased liquidity needs of that financial institution that are directly related to a major-category hurricane (such as Hurricane Katrina) that has caused extraordinary devastation over a wide area affecting a vast number of the credit unions' members. Any such transfer or sales of HTM investments under this provision should be exercised during or immediately following the period associated with Katrina's aftermath. Credit unions should consult an independent accountant for further implementation questions with regard to this accounting standard.

**EFFECTIVE DATE.** This Bulletin is effective upon issuance.

A handwritten signature in black ink, appearing to read "D. Marquis", written over a light gray rectangular background.

Director David M. Marquis  
Office of Examination and Insurance

**Distribution:**

All FICUs

All NCUA Staff

All State Supervisory Authorities