Implementation of Corporate Stabilization Fund -- Frequently Asked Questions Related to Regulatory Reporting, June 30, 2009

This frequently asked questions ("FAQ") document is intended to provide follow-up guidance to both the Letter to Credit Unions No. 09-CU-14 ("LTCUs"), *Corporate Stabilization Fund Implementation*, dated June 2009[1] and the related June 24, 2009 Webcast.[2] This FAQ should assist credit unions in the filing of their June 30, 2009 Call Reports. We have summarized the questions by topic area as follows:

Non-Compliance with Past Corporate Stabilization Regulatory Reporting Guidance and Documentation of Auditor Advice. The key commitments governing the answers to this section are detailed below. Generally speaking, if a credit union has not conformed its regulatory reporting to NCUA guidance, the credit union should go back and review Accounting Bulletin No. 09-2 and apply that guidance. Once compliant with the Bulletin, the credit union should return to LTCUs No. 09-CU-14 and follow Enclosure A guidance. To aid in your re-assessment, review the FAQs below, the Flowchart Enclosure A to confirm the appropriate course of action, and the accounting entries reiterated in Enclosure B.

A. NCUA views both the deposit impairment and the initial expense recognition of the premium assessment as 1st quarter 2009 events. Credit unions must report these expenses on the 1st quarter 2009 Call Report unless they meet the requirements in B.[3]

B. For a credit union seeking 2008 alternate accounting treatment to A. above, it requires a 2008 financial statement audit opinion (subsequent event) or other written licensed accountant's opinion prepared in accordance with generally accepted auditing standards ("GAAS") stating the alternate accounting treatment is consistent with generally accepted accounting principles ("GAAP").
   a. We limited the written guidance a credit union must obtain to guidance provided by a licensed, independent accountant (rather than a non-licensed person) so the written guidance would conform to recognized standards, i.e., GAAS.
   b. The written guidance needs to be a <u>2008 opinion on the financial statements</u> or other <u>written, client-specific conforming guidance</u>[4] rather than a simple position paper,

[1] http://www.ncua.gov/Resources/CorporateCU/Files/CULetters/09-CU-14CorpStabilizationFundImplementation.pdf

[2] http://event.on24.com/eventRegistration/EventLobbyServlet?target=lobby.jsp&eventid=150888&sessionid=1&key=0D8E87BB3CA2EC01568B8D96662B0190&eventuserid=26071617

[3] Credit unions currently using the cash basis of accounting may continue to do so, i.e., they do not have to recognize the impairment and premium on their books until it is billed. *[Supervisory Treatment, Accounting Bulletin 09-2 dated April 3, 2009]*

newsletter, article, etc. that is non-client specific and passed around among a number of credit unions.

C. To conform to the Federal Credit Union Act, credit unions must file on their Call Reports consistent with GAAP. Accordingly, a credit union should conform its 2008 regulatory reports to its financial statement audit report (i.e., audit opinion). Credit unions with an audit yearend other than a calendar yearend (e.g., March 31, 2009 or June 30, 2009) must comply with the policy set forth in A. Such credit unions can both file their Call Report consistent with NCUA policy and obtain an opinion on their audited financial statements without inconsistency between the two reports.

FAQs

1. A credit union obtained a 2008 calendar yearend financial statement audit from a licensed, independent accountant. Consistent with the 2008 audit opinion, the credit union booked the deposit impairment in the 4th quarter 2008 and the premium expense in the 1st quarter of 2009. It filed its Call Reports accordingly. Based on the additional information provided in the LTCUs, does this credit union need to restate both its December 2008 and its March 2009 regulatory reports to report the impairment in the 1st quarter of 2009?

The credit union has followed NCUA guidance by getting a 2008 calendar yearend financial statement audit opinion to support its alternate regulatory reporting and filing its Call Reports accordingly. There was no new information provided in the LTCUs that should cause you to revisit these past reporting decisions. The examiner will review the financial statement audit on the next examination to ensure compliance and consistency with stated policy.

2. So if the licensed independent accountant gave the credit union an unqualified opinion for 2008 and the credit union booked the impairment in 2008 - are you going to accept that?

Yes. There was no new information provided in the LTCUs that should cause you to revisit these past reporting decisions. The examiner will review the financial statement audit on the next examination to ensure compliance and consistency with stated policy.

3. A credit union has not booked the deposit impairment or an estimated premium expense to date. It maintains its books and records on a cash basis and has always done so. It files its Call Report on a cash basis as well. Its asset size is well below $10 million in total assets. Based on the additional information provided in the LTCUs, does this credit union need to restate prior Call Reports to report the impairment and the estimated premium expense in the 1st quarter of 2009?

No, as the credit union is currently using the cash basis of accounting, it does not have to recognize the impairment and premium on their books until it is billed. There was no new information provided in the recent LTCUs that should cause it to revisit these past reporting decisions.

4. A credit union has not booked the deposit impairment or an estimated premium expense to date. Same fact pattern as #3 except the credit union has been using the accrual basis and now decides it

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[4] For example, a written opinion on reporting the transaction consistent with GAAP under Statement of Auditing Standards No. 50, Reports on the Application of Accounting Principles.

would be expedient to change back to the cash basis. Does this credit union need to restate prior Call Reports to report the impairment and the estimated premium expense in the 1st quarter of 2009?

Yes, a credit union that has been filing under the accrual basis of accounting cannot switch back to the cash basis of accounting to achieve a preferred regulatory reporting outcome. Therefore, to properly reflect the 1st quarter 2009 expenses, the credit union needs to recognize both the deposit impairment and the premium expense estimate in its 1st quarter 2009 Call Report, or anticipate an Examiner's Finding or Discussion Item at their next examination.

5. *On the advice of our auditor, we did not book any entries. Should we book the .69 assessment and the .30 assessment in June 2009 and then reverse the .15 the same month?*

The credit union has not followed NCUA regulatory reporting advice to date nor obtained written documentation for an alternate accounting treatment. Accordingly, to properly reflect the 1st quarter 2009 expenses, the credit union should contact their examiner for assistance in re-filing their Call Reports consistent with Accounting Bulletin 09-2 for the affected periods, or anticipate an Examiner's Finding or Discussion Item at their next examination.

6. *On the advice of our auditors, we recognized the impairment as of YE 2008; however, the auditors also advised us to seek an extension on the 2008 financials and they have not yet issued an unqualified opinion. Does this change whether or not we can restate yearend 2008 and recognize the impairment in the 1st quarter?*

You should obtain a finalized 2008 audit opinion on your financial statements from your independent accountant; then, ensure your regulatory reports are filed consistent with that opinion. The examiner will review the financial statement audit on the next examination to ensure compliance and consistency with stated policy.

7. *A credit union obtains a financial statement audit for the period July 1, 2008 through June 30, 2009 (or April 1, 2008 through March 31, 2009). That audit is pending. The credit union chooses to record the deposit impairment in the 4th quarter 2008 and the premium expense in the 1st quarter of 2009. It filed its Call Reports accordingly. Based on the additional information provided in the LTCUs, does this credit union need to restate both its December 2008 and its March 2009 regulatory reports to report the impairment in the 1st quarter of 2009?*

Yes, since the credit union has not complied with NCUA policy to date (prior to the more recent LTCUs) as it relates to the NCUSIF deposit impairment, the credit union should contact their examiner for assistance in re-filing their Call Reports consistent with Accounting Bulletin 09-2 for the affected periods, or anticipate an Examiner's Finding or Discussion Item at their next examination. Given their financial statement audit period, the credit union can both file on their regulatory reports in accordance with the NCUA policy and obtain an audit opinion on their financial statements without inconsistency between the two reports.

8. *A credit union does not obtain a financial statement audit or a written audit opinion from a licensed, independent accountant consistent with GAAS that their accounting treatment is in accordance with GAAP. Nonetheless, it reports the deposit impairment in the 4th quarter 2008 and the*

premium expense in the 1st quarter of 2009. Does this credit union need to restate both its December 2008 and its March 2009 regulatory reports to report the impairment in the 1st quarter of 2009?

Yes, since the credit union has not complied with NCUA policy to date (prior to the more recent LTCUs) as it relates to the NCUSIF deposit impairment, the credit union should contact their examiner for assistance in re-filing their Call Reports consistent with Accounting Bulletin 09-2 for the affected periods, or anticipate an Examiner's Finding or Discussion Item at their next examination.

9. On the advice of our CPA, we made an impairment entry on the March call report, but not an assessment entry. Are we required to make the 0.15% assessment estimate entry on the June 2009 call report or can we wait until September 2009 for the true assessment figure to be released?

Neither. The credit union has not followed NCUA policy to date with regard to the premium liability estimate. The credit union needs to go back to the 1st quarter and correct its regulatory reports. To do so, it should contact its examiner for assistance in re-filing its Call Reports consistent with Accounting Bulletin 09-2 for the affected periods, or anticipate an Examiner's Finding or Discussion Item at its next examination. Then the credit union should apply the reporting guidance in the LTCUs, Enclosure A to the 2nd quarter Call Report.

10. For other than calendar yearend audits, i.e. June 30th -- the credit union elected (with our auditor's advice) to take the [deposit] write down to December 31, 2008. How do we handle the reversal of that entry?

You do not "reverse" the entry. Since the credit union's audit opinion will be issued in consideration of all events to date at June 30, 2009, the credit union can both file on their regulatory reports consistent with the NCUA policy and obtain a June 30, 2009 financial statement audit without inconsistency between the two reports. Accordingly, to properly reflect the 1st quarter 2009 expenses, the credit union should contact their examiner for assistance in re-filing their Call Reports in accordance with Accounting Bulletin 09-2 for the affected periods, or anticipate an Examiner's Finding or Discussion Item at their next examination.

11. The credit union followed the NCUA policy by obtaining a 2008 financial statement audit and filing Call Reports consistent with that audit showing both the impairment and the premium liability in the 4th quarter 2008. Now, however, with the issuance of LTCUs 09-CU-14 we would like the impairment expense and the deposit recapitalization to all occur in 2009 so the income and expense can be netted. Can we re-file the affected Call Reports?

No, you properly obtained a 2008 financial statement audit showing the expenses in 2008 and you properly filed your Call Reports accordingly. A change in regulatory reporting now to achieve a preferred regulatory reporting outcome would not be appropriate. There was no new information provided in the LTCUs that should cause you to revisit these past reporting decisions.

NCUSIF Billing Practices. There were a lot of Webcast questions concerning the semiannual deposit adjustments and assessment billing practices; particularly, why the billing dates may differ depending on a credit union's asset size.[5] Also, webcast participants were not clear on the date and level of insured shares on which to apply the assessment rate. Specific questions follow.

(1) Page 8 of the LTCUs states that the "pass-back" is calculated as .69% of the insured credit union's December 31, 2008 insured shares using $100,000 per account. Page 10 states that "the reporting period to determine the insured shares base on which to apply the assessment rate differs depending on a credit union's size (for a credit union with assets equal to or greater than $50 million, this would be insured shares as of June 30, 2009, plus the calculation would be based upon a $250,000 insurance limit). Please clarify.

The deposit pass-back and recapitalization for all credit unions regardless of asset size will be at .69 percent of insured shares at December 31, 2008 ($100,000 per account).

In relation to the assessment -- for all credit unions regardless of asset size, the Board made an assessment in January to return the NCUSIF to a 1.30 equity ratio. It will be accomplished consistent with current NCUA Rules & Regulations as follows:

a) For a <u>credit union with $50 million or more in assets</u>, based on current information, they can expect both a semiannual deposit adjustment and an assessment billing in the fall:

Billing	**Deposit Adjustment**	**Assessment Base**	**Rate** **(Estimated)**	**Share Base**
Fall 2009	6/30/2009 insured shares			$250,000 per account
Fall 2009		6/30/2009 insured shares	.15 %	$250,000 per account
Spring 2010	12/31/2009 insured shares			$250,000 per account

b) For a <u>credit union with less than $50 million in assets</u>, based on current information, they can expect both an annual deposit adjustment and an assessment billing as follows:

Billing	**Deposit Adjustment**	**Assessment Base**	**Rate** **(Estimated)**	**Share Base**
Fall 2009		12/31/2008 insured shares	.15 %	$250,000 per account
Spring 2010	12/31/2009 insured shares			$250,000 per account

(2) Why is there a separation between the under $50 million credit unions and the over $50 million credit unions with regards to timing of their deposit adjustment?

To reduce the remittance burden on smaller credit unions, they receive a deposit adjustment billing annually (yearend) rather than semiannually.

(3) You said each credit union will get the same assessment. But credit unions over $50 million get assessed twice a year. Does this mean the assessment will be cut in half for those over $50 million, or will smaller credit unions get a different type of assessment?

No. For credit unions over $50 million in assets, the semiannual deposit adjustment, not the assessment, is twice a year. The January assessment will be collected once in the fall from all credit unions regardless of asset size based on $250,000 insured shares per account. The date of the assessment base will differ according to the above table.

[5] See the NCUA Rules and Regulations § 741.4(b)(5) and (c). To reduce the remittance burden on smaller credit unions, they receive a deposit adjustment billing annually (yearend) rather than semiannually.

(4) Did the E&I Director say that credit unions under $50 million will not have their deposit recapitalization until the 1st quarter of 2010?

No. All credit unions will have their deposit pass-back and re-capitalization at June 30, 2009 based on December 31, 2008 insured shares at $100,000 per account. Credit unions under $50 million will not have their annual deposit adjustment until the Spring 2010 (See table, previous page).

(5) Will credit unions with less than $50 million in assets receive their annual deposit adjustment every spring going forward?

Yes. This practice is consistent with the current NCUA Rules and Regulations.

(6) On the premium charge, the March Call Report expense was based on 0.30% at $100,000 insured shares; to clarify, the June Expense is 0.15% of $250,000 insured shares at June 30, 2009?

That is partially correct. The estimated assessment rate was reduced but the new statute increased the insured shares assessment base. The reporting date will be either December 31, 2008 or June 30, 2009 depending on the credit union's asset size. The revised liability estimate will have to consider all of these changes.

(7) We will be reaching $50 million in assets as of June 30, 2009. How do we account for the correction?

Regardless of asset size, your recapitalization deposit will be based on .69 percent of December 31, 2008 insured shares at $100,000 per account. If you reach $50 million in assets by June 30, 3009, then your estimated premium liability should be .15 percent of June 30, 2009 insured shares at $250,000 per account. You can also expect a semiannual deposit adjustment billing in the fall to bring your deposit to 1.00 percent of June 30, 2009 insured shares at $250,000 per account.

Deposit Pass-back and Recapitalization. On the Webcast, NCUA advised credit unions of the regulatory reporting treatment for the Board's action to pass-back to credit unions and recapitalize on their behalf the NCUSIF Deposit.

	Debit	Credit
NCUSIF Deposit	$ XXX	
Income		$ XXX
.69 percent of Dec 31, 2009 insured shares ($100,000 per account)		

Credit unions can treat NCUSIF deposits as assets: (a) when deposited, and (b) as long as such amounts are fully refundable. Deposits are impaired and should be charged to expense in the period they become nonrefundable.

We received a number of continuing questions.

1. Just to clarify, if a credit union's assets as of 12/31/08 were below $50 million but as of 6/30/09 are over $50 million, the credit union should base the pass-back amount on the 6/30/09 share deposits which are over $250,000 correct?

No, regardless of asset size, the pass-back and recapitalization is based on .69 percent of December 31, 2008 insured shares ($100,000 level).

2. Can you explain the .31 basis points?

After the Board's January and March 2009 Board actions, a credit union's deposit became impaired and was reduced to a balance of .31 percent of December 31, 2008 insured shares ($100,000 level), i.e., calculated as 1.00 percent less .69 percent = .31 percent.

3. Must we wait until we receive the NCUSIF letter in July to close out the month of June 2009, or can we do the calculation ourselves? Also, what percentage would we be using to determine the amount that would be coming back to a credit union as income that we would need to book?

No, a credit union does not need to wait for the Informational Notice. It can record the recapitalization based on the information NCUA provided in the LTCUs at .69 percent of December 31, 2008 insured shares ($100,000 level).

4. Where will the pass-back income be reported on the 5300?

You will report income on your Call Report, Statement of Income, Line 17, Other Non-operating Income (Expense).

5. In the 1st quarter we recorded deposit impairment as member's insurance expense. To record the deposit now, do we book it as income or against the member's insurance expense acct?

The entry is as indicated above. The pass-back and recapitalization of your NCUSIF deposit is recorded as income, not a decrease to expense. Also review the answer to the previous question.

6. If a credit union converted to private insurance can they take 100% of their NCUSIF deposit? That is, what happens if a credit union withdraws from the NCUSIF and purchases private insurance on July 1? Would the refund of the deposit be 100%?

If a credit union converts to private insurance July 1, 2009 or after, they will receive 100 percent of their NCUSIF deposit less the outstanding assessed premium (assessed by the Board but not yet billed and collected).

7. Can we wait until the actual deposit refund is received to book the entry? i.e., July 2009?

The deposit pass-back and recapitalization is effective June 30, 2009 and should be reflected in your 2nd quarter 2009 Call Report.

8. If the write-down was recognized as an expense in the first quarter, why would the updated information result in income rather than a credit offset to the original expense like the assessment was described?

The deposit was impaired and must be reported as impaired until replenished. When the deposit is replenished, normally the credit union would pay cash to the NCUSIF. Since the credit union's deposit was replenished through the pass-back of funds from the NCUSIF rather than the outflow of cash, that pass-back (benefit) is income to the credit union.

9. The credit union originally booked the deposit impairment of 0.69 in 2008 as a decrease to the beginning balance of 2009 retained earnings. What percent of an adjustment is needed for the 2nd quarter 2009?

The credit union erred in booking the deposit impairment adjustment as a decrease to the beginning balance of 2009 retained earnings; the expense must flow through the income statement. The credit union should contact their examiner for assistance in re-filing their Call Reports consistent with Accounting Bulletin 09-2 for the affected periods, or anticipate an Examiner's Finding at their next examination. Subsequently, the credit union should refer to LTCUs No. 09-CU-14, Enclosure A for the 2nd quarter 2009 guidance (entry as above).

10. Why was the initial premium .30%, but now the refunded amount is .31% as shown on Enclosure B

You are confusing the premium liability (.30 expense) with the deposit impairment (.31 balance). The deposit was impaired by 69 percent leaving an outstanding balance of .31 percent of insured shares. There was an additional premium liability amount of .30 percent of insured shares. In total, there was a .99 percent of insured shares expense that should have been recorded in the 1st quarter of 2009.

11. The example in Enclosure B sites insured shares and deposits as of December 31, 2008; however, the amount we had on deposit with the NCUSIF on 12/31/08 was based on our 6/30/08 member deposits. Which date are the deposits impaired and recapitalized?

		Based on Asset Size, Insured Shares as of: ($100,000 per account)		
Date of Board Action	**Impact on your NCUSIF Capitalization Deposit as Percentage of Insured Shares**	**Less than $50 million**	**$50 million or more**	**LTCUs No. Reference**
1/28/09	.51 percent impairment	Dec 31, 2007	June 30, 2008	09-CU-02 (January 2009) [6]
3/20/09	Additional .18 percent impairment	Dec 31, 2008	Dec 31, 2008	09-CU-06 (March 2009) [7]
6/17/09	**NCUSIF Deposit Balance**, .31 percent	Dec 31, 2008	Dec 31, 2008	
6/18/09	.69 percent pass-back & recapitalization	Dec 31, 2008	Dec 31, 2008	09-CU-14 (June 2009) [8]

12. When is a credit union legally obligated for its NCUSIF deposit adjustment? For instance, for a credit union <$50 million, its insured shares are determined 6/30 and 12/31 but not billed till 9/30 or

[6] http://www.ncua.gov/Resources/CorporateStabilization/LCU_09-CU-02CorporateCreditUnionStrategy.pdf
[7] http://www.ncua.gov/letters/2009/CU/09-CU-06.pdf
[8] http://www.ncua.gov/Resources/CorporateStabilization/2009/LTCUs%2009-CU-14%20Corp%20Stabilization%20Fund%20Implementation.pdf

3/31, GAAP would require the "obligation" be recorded or disclosed when incurred, not billed. What is NCUA position on this issue since NCUSIF deposits are not typically adjusted on a CU's books till billed and paid?

You may wish to discuss this reporting matter with your licensed independent accountant. The deposit adjustment would not be refundable until billed and collected. So while a credit union may take the position it need not wait for the deposit billing adjustment statement to accrue for the deposit adjustment on its books, the deposit is technically not a “deposited” and “refundable” asset until billed and collected.

13. For CU's that expensed the 1st quarter deposit impairment to operating expense (member insurance), will consideration be given to operating expense ratios since we cannot reverse but must show the next entry as non operating income?

Yes, The NCUA examiners have been instructed to consider the impact of all the corporate stabilization actions on the credit union’s performance measures granting forbearance to the extent we are able to do so within our statutory authorities.

14. Since you say the NCUSIF deposit will be 100% refundable, what safeguards are in place to prevent an exodus from Federal Insurance that might leave the remaining credit unions with the full bill for corporate stabilization?

Market factors provide the greatest safeguard. In weighing the alternatives, credit unions need to count the cost. Credit unions seeking to change to a bank or thrift charter will face assessments from the FDIC’s Depository Institutions Fund (“DIF”). Sizable assessments are expected. Credit unions seeking private insurance will face other trade-offs, and private insurance also comes at a cost. Federal insurance has many advantages not the least of which is low overall cost.

15. Will recording the recapitalization as income result in an unrelated business tax to state credit unions?

Maintaining deposit insurance is integral to a credit union’s business. The IRS has the final word on their regulations, but the deposit pass-back and recapitalization should not qualify as UBIT.

16. If we booked the deposit impairment as per GAAP in March 2009, do we have to make any adjustments to that in June?

No, there was no new information provided in the LTCUs that should cause you to revisit this past impairment reporting decision. However, in June, you should record the deposit pass-back and recapitalization as described and illustrated above and in LTCUs No. 09-CU-14 (June 2009).

17. For further clarification, for credit unions that booked the impairment back to 2008 based on advice of auditors, but have no audited financial statements because audit year ends 9/30, do we have to book as income this year?

You should record the deposit impairment in the 1st quarter of 2009 and the deposit pass-back and recapitalization in the June 2009 quarter. You can both follow the regulatory reporting guidance and obtain a financial statement audit for the audit yearend September 30, 2009 without inconsistency between the two reports.

18. We took the write-down of the 69% in Dec 2008. If our CPA approves us restating Dec 2008 to show the restitution in Dec 2008, will NCUA take exception to this treatment?

We're not sure how the outcome you describe could be possible as the Board did not pass-back and recapitalize the deposit on the credit union's behalf until June 30, 2009. The recapitalization was not present at December 31, 2008. You would need an unqualified opinion on your December 2008 financial statement prepared in accordance with GAAP by a licensed, independent accountant to support the reporting outcome you are seeking, or anticipate an Examiner's Finding or Discussion Item at their next examination.

19. Our auditors, after reviewing the AICPA guidance, recommended that we book both the impairment AND the premium as of 2008. Does this change the way the 2009 income is booked?

No. These facts would not change how the 2009 pass-back and recapitalization income is booked in June 2009.

Revised Premium Estimate. On the Webcast, NCUA advised the following regulatory reporting of the Board's assessment to credit unions based on the new information provided in LTCUs No. 09-CU-14. A premium to return the NCUSIF equity ratio to 1.30 percent of insured shares was assessed in January 2009; billing of the assessment is expected in the fall 2009. Credit unions should expense premiums when assessed by the Board. Assuming the credit union made the initial 1st quarter entry for the premium liability estimate, the June 2009 Call Report should reflect a premium liability adjustment:

	Debit	**Credit**
Premium Liability	$XXX	
Premium Expense		$XXX
Assumes the current estimate based on the new information of .15 percent of the insured shares balance at the reporting date ($250,000 per account) is less than the original estimated liability of .30 percent of insured shares at December 31, 2008 ($100,000 per account).		

We received a number of continuing questions.

1. SOP 01-6 11(c) states premiums should be expensed when assessed. Has NCUA assessed the 0.15% premium or will the assessment be in September? If the assessment has not been made yet, should we wait to record the assessment until September?

The Board assessed the premium in January 2009. The premium will be billed and collected in the fall of 2009. The assessment is probable and can be reasonably estimated. In Accounting Bulletins Nos. 09-1 and 09-2 we directed you to estimate a premium liability on your 1st quarter 2009 Call Report.

2. Please confirm - The reduced assessment is based on insured shares at June 30 2009 - not previously used insured shares at March 31 2009? Or alternately, is the calculation of the premium based on insured shares at 12/31/08?

The assessment base depends on your credit union's asset size and is either December 31, 2008 insured shares ($250,000 per account) or June 30, 2009 insured shares ($250,000 per account). You should review and consider the table in section "NCUSIF Billing Practices", question no. 1, page 5.

3. Due to the switch from $100,000 to $250,000 in insured shares, the estimated premium expense based on the new information in the LTCUs is going to be greater than the currently booked contingent liability. Example Dec 08 32million @ 100,000 insured figure vs. 34 million using 250,000 insured x .31%. Is that correct?

Not necessarily. You should have recorded a 1st quarter 2009 premium liability estimate at .30 percent of December 31, 2008 insured shares ($100,000 per account). In the 2nd quarter, you should revisit that estimate based on the new information provided in the LTCUs. Your new estimate should be .15 percent of insured shares ($250,000) at the applicable reporting period (either June 30, 2009 or December 31, 2008 depending on your asset size). Whether this revised estimate is larger or smaller will depend on the credit unions individual facts and circumstances, i.e., deposit levels, accounts above $100,000 in deposits, share growth or shrinkage, etc.

4. Will the premium assessment costs be required to be recorded entirely in 2009 or will these be spread out over the 8 year time period that congress has passed?

Credit unions should expense premiums when assessed by the Board. The Board will assess premiums over 7 (Stabilization Fund) to 8 years (NCUSIF) but the timing and amount is not known at this time. Accordingly, it would be difficult to estimate the assessment burden and related regulatory reporting.

5. Will premiums from NCUSIF be the vehicle through which natural person credit unions will be billed for the cost of the Stabilization Fund or will we be billed by the Fund directly?

The Board has authority to assess premiums from the Stabilization Fund or the NCUSIF or both. Whether the billing of the assessments under the two funds will be separate or joint has not been determined. The outstanding NCUSIF assessment is based on the Board's January action.

6. If we expensed the NCUSIF write down and the premium in 2008, can we reverse those and restate our December 2008 numbers?

If your 4th quarter Call Report was filed consistent with a calendar yearend financial statement audit by a licensed independent accountant, you cannot re-file the Call Report. There was no new information provided in the most recent LTCUs that should cause you to reconsider your earlier reporting decision. See Section on "Noncompliance", page 1. The proper application of accounting principles to the facts and circumstances present at the credit union rather than a preferred financial statement outcome should drive regulatory reporting decisions.

7. Should we record the .15% projected premium, ($250,000 per account), as a contingent liability as of 06/30/09? If so, what expense GL should be used, or is it non-operating expense?

Yes, that is correct. But keep in mind you should have already recorded a premium liability estimate in the 1st quarter. Refer to Accounting Bulletin 09-2, page 3, for the applicable accounts, entry (b). http://www.ncua.gov/Resources/CorporateStabilization/ACCTBUL09-2%282%29.pdf Also, review Enclosure B to this FAQ.

8. If we didn't book the .30% premium earlier, do we book it now and adjust it or just book the adjusted amount of .15% now?

If you did not comply with NCUA guidance to date, go back to the Accounting Bulletin No. 09-2 and record the proper entries. Then return to LTCUs No. 09-CU-14 Enclosure A and comply with that guidance. You may also wish to refer to the "Noncompliance" section, page 1, of this FAQ.

9. For credit unions under $50 million, should we expense the premium in 2009, but expect to pay it Spring 2010?

You will expense the premium assessment in the 1st quarter of 2009 and pay it in the fall of 2009.

10. May we amortize the .15% premium estimate over 7 years? Everything that I have read has said this, but nothing has been mentioned in Letter 09-CU-14 or in this presentation. Am I correct or incorrect about the amortization?

Incorrect. You may not amortize the .15 percent premium (2009 expense) over 7 years.

11. Does the full 15 basis point premium need to be fully accrued by 6/30/09 or can it be ratably accrued through 9/30/09 (when billed)?

The premium cannot be ratably accrued through 9/30/2009. It must be initially recognized in the 1st quarter and adjusted based on new information in the 2nd quarter.

12. Can a credit union retain the expense taken in the first quarter of 2009 and not record these adjustments until such time that a final determination of losses(recoveries) are finally realized?

You should revisit the premium liability estimate based on the new information provided in the LTCUs. The estimate should be your best estimate within a range of probable loss. Your original estimate should be adjusted.

13. I am already accruing the premium for 2009 at the .30 percent each month, so now what will I need to do in the future regarding the .15 percent? What if I already have enough premiums accrued for the new rate?

The premium accrual for the 1st quarter should have been a total of .30 percent rather than .30 percent per month. You should review the guidance provided in the Accounting Bulletin No. 09-2 as well as the recent LTCUs and adjust your liability estimate accordingly. You may find Enclosure B to this FAQ helpful.

14. When we change the NCUSIF premium from .30% to .15%, do I expense that over 8 years?

No, do not spread that expense over 8 years. The expense is a calendar year 2009 expense.

15. Is 0.15% premium intended to cover the aggregate of corporate stabilization costs, $250,000 insurance limit and additional natural person credit union losses?

No. The .15 percent premium is intended to reposition the NCUSIF to cover future losses of natural person credit unions. No assessment has been made related to the Stabilization Fund.

16. For credit unions who have elected to expense the entire assessment estimate, based on 12/31/2008 insured shares, and have reflected the liability in the 12/31/2008 financial statements, what entries need to be made other than decreasing the liability for additional premiums actually paid? Since the expense has been incurred, it seems the only future expense, in this instance, would be additional premium assessments above the ones recorded as of 12/31/2008. Is that correct?

The premium liability estimate recorded to date needs to be adjusted downward (or upward) based upon the new information provided in LTCUs No. 09-CU-14. Review Enclosure A to the LTCUs and adjust the estimated liability accordingly. The liability will be resolved when the premium is billed and paid later this fall.

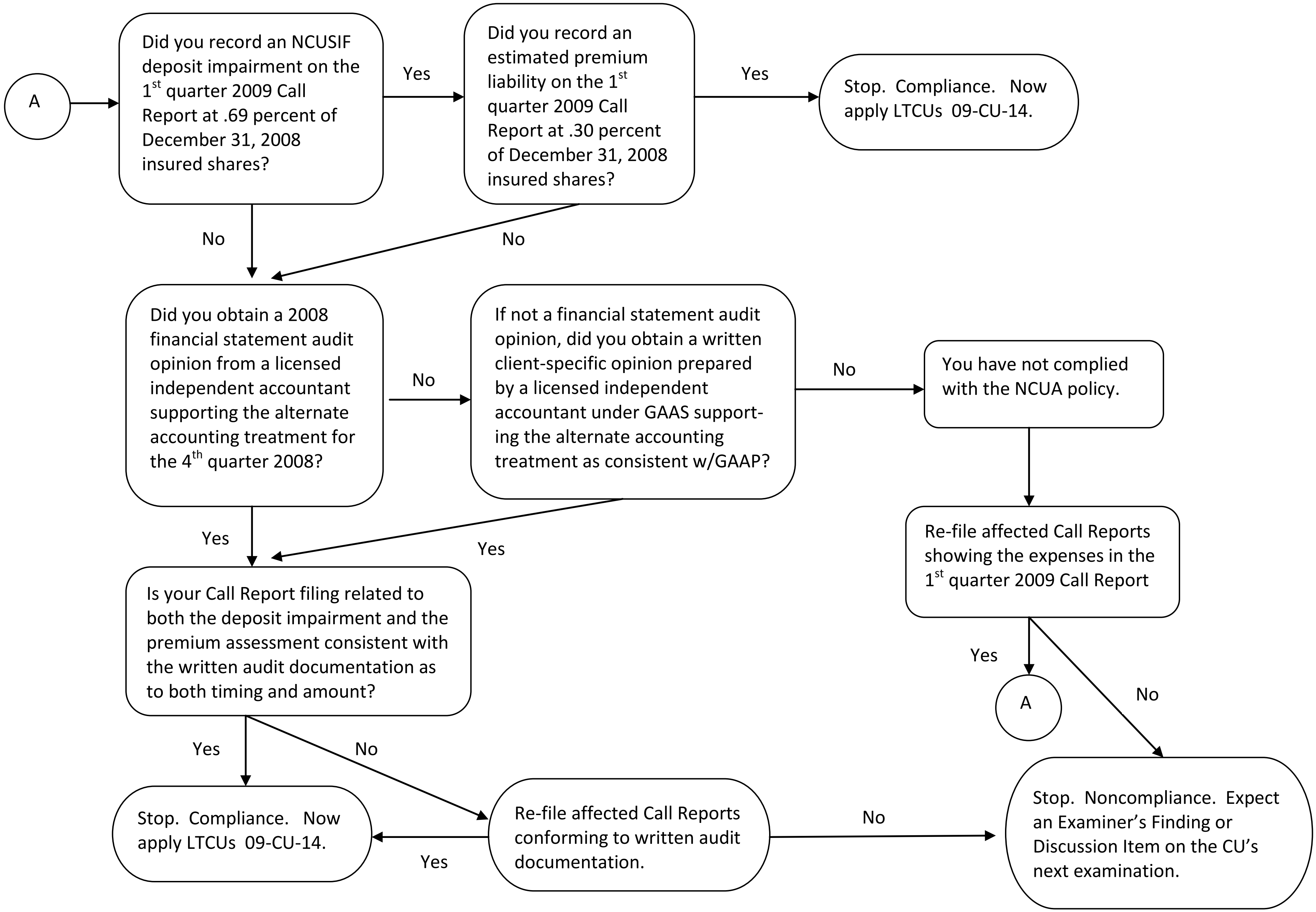
17. Does the 15% estimated premium need to be recorded in 2nd quarter?

In the 1st quarter you should have recorded a .30 percent premium based on December 31, 2008 insured shares ($100,000 per account). In the 2nd quarter, based on the new information provided in the LTCUs, you should adjust your premium estimate to .15 percent but on a $250,000 per account insurance level and possibly based on a different reporting date.

18. Can we accrue future premiums each month since we know they will occur?

No. The timing and amount of future premiums is not known. Under GAAP, a credit union would accrue a loss contingency when it is both probable a loss has been incurred and it can be reasonably estimated. With regard to possible future assessments, these conditions have not been met.

Decision Tree on Corporate Stabilization Regulatory Reporting Guidance Prior to LTCUs 09-CU-14[9] - **Enclosure A**



[9] Does not apply to credit unions on the Cash Basis of Accounting

Repeat of Accounting Bulletin 09-2 Entries (except entry (d)):

a) The issuance of the LTCU 09-CU-02 notified you the NCUA Board had taken action precipitating "*a partial write-off of your existing 1 percent NCUSIF deposit.*" Assume a NCUSIF Deposit of $125,000; impairment estimated at 51 percent; calculation reflects insurance up to $100,000 per account and is the insurance coverage amount you should use in your estimate:

Dr.-NCUSIF Stabilization Expense	$63,750	
(Line 31 - Expense)		
Cr.-NCUSIF Capitalization Deposit		$63,750

(***Calculation:*** $12,500,000 insured shares x.01 x .51)

b) Since the NCUA Board made an assessment to return the NCUSIF capitalization ratio to 1.30 percent that they expect to collect later in 2009, establish a contingent liability for the probable and estimable assessment billing:

Dr.-NCUSIF Stabilization Expense	$37,500	
(Line 31 - Expense)		
Cr.-Other Contingent Liabilities		$37,500
(Accounts Payable and Other Liabilities - Line 8)		

(***Calculation:*** $12,500,000 insured shares x .003)

c) The issuance of LTCUs 09-CU-06 notified you of the additional March 20, 2009 Board actions further impairing your NCUSIF capitalization deposit asset.

Dr.-NCUSIF Stabilization Expense	$22,500	
(Line 31 - Expense)		
Cr.-NCUSIF Capitalization Deposit		$22,500

Calculation: Deposit Balance, 3/19/2009	$61,250
Balance Needed, 3/20/2009 (12/31/2008 insured shares x .31 percent)	38,750
Additional Impairment	22,500

Entries based on new information in the LTCUs, the Webcast, and this FAQ:

d) With the issuance of LTCUs 09-CU-14 notifying credit unions of the pass-back and recapitalization of the NCUSIF Deposit and providing new information about the estimated premium billing:

Dr. -NCUSIF Capitalization Deposit	$86,250	
Cr.-Non-Operating Income		$86,250

(***Calculation:*** $12,500,000 insured shares x.69 percent)

Dr.-Other Contingent Liabilities	$16,331	
(Accounts Payable and Other Liabilities - Line 8)		
Cr.-NCUSIF Stabilization Expense		$16,331
(Line 31 - Expense)		

Calculation: ***(CU has less than $50 million in assets)***

$12,500,000 insured shares, December 31, 2008 ($100,000 per account) x .30 percent =	$37,500
$14,112,500 insured shares, December 31, 2008 ($250,000 per account) x .15 percent =	21,169
Decrease in Estimated Liability	$16,331

e) Later in 2009, the NCUA Board will bill and collect the assessment to return the NCUSIF to an equity level of 1.30 percent:

Dr.- Other Contingent Liabilities	$21,169	
Cr.-Cash		$21,169

Calculation:

1st –Resolve the Contingent Loss by paying the assessment bill to NCUSIF.