JEFFERSON COUNTY

FEDERAL CREDIT UNION

A COMMUNITY CREDIT UNION

Board Packet

TABLE OF CONTENTS

Item	Page #
Agenda	1
BSA Report - SAR	38
Check Register	41 - 43
Comment Cards	40
Correspondence	7 - 25
Financial Statements	26 - 27
Balance Sheet	26
P & L with Budget Review	27
Loan Officer Report	36
Loan - Loss Report	37
Marketing Report	44
Minutes	2 - 6
President's Report	28 - 32
F Y I	30
ID Theft Information	39
Investment Activity	29
Lending Activity	29
Statistical ALM - Monthly	35
Statistical Report - Monthly	33
Statistical Report with Key Ratios - YTD	34

JEFFERSON COUNTY FEDERAL CREDIT UNION
BOARD OF DIRECTORS MEETING
AGENDA

August 26, 2009

1. Approval of Minutes
   a. July 22, 2009 - Board *
   b. August 12, 2009 - Board *

2. Correspondence
   a. NCUA
      i. 09- FCU 05 * Payday Lending
      ii. 09- FCU 06 * Permissible Interest Rate Ceiling
      iii. 09- CU 15 * Financial Trends Q1 2009
      iv. 09- CU 16 * California Warrants
      v. 09- RA 07 * REG Z Amendments
   b. Mapother & Mapother Fifth Third Check Cashing
   c. KY Corp. FCU US Central financial impact

3. Treasurer's Report
   a. Financial Statement *
   b. P & L Statement Compared to Budget Monthly & Year-To-Date *

4. President's Report *

5. Senior Vice President Report – Marketing *

6. Report of Committees
   a. Annual Meeting
   b. Employee Grievance
   c. Executive
   d. Facilities
   e. Investment and Asset Liability Management - (In President's Report)
   f. Marketing
   g. Membership
   h. Nominating/Bylaws
   i. Personnel & Policy
   j. Planning
   k. Policy
   l. Risk Management
   m. Supervisory

7. Unfinished Business
   a.

8. New Business
   a. Loan Officer Approval *
   b. Investment Report Approval *
   c.

9. Adjournment

*** Indicates Documentation Attached**

JEFFERSON COUNTY FEDERAL CREDIT UNION

MINUTES - BOARD OF DIRECTORS MEETING

DATE: July 22, 2009
TIME: 8:30 A.M.
LOCATION: Board Room – Main Office

Roll Call

William Eskridge - Chairman	(WE)	Present
Steve Schweitzer - Vice-Chairman	(SS)	Excused
Wendell Wright – Treasurer	(WW)	Excused
Ed Davis - Secretary	(ED)	Present
Larry Dodson - Director	(LD)	Present
Marilynn Hettich - Director	(MH)	Present
Barbara Hays - Director	(BH)	Present
Susan Clifton – Supv. Comm.	(SC)	Present
Stan Robinson – Supv. Comm.	(SR)	Present
Joshua Jackson – Supv. Comm.	(JJ)	Present
Gary Fischer – Supv. Comm.	(GF)	Present
Richard Koch – Supv. Comm.	(RK)	Present
Carl Hicks - President and CEO	(CH)	Present
Gary Edelen – Sr. Vice President	(GE)	Present

Chairman Eskridge called the meeting to order at 8:30 AM.

A motion was made by LD and duly seconded by ED to approve the minutes of 06-24-09, 06-24-09 and 07-08-09. Vote Taken – Motion Carried.

All correspondence listed was discussed and explained to the Board's satisfaction by CH.

TREASURER'S REPORT
CH reported due to WW's absence. The key ratios and other pertinent data for the most major areas impacted (before CUSIP & NCUA assessment and after) are compared below. The operation before the assessment is within 10% of our budget income. Income from overdraft fees, investments and loans are the big lagers. Our loan growth projection is not on target and rates have not been increased as we thought the economy would allow. Expenses even with the assessment are only 3% over budget. There was an increase in deposits from the previous month of $805,000 and an increase of $9,131,000 year to date. Loan volume for the month showed a decrease of $300,000 and net loans showed a decrease of $120,000 for the month and an increase of $621,000 year to date. We will continue to closely monitor the competition and the overall operation for additional adjustments to dividend and income to benefit the members. The financials have been modified to eliminate the majority of the loss NCUA required us to write down in March. The projected 15 bp. assessment for NU+CSIF premium due in September has been totally expensed as directed and resides in a payable until they invoice us for it. This charge is now being expensed (per NCUA) over an eight year period.

Major Areas of Impact	REASON	BEFORE	AFTER	Difference
Assets	CU-SIP	96,279,807	121,279,807	25,000,000
Average Assets	CU-SIP	92,314,553	113,147,886	20,833,333
Investment Balance	CU-SIP	52,925,456	77,925,466	25,000,010
NET WORTH	CU-SIP	13.54%	10.75%	-2.79%
Long Term Assets	CU-SIP	22.10%	17.55%	-4.55%
Total Loans / Assets	CU-SIP	39.51%	31.37%	-8.14%

Board Minutes 1 of 3

Fixed Assets	**CU-SIP**	**1.65%**	**1.31%**	**-0.34%**
INC- NET- YTD	**NCUA**	**295,974**	**176,562**	**-119,412**
Return on Average Assets	**NCUA**	**0.64%**	**0.31%**	**-0.33%**

A motion was made by MH and duly seconded by LD to approve the report as printed and presented. Vote Taken - Motion Carried.

PRESIDENT'S REPORT
CH discussed and explained all of the printed report that ultimately becomes a part of these minutes as well as the additional items enumerated below.

1. An update was given regarding NCUA assessment and how it is to be handled.
2. We are currently interviewing to fill the vacancy created in the support services area.
3. The CUNA Mutual projections for the economy were discussed.
4. We found a refrigerant leak at the HV office that was not under the pavement and hope that will take care of our problems there.
5. The ALM committee met via conference call and reviewed the CNBS report for period ending 06-30-09. No action new action was required.
6. The clocks and glass sets for our 4oth anniversary were distributed.

A motion was made by BH and duly seconded by MH to approve the entire report as printed and discussed. Vote Taken – Motion Carried.

SENIOR VICE PRESIDENT'S REPORT
GE reported that we had 67 TV commercials on three stations. Our business development person has been working on outside marketing and has three enrollments this week. I was noted that we we make our presentations to SEG groups banks are present to do the same simultaneously. A motion was made by BH and duly seconded by MH to approve as printed and discussed. Vote Taken - Motion Carried.

ANNUAL MEETING COMMITTEE - No Report

EMPLOYEE GRIEVANCE COMMITTEE - No Report

EXECUTIVE COMMITTEE – No Report

FACILITIES COMMITTEE – No Report

INVESTMENT & ASSET/LIABILITY COMMITTEE - Contained in President's report.

MARKETING COMMITTEE - Contained in President's report.

NOMINATING/BYLAWS COMMITTEE – No Report

PERSONNEL & POLICY COMMITTEE – No Report

PLANNING COMMITTEE – No Report

POLICY COMMITTEE– No Report

RISK MANAGEMENT COMMITTEE - No Report

SUPERVISORY COMMITTEE - No Report

UNFINISHED BUSINESS - None

NEW BUSINESS

A motion was made by LD and duly seconded by MH to approve the loan officer's report. Vote Taken - Motion Carried.

A motion was made by BH and duly seconded by LD to approve the Investment & Asset Liability/Committee's report. Vote Taken - Motion Carried.

A motion was made by LD and duly seconded by MH to adjourn at 8:50 AM. Vote Taken - Motion Carried.

Chairman

Secretary

JEFFERSON COUNTY FEDERAL CREDIT UNION
MINUTES - BOARD OF DIRECTORS SPECIAL MEETING

DATE:	August 12, 2009
TIME:	8:30 A.M
LOCATION:	Holiday Inn – Hurstbourne Lane

<u>Roll Call</u>

William Eskridge - Chairman	(WE)	Present
Steve Schweitzer - Vice-Chairman	(SS)	Present
Wendell Wright – Treasurer	(WW)	Excused
Ed Davis - Secretary	(ED)	Present
Larry Dodson - Director	(LD)	Present
Marilynn Hettich - Director	(MH)	Present
Barbara Hays – Director	(BH)	Excused
Carl Hicks – President and CEO	(CH)	Present

Chairman Eskridge called the meeting to order at 8:30 A. M. The following items were discussed and CH's report and the attachments becomes a part of these minutes.

1. **Financials –** Despite everything else going on in the economy we had a good month. Discounting the $119,000 NCUA assessment we are within $11,000 of attaining our projected YTD income.

2. **Deposit Rates** – Still very competitive in all areas.

3. **NCUA\US CENTRAL Write down** – Further perceived impairment at USC by NCUA will devaluate capital at KCFCU and may further devaluate our capital deposits at KCFCU resulting in an additional write off. I will keep you posted. NCUA is considering shifting the responsibility from retail corporate to natural person credit unions to maintain stock ownership in USC in the future.

4. **KCUL Meetings** –SS and ED will attend the annual meeting so far.

5. **Staff Update** – Our new Support Services Officer, Bonnie Duffy started 07-24-09.

6. **FED's New Credit Card Rule** – This is scheduled to go in place 08-20-09. They decided at the last minute to interpret some items that will cause multiple repercussions that impact our open end lending program (approximately 900 loans). All of the financial industry trades as well as the Consumer Federation of America are fighting and begging to postpone the date but I don't see much movement on the FED's part to have a sympathetic ear. Under the rule, credit unions and other creditors must mail or deliver a periodic statement to borrowers for open end credit 21 days before the payment is due. Otherwise, the creditor may not treat payments as late for any purpose, including filing a credit report even if the payment is late. We will need to make changes to the system to comply and it is close to impossible for them to make the required changes by the August compliance date. Shareone is working diligently which we will pay for. The only work around I see is at this time is a dedicated mailing that will go out to these members by Friday.

   New rules also impact ATM access rules in January 2010. If we send a PBF to our processor we cannot include the courtesy pay amount without that amount being separately disclosed. Fifth-Third and Shareone will have to work in unison on this one. This could have an undesirable impact on member service, interchange and over draft income as well.

7. **MARKETING** – We are reviving some radio (Clear Channel traffic sponsorships) that were cut from the original budget for 2009 for the last five months of the year. There will be 15 spots per week (every other week) on eight stations for a cost of $6,100. Three spots will be rotated: (1) Home Loan, (2) Rewards Checking, (3) Outer Loop location. TV commercials remained unchanged.

8. **NEW ID THEFT PROGRAM** – Is up and running. The details are available on the website as a follow up to the newsletter disclosure that went our last month.

9. **E-Statements** – We are running another promotion for the fourth quarter and giving an IPod away like last time.

10. **HV BRANCH ACTIITY** – See Below

Current Month	2008	=	3,134	2009 =	3,611	Difference	+477	
Year To Date			22,069	=	23,009	Difference	+940	
Working Days				=	146	Difference	+6.4	Daily

11. **New NCUA Chair** – Debbie Matz was confirmed by the Senate Monday.

12. **Mapother Firm** – Townsend Foreclosure and the check issue with Fifth Third. I have not had any contact with the lawyer handling this since June 8th. On that day he needed a few more days to give me an answer. I notified the firm's president, Tom Canary of the following 08-04-09 via email. He responded that he will comply with my request.

    I last heard from Kyle on 06-08-09 on this topic. To say that his performance on this issue has been inept and pitiful are much greater complements than he deserves. You assured me during our last conversation that this would be taken care of properly and promptly. I have serious doubt that JCFCU's best interest are being looked out for by your firm and haven't been for awhile now. I need my documentation on this issue and my retainer returned so I can hire competent counsel and get this issue resolved one way or another. The foreclosure has a sale date set for 10-13-09 and I would once again ask for assurance that it will be handled by someone on your staff with competence and completed properly assuring our interests are looked after properly. At minimum I should not have to wait 60 days and hear nothing. I am extremely disappointed and disgusted as I am sure you can tell. When my relationship with this firm began in 1977 no one could have convinced me that M&M would ever treat a client like this. Obviously I was wrong.

All the above items were discussed and reviewed by the Board. There being no further business WE declared the meeting adjourned at 9:30 A.M.

__________________________________ __________________________________
Chairman Secretary

NCUA LETTER TO CREDIT UINONS

NATIONAL CREDIT UNION ADMINISTRATION
1775 DUKE STREET, ALEXANDRIA, VA 22314

DATE:	**July 2009**	**NO:**	**09-FCU-05**
TO:	**Federally Insured Credit Unions**		
SUBJ:	**Payday Lending**		

Introduction

The National Credit Union Administration (NCUA) encourages federal credit unions (FCUs) to find sound ways to serve their members' small loans needs. This letter alerts FCUs to the risks, compliance issues and responsibilities associated with operating a payday lending program. It also highlights the potential benefits a well-designed, small loan program can provide to members and FCUs alike. (This letter supplements previously issued Letter 01-FCU-03 on the same topic.) NCUA reminds FCUs of the need to comply with statutory and regulatory provisions in operating a lending program and offers suggestions on how FCUs can best serve their members' interests in this context.

Payday Lending Defined and Effects on Borrowers

Although there is no one universally accepted definition of "payday loans," that term generally refers to small-dollar, short-term loans borrowers promise to repay from their next paycheck or salary deposit. Historically, these loans have often been made by lenders who charge high fees and may engage in predatory lending practices. While some payday loan borrowers use these loans sparingly, other borrowers find themselves in cycles where their loans roll over repeatedly, incurring high fees, and are unable to break free of this unhealthy dependence on payday loans. NCUA believes this dependence often reflects or exacerbates other financial difficulties payday loan borrowers are experiencing. It is understandable, therefore, that for many, the term "payday loan" carries a negative connotation.

NCUA is aware that an increasing number of FCUs are interested in establishing short- term loan programs that are more advantageous to their members than programs available from traditional payday lenders and pawn shops. NCUA believes a well-run loan program can be an opportunity for an FCU to improve the lives of its members by providing low cost, small loans. An FCU's program should be designed ultimately to try to help members end their reliance on payday loans and guide members toward the FCU's more mainstream, low cost financial products and services, including financial counseling. An FCU's board of directors is responsible for articulating loan policy, underwriting standards, and the degree of risk an FCU is willing to take in its various loan programs.

Legal Framework

The Federal Credit Union Act (Act) and NCUA's lending regulation impose a ceiling on the interest rate an FCU may charge for credit. 12 U.S.C. §1757(5)(A)(vi); 12 C.F.R. §701.21(c)(7)(i). Currently, the interest rate ceiling is 18% per year on the unpaid balance. It is calculated "inclusive of all finance charges." Id. As a result, even a minimal finance charge can cause a loan to have an annualized interest rate in excess of the ceiling, especially with respect to a payday loan that is typically for a small dollar amount and a short term. For example, a $10 finance charge on a $200 loan with a two-week term and a stated interest rate of 16.5% actually would have an annualized interest rate of nearly 150%, far exceeding the 18% ceiling. (NCUA calculates the annualized interest rate in this example as follows. The additional borrowing cost attributable to the $10 fee on the $200 loan for 14 days is $0.71 per day. The daily rate of $0.71 x 365 days is $259.15, the projected borrowing cost for a full year for the $10 fee alone. $259.15 divided by $200 equals 129.58% annualized just for the $10 fee. Adding the stated interest rate of 16.5% to the 129.58% equals 146.08%, which is nearly 150% as stated above.)

NCUA's long standing policy has been to look to the definition of "finance charge" in Regulation Z (Reg Z) of the Federal Reserve's (Fed) regulations to determine what fees are finance charges. (12 C.F.R. Part 226.) The NCUA Board articulated this policy in the preamble of a final rulemaking and the Office of General Counsel has subsequently reiterated the policy in numerous legal opinions. (45 Fed. Reg. 22888, 22890 (April 4, 1980); OGC Legal Op. 91-0412 (April 30, 1991).)

Reg Z implements truth-in-lending legislation to promote consistent and informed use of consumer credit. It requires creditors to disclose the terms and costs of consumer credit transactions but does not generally govern charges for consumer credit. Reg Z defines "finance charge" broadly as including "any charge payable directly or indirectly by the consumer and imposed directly or indirectly by the creditor as an incident to or a condition of the extension of credit." (12 C.F.R. § 226.4(a).) As a result, most fees charged in connection with an extension of credit are considered finance charges.

Reg Z, however, expressly excludes certain charges from the definition of finance charge. For example, "[a]pplication fees charged to all applicants for credit, whether or not credit is actually extended" are excluded. (12 C.F.R. §226.4(c)(1).) The Fed's Official Staff Interpretations to Reg Z further explains:

> An application fee that is excluded from the finance charge is a charge to recover the costs associated with processing applications for credit. The fee may cover the costs of services such as credit reports, credit investigations, and appraisals. The creditor is free to impose the fee in only certain of its loan programs, such as mortgage loans, [h]owever, if the fee is to be excluded from the finance charge under § 226.4(c)(1), it must be charged to all applicants, not just to applicants who are approved or who actually receive credit. (12 C.F.R Part 226, Supp. I, Section 226.4—Finance Charge, 4(c) Charges excluded from the finance charge. Paragraph 4(c)(1).)

Other fees, such as some participation fees, are also excluded from the definition of finance charges in Reg Z. A participation fee is a payment to access a credit plan, not a fee imposed separately on individual closed-end transactions. Minimum monthly charges and charges based on either account activity or the amount of credit available under a plan are not excluded from the definition of finance charge. For example, a fee charged and then refunded based on the extent to which a borrower uses available credit is a finance charge. (12 C.F.R Part 226, Supp. I, Section 226.4—Finance Charge, 4(c) Charges excluded from the finance charge. Paragraph 4(c)(1).)

The interplay between the loan interest rate ceiling applicable to FCUs under the Act and NCUA's lending regulation and the provisions of Reg Z can be complex. An FCU must ensure its program complies with applicable law. Including finance charges in the annual percentage rate (APR) presents the greatest compliance challenge for most FCUs with respect to the loan interest rate ceiling. As shown in the below examples, an FCU can structure its program to be cost effective, comply with applicable law, and satisfy member needs.

Examples of Permissible and Impermissible Programs

FCUs can structure a permissible short-term, small loan program in many ways. Examples of permissible programs include the following.

- An FCU offers a loan of $500 for 120 days at 16.9% APR and no fees. Minimum payments are due on each payday. If a member has received two loans, then the member must complete a budget counseling course made available through the credit union before receiving a third loan.

- An FCU offers 18% APR loans of $100-$600 that are to be repaid in installments of one month for every $100 borrowed. There are no other fees.

- An FCU offers loans up to $1,000 for six months and deposits half of the loan amount in the borrower's savings account. There is a $10 application fee. The APR will vary depending on whether the loan is paid with or without automatic payment, but in no event will it exceed 18%.

All of the above examples permit members to repay their loans over a period of months rather than within two weeks. Although not legally required, this maturity feature may make it easier for members to pay off their loans and minimize roll-overs and keeps the APR within legal limits. FCUs should consider if similar maturity terms would enhance their own loan programs.

The following are examples of programs that are not permissible.

- An FCU offers loans with no application fees or participation fees. There are no finance charges other than an APR of 18.5%. This exceeds the 18% ceiling.

- An FCU offers loans with a stated 0% APR and charges an application fee of 20% based on the loan amount. The FCU has essentially the same processing costs for all payday loans regardless of amount. The 20% fee does not accurately reflect the costs of processing applications so the fee should be considered a finance charge under Reg Z and be included in calculating the APR. This would raise the APR above the 18% ceiling.

- An FCU offers loans with a stated APR of 18%. It charges a variable participation fee depending on the loan amount. This fee is charged multiple times if the borrower: fails to cancel the account after repayment, repays one payday loan and takes out another, or pays something less than full repayment at maturity. The program contemplates multiple participation fees based on individual closed-end transactions or account activity. These participation fees are not based simply on gaining access to a credit plan and, therefore, should be considered finance charges under Reg Z and would cause the APR to exceed the 18% ceiling.

Credit Union Service Organizations (CUSOs)

FCUs should remember that making consumer loans is not a preapproved activity for CUSOs.(12 C.F.R. Part 712.) Consequently, if a CUSO makes payday loans, then an FCU must divest itself of its ownership interest in the CUSO and may no longer invest in or lend to the CUSO. State chartered credit union investment and divestiture requirements in such a CUSO will be governed by applicable state law.

Lending Risks for FCUs

FCUs must be attuned to and understand the variety of risks associated with small amount, short-term loans. FCUs should also strive to provide financial education and try to help their members understand these types of transactions so members can choose the products best suited for them.

Credit Risk:

Borrowers who need these loans frequently have limited financial capacity, blemished credit, or no credit history. The short-term nature of the loans may make it difficult for borrowers to accumulate the needed payoff funds when due. An FCU should set borrower and program limits to control credit concentration risk.

Transaction/Fraud Risk:

Given the frequency of renewals and add-ons, these loans can pose high levels of transaction risk. Because payday transaction amounts are small, these loans often do not receive the same scrutiny as higher dollar loans and may be vulnerable to unauthorized add-ons or renewals that can mask true delinquency and loan losses.

Reputation Risk:

Because of high fees and the negative connotation often associated with payday loans, current and potential members may believe an FCU making these loans is participating in inappropriate or predatory lending practices. An FCU should clearly disclose the costs and risks associated with loans and never mislead members in advertisements or as part of the application process.

Compliance Risk:

As with any loan an FCU makes, it must comply with applicable consumer protection laws, including the Equal Credit Opportunity Act (ECOA) and Regulation B (Reg B), Truth in Lending Act and Reg Z, Electronic Fund Transfer Act (EFTA) and Regulation E (Reg E), and Truth in Savings Act (TISA) and Part 707 of NCUA's regulations.

- ECOA and Reg B: An FCU must comply with requirements concerning nondiscriminatory lending and notification of action on loan applications. Further, if using a credit scoring system to evaluate borrowers, an FCU must ensure the system complies with requirements for system validation, and, if overrides are allowed, that they are based on nondiscriminatory factors.

- Truth in Lending Act and Reg Z: An FCU must provide accurate disclosures to borrowers. Failing to calculate and disclose finance charges and APRs accurately can result in an FCU having to pay restitution to wronged borrowers.

- EFTA and Reg E: An FCU that establishes a loan program where it opens a deposit account for each borrower, deposits loan proceeds into the account, and issues an electronic access card to the borrower to debit the funds may be subject to the terms of EFTA, Reg E, TISA, and Part 707.

An insured credit union may not use any advertising, including print, electronic, or broadcast media, displays and signs, stationery, and other promotional material, or make any representation that is inaccurate or deceptive in any way. (12 C.F.R. §740.2.) This general prohibition applies to how an FCU describes and promotes the terms of any loan program. In this regard, FCUs should perform thorough due diligence before entering into any sort of third-party relationship with a CUSO or other party for the purpose of making payday or similar loans.

An FCU that refers its members to a third party to obtain payday loans for a finder's fee or other purpose incurs risk in doing so. For example, as noted above, an FCU cannot own or invest in a CUSO if the CUSO makes consumer loans. Also, an FCU would be in violation of Part 740 of NCUA's rules if it misrepresents the terms of a payday loan being offered by a third party to whom the FCU refers members. Further, not only would this create significant reputation risk, but it is contrary to the FCU's central mission to serve its members.

Payday Lending Risks for Members

While payday loans can help members on a short-term basis, members should be made aware of the risks associated with this kind of borrowing on a long-term basis including the high cost. For FCUs that offer small amount, short-term loan programs, NCUA suggests the program should include features that try to help members use the FCU's more mainstream financial products and services. For example:

- Limiting the number of roll-overs a member may make or limiting the number of payday loans a member may have in one year;
- Imposing substantial waiting periods between loans;
- Permitting a member to rescind a loan, without charge, within 24 hours after it is made; and
- Providing financial counseling services in conjunction with these loans.

Conclusion

FCUs can enhance their members' economic well-being by offering alternatives to payday loans that provide members with short-term credit at fair rates. These programs should be geared to moving members away from short-term loans and towards more mainstream products and services. FCUs should carefully craft their loan programs to navigate the risks associated with this type of lending and comply with applicable law.

Sincerely - Michael E. Fryzel

NCUA LETTER TO CREDIT UINONS

NATIONAL CREDIT UNION ADMINISTRATION
1775 DUKE STREET, ALEXANDRIA, VA 22314

DATE: July 2009 NO: 09-FCU-06
TO: Federally Insured Credit Unions
SUBJ: Permissible Interest Rate Ceiling

Dear Manager and Board of Directors:

This letter is to inform you that, in accordance with the provisions of the Federal Credit Union Act, the NCUA Board determined at its meeting on July 16, 2009 to continue the current 18 percent rate as the permissible interest rate ceiling for loans made by federal credit unions.

Under the Federal Credit Union Act, federal credit unions are subject to a 15 percent interest rate ceiling unless the NCUA Board establishes a higher rate after considering certain statutory criteria. 12 U.S.C. §1757(5)(A)(vi)(I). The NCUA Board is required to reconsider its determination no less frequently than every 18 months. The NCUA Board determined at its July 16, 2009 meeting to continue the current 18 percent rate for loans beginning September 10, 2009.

If you have any questions, you should contact your regional office.

Sincerely - Michael E. Fryzel

NCUA LETTER TO CREDIT UINONS

NATIONAL CREDIT UNION ADMINISTRATION
1775 DUKE STREET, ALEXANDRIA, VA 22314

DATE: July 2009 NO: 09-CU-15
TO: Federally Insured Credit Unions
SUBJ: Financial Trends – 2009 – Q1

Dear Board of Directors:

Enclosed is a report highlighting credit union financial trends for the first three months of 2009. The analysis is based on data compiled from the quarterly call reports submitted by all federally insured credit unions.

Overall, the financial condition of the credit union industry remains sound. However, the current financial environment and adverse economic conditions are impacting credit union trends. Delinquency and net charge-offs continue to increase, especially in the real estate sector, indicating continued elevated concerns in the credit quality of loan portfolios.

Consistent with the last several years, the loan growth in the 1st quarter of 2009 came from the real estate sector with the primary funding sources being higher cost share accounts and borrowed funds. The cyclical influx of share growth was noted in the 1st quarter.

Given the current issues within the mortgage and credit markets, credit unions originating real estate loans are encouraged to remain vigilant and enforce sound underwriting practices. Management must continue to follow proper risk management practices to mitigate future losses while continuing to meet member needs. Credit unions with higher levels of liquidity or interest rate risk must maintain diligent risk management procedures.

I will continue to pursue initiatives and any available assistance to help protect the safety and soundness of the credit union industry and your members. Thank you for your cooperation in submitting your financial and statistical data in a timely manner.

Sincerely - Michael E. Fryzel

NCUA LETTER TO CREDIT UINONS

NATIONAL CREDIT UNION ADMINISTRATION
1775 DUKE STREET, ALEXANDRIA, VA 22314

DATE: July 2009 NO: 09-CU-16
TO: Federally Insured Credit Unions
SUBJ: Guidance on Acceptance of California Warrants

Dear Board of Directors:
Enclosed with this Letter is the interagency guidance regarding California registered warrants. Credit union management should consider this guidance when assessing risks associated with accepting these warrants. The State of California has a website to provide specific warrant information: www.sco.ca.gov/5935.html.

This Letter also provides guidance to credit unions choosing to accept warrants issued by the State of California from their members on how they should record and document the transaction.

Federal credit unions should not treat their acceptance of a warrant from a member as an investment by the federal credit union but may treat their acceptance of a warrant as a collection item, a deposit, or a loan depending on whether the credit union has extended credit to a member and the disclosures or other documentation it has provided to members. If a credit union extends credit to a member in accepting the warrant, it should inform members of the charge back and collection rights the credit union may have. Subject to safety and soundness considerations, federal credit unions are not generally restricted in the type of collateral they may hold as security for payment of an extension of credit. State-chartered credit unions, with authority to make an investment in a warrant, are advised that, if they choose to record the warrants as a credit union investment, they will have to reserve for a nonconforming investment under NCUA's investment rule.

Background
Federal credit unions may invest in the obligations of any state or political subdivision thereof, 12 U.S.C. §1757(7)(K), but NCUA's investment regulation provides that these investments are permissible only if a nationally-recognized statistical rating organization has rated the security in one of the four highest rating categories. 12 C.F.R. § 703.14(e). Our understanding is California warrants cannot meet that requirement. For that reason, a federal credit union should not record its acceptance of a warrant from a member as an investment by the federal credit union in the warrant. Assuming a state-chartered credit union may invest in a California warrant under applicable state law, a state chartered credit union must reserve for the investment under NCUA's regulation regarding nonconforming investments. 12 C.F.R. §741.3(a)(2).

Summary

We understand credit unions are making a business decision to accept these warrants to assist their members affected by the financial situation confronting the State of California. Credit unions should be mindful as they try to work with their members that they need to do so prudently, ensuring they comply with NCUA regulations and that members are appropriately informed as to their obligations.

We are aware some credit unions have already accepted warrants and we recommend those credit unions consult with their own legal counsel and accounting professionals on the appropriate treatment for those transactions. If you have any questions related to this Letter, you should contact your regional office, district examiner or appropriate state supervisory authority.

Sincerely - Michael E. Fryzel

REGULATORY ALERT

NATIONAL CREDIT UNION ADMINISTRATION
1775 DUKE STREET, ALEXANDRIA, VA 22314

DATE: **August 2009** **NO:** **09-RA-07**
TO: **Federally Insured Credit Unions**
SUBJ: **Amendments to Regulation Z – Truth In Lending**

Dear Board of Directors:
The Board of Governors of the Federal Reserve System (FRB) published, on July 22, 2009, an interim final rule amending Regulation Z (Truth in Lending) implementing provisions of the Credit Card Accountability, Responsibility, and Disclosure Act of 2009 (Credit CARD Act). In May 2009, the Credit CARD Act amended the Truth in Lending Act (TILA) and other statutes to establish fair and transparent practices for open-end consumer credit plans, including credit cards.

The Credit CARD Act's amendments to TILA go into effect in three stages. **The interim final rule implements the provisions of the Credit CARD Act that go into effect on August 20, 2009.** The remaining provisions go into effect on February 22, 2010 or August 22, 2010 and will be implemented by the FRB at a later date. The Appendix to this alert provides a list of provisions relative to creditors and their effective date.

The interim final rule implements the requirements in the Credit CARD Act as follows:

- Creditors must provide written notice to consumers 45 days before increasing an annual percentage rate on a credit card account or making a significant change to the terms of a credit card account.

- Creditors must inform consumers in the same notice of the right to cancel the credit card account before the increase or change goes into effect. If a consumer cancels an account, the creditor is generally prohibited from applying the increase or change to the account.

- Creditors generally must mail or deliver periodic statements for credit cards and other open-end consumer credit accounts at least 21 days before payment is due.

The FRB acknowledged in the interim final rule that meeting the 21-day requirement by August 20, 2009 may be difficult for various reasons. As a remedy for this issue relative to open-end credit other than credit cards, and for a short period after August 20, 2009, the FRB recommended disclosing elsewhere on or with the periodic statement that the payment will not be treated as late for any purpose if received within 21 days after the statement was mailed or delivered. The full text of this remedy may be found on page 36082 of the interim final rule as published in the Federal Register. 74 Fed. Reg. 36077, 36082 (July 22, 2009).

The interim final rule published in the Federal Register is available at: http://frwebgate1.access.gpo.gov/cgi-bin/PDFgate.cgi?WAISdocID=787766209481+0+2+0&WAISaction=retrieve. This publication includes the amendments to Regulation Z, a section by section analysis, and official staff interpretations. The Credit CARD Act is available from the Government Printing Office at: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_public_laws&docid=f:publ024.111.pdf. NCUA encourages you to review the interim final rule and Credit CARD Act in order to begin preparing for the remaining revisions and amendments which will become effective in 2010.

The Credit CARD Act's provisions and the FRB's implementing regulation, with respect to credit cards, are similar to the Unfair or Deceptive Acts or Practices (UDAP) rule (NCUA Rules & Regulations, Part 706) issued on January 29, 2009 with an effective date of July 1, 2010. *See* 74 Fed. Reg. 5498 (January 29, 2009). Creditors should note the effective dates under the Credit CARD Act and the FRB regulation are generally sooner and, also, that the scope of the Credit CARD Act and the FRB's regulation is broader, applying to all open-end credit, not only credit cards. For more information about the Credit CARD Act relative to the UDAP rule, see NCUA's July 1, 2009 press release at: http://www.ncua.gov/news/press_releases/2009/MR09-0701.htm. The UDAP rule published in the Federal Register is available at:
http://frwebgate4.access.gpo.gov/cgi-bin/PDFgate.cgi?WAISdocID=800072257462+28+2+0&WAISaction=retrieve.

Should you have questions about the Regulation Z amendments, please do not hesitate to contact your NCUA regional office or state supervisory authority.

Sincerely - Michael E. Fryzel

Appendix - Credit CARD Act & Effective Dates

(1) Unless otherwise stated, the sections below modify TILA.
(2) Only provisions that apply to creditors are listed (i.e. provisions requiring Agencies or non-creditors to take certain actions are not addressed in this Appendix).

Sec.	Effective Date	Description
101(a)	08/20/2009	Requires a creditor to provide written notice not later than 45 days prior to the effective date of: (1) any increase in an annual percentage rate (APR); and (2) any significant change, as determined by rule of the Federal Reserve Board, in the terms of the cardholder agreement (including an increase in fees or finance charges).
106(b)	08/20/2009	Revises requirements for the timing of payments and the grace period. Requires each periodic statement of payment due to be mailed at least 21 days before the payment due date or grace period expiration date.
101(b)	02/22/2010	Prohibits a creditor from increasing any annual percentage rate (APR) of interest, fee, or finance charge applicable to the existing balance on an open end consumer credit card account unless specified conditions are met: (1) expiration of a specified time period (e.g. promotional period) disclosed clearly and conspicuously to the consumer before commencement of the time period; (2) a variable APR tied to an index not under the creditor's control; (3) payment not received within 60 days after the due date; or (4) completion of a workout or temporary hardship arrangement, or the consumer's failure to comply with such an arrangement. Prohibits any APR increase relating to such an arrangement from exceeding the APR applicable to the particular category of transactions on the day before the effective date of the arrangement. Prohibits a creditor from changing the terms governing repayment of an outstanding balance, but permits the creditor to provide the obligor with specified repayment methods.
101(d)	02/22/2010	Declares that no increase in any APR, fee, or finance charge, with certain exceptions, shall be effective before the end of the one-year period beginning on the date on which the account is opened. States that, in the case of a promotional rate, no written notice of an increase in the APR shall be effective before the end of a six-month period beginning from the date the promotional rate takes effect.
102(a)	02/22/2010	Prohibits imposition of a finance charge, with certain exceptions, upon a credit card account balance that is based on balances for days in billing cycles preceding the most recent billing cycle (double billing cycle) as a result of the loss of any grace period. Prohibits penalties for on-time payments.

Sec.	Effective Date	Description
		Prohibits the charge of an over-the-limit fee unless the consumer expressly permits the creditor to complete the relevant transaction (opt-in). Allows imposition of an over-the-limit fee only once during a billing cycle. Prohibits its imposition more than once in two subsequent billing cycles with respect to such excess credit, unless the consumer: (1) has obtained an additional extension of credit in excess of the credit limit during any such subsequent cycle; or (2) reduces the outstanding balance below the credit limit as of the end of such billing cycle. Prohibits a creditor from imposing a separate fee related to the method of payment (by mail, electronic transfer, telephone authorization, or other means), unless the payment involves an expedited service by the creditor's service representative.
103	02/22/2010	Limits the use of the term "fixed," in conjunction with an APR or applicable interest rate, to a rate that will not change or vary for any reason over the period specified clearly and conspicuously in the terms of the account.
104	02/22/2010	Requires a creditor to promptly credit a consumer's payment if received by 5:00 pm on due date. Requires a card issuer, upon receipt of payment, to apply amounts in excess of the minimum payment amount first to the balance bearing the highest rate of interest, and then to each successive balance bearing the next highest rate of interest, until the payment is exhausted. Requires a creditor to allocate the entire amount paid in excess of the minimum payment to a balance on which interest is deferred during the last two billing cycles immediately preceding the expiration of the period during which interest is deferred. Prohibits a card issuer from imposing any late fee or finance charge for a late payment if: (1) the issuer makes a material change in the mailing address, office, or procedures for handling cardholder payments; and (2) such change causes a material delay in the crediting of payment made during the 60-day period following the date on which such change took effect.
105	02/22/2010	Prescribes a standard for the initial issuance of subprime or "fee harvester" cards (accounts requiring first-year fee payments in excess of 25% of the total amount of credit authorized). Prohibits payment of any fee from the credit made available by the card (other than any late fee, over-the-limit fee, or any fee for a payment returned for insufficient funds).
106(a)	02/22/2010	Requires the payment due date to be the same day each month, or the next business day if such date falls on a weekend or holiday.
107	02/22/2010	Revises civil penalties for creditor noncompliance with TILA. Includes in such penalties twice the amount of any finance charge in connection with a transaction, between $500 and $5,000 (or a higher amount in the case of an established pattern or practice of noncompliance), in the case of an individual action relating to an open end consumer credit plan that is not secured by real property or a dwelling.
109	02/22/2010	Requires a card issuer to consider the ability of the consumer to make required payments as a prerequisite to opening any consumer credit card account, or increasing any credit limit.

Sec.	Effective Date	Description
201	02/22/2010	Revises and expands requirements for mandatory minimum payment disclosures a creditor must furnish. Directs the Federal Reserve Board to issue guidelines, by rule, for the establishment and maintenance by creditors of a toll-free telephone number for purposes of providing information about accessing credit counseling and debt management services.
202	02/22/2010	Revises requirements relating to late payment deadlines. Requires specified disclosures relating to increases in interest rates for late payments. States that the date on which the obligor makes a payment at the local branch of a creditor financial institution shall be considered to be the date on which the payment is made for purposes of determining whether a late fee or charge may be imposed due to the failure of the obligor to make payment on or before the due date for such payment.
203	02/22/2010	Requires a card issuer that has changed or amended any term of the account since the last renewal that has not been previously disclosed to make such a disclosure to the consumer by a certain deadline.
204	02/22/2010	Requires creditors to post on an Internet site the written agreement between the creditor and the consumer for each open-end consumer credit plan.
205	02/22/2010	Amends the Fair Credit Reporting Act to require any advertisement for a free credit report to disclose prominently that free credit reports are available under federal law at AnnualCreditReport.com (or other authorized source).
301	02/22/2010	Prohibits extensions of credit to consumers under age 21, unless the consumer has submitted a written application that meets specified requirements. Requires any such application to be signed by a cosigner, including the parent, legal guardian, spouse, or any other individual who has attained the age of 21 having a means to repay debts incurred by the consumer in connection with the account.
302	02/22/2010	Amends the Fair Credit Reporting Act to permit a consumer reporting agency to furnish a consumer report regarding credit or insurance transactions that are not initiated by the consumer only if the report does not contain a date of birth that shows that the consumer has not attained the age of 21, or, if the date of birth on the consumer report shows that the consumer has not attained the age of 21, the consumer consents to the furnishing of such report.
303	02/22/2010	Requires approval by the jointly liable party to increase credit lines for accounts for which a parent, legal guardian, spouse of the consumer, or any other individual is jointly liable.
304	02/22/2010	Requires an institution of higher education to disclose publicly any agreement made with a card issuer or creditor for the purpose of marketing a credit card. Prohibits a card issuer or creditor from offering to a student at an institution of higher education any tangible item as inducement to participate in an open end consumer credit plan if such offer is made: (1) on or near the campus of the institution; or (2) at an event sponsored by or related to such institution.
305	02/22/2010	Requires each creditor to submit an annual report to the Federal Reserve Board containing the terms and conditions of all business, marketing, and promotional agreements and college affinity card agreements with an institution of higher education, or with an affiliated or related alumni organization or foundation, with respect to any college student credit card issued to a college student at such institution.

Sec.	Effective Date	Description
101(c)	08/22/2010	Requires a creditor that increases the APR based upon factors including the obligor's credit risk, market conditions, or other factors to, at least once every six months: (1) consider changes in such factors in subsequently determining whether to reduce the APR for such obligor; and (2) reduce the APR when a review indicates a reduction.
102(b)	08/22/2010	Requires any penalty fee or charge to be reasonable and proportional to the omission or violation involved.
401	08/22/2010	Amends the Electronic Fund Transfer Act to declare unlawful: (1) the imposition of a dormancy fee, an inactivity charge or fee, or a service fee with respect to a gift certificate, store gift card, or general-use prepaid card; and (2) the sale or issuance of a gift certificate, store gift card, or general-use prepaid card that is subject to an expiration date.

To: Member Credit Unions
From: Jim Thompson, President/CEO
Date: August 3, 2009
Re: UPDATE 4: US Central Federal Credit Union Conservatorship Action and Impact on Kentucky Corporate Federal Credit Union

Kentucky Corporate has strived to and will continue to provide the most current information available regarding the impact of the US Central FCU conservatorship and associated impact to Kentucky Corporate members. Unfortunately, our reporting of the effects of the estimated losses due to the dislocations in the mortgage market over the past several months has changed several times. We apologize for any confusion caused by our frequent updates.

At the time the NCUA conserved U.S. Central, it was reported that corporate capital at U.S. Central was 100% impaired. Subsequent to that, NCUA hired Clayton Fixed Income Services, Inc. to perform a review of U.S. Central's securities for the first and second quarters of 2009. With NCUA/U.S. Central's release of their first quarter unaudited financials, NCUA/U.S. Central estimated losses were $1.8 billion, which resulted in a 100% loss of all Paid-in Capital and a 23% reduction in Membership Capital Shares (MCS) for all corporates. Generally Accepted Accounting Principles (GAAP) allowed taking the present value of the cash flows associated with the underlying securities and spread another $500 million over the life of the securities. NCUA/U.S. Central's newly released unaudited second quarter financials revealed estimated OTTI losses increased by another $537 million. Each of these estimated effects on Kentucky Corporate are still being calculated without the benefit of a U.S. Central FCU audit opinion, which is now expected by mid August 2009.

Based on this latest information from NCUA/U.S. Central, Kentucky Corporate could be forced to write off the balance of its Reserves and Undivided Earnings (RUDE) of just over $2.1 million as well as 84.81% of our members' Paid in Capital deposits. Please remember that this does not take into account possible future losses at Kentucky Corporate as a result of any US Central losses. We recommend you consult with your independent auditors if you have any questions regarding the accounting treatment of these events. We will provide completed audited financials of Kentucky Corporate after U.S. Central releases its audited financial statements.

The following chart shows the effects if Kentucky Corporate is advised to write down 52% of our remaining Membership Capital Shares investments at U.S. Central.

Kentucky Corporate's Capital at US Central FCU

	PIC II	PIC	MCS
Capital in Million as of 09/30/2008	$ 3.929	$ 4.613	$ 18.162
Losses Applied on 03/31/09	$ 3.929	$ 4.613	$ 4.226
Losses Applied on 06/30/09	$ -	$ -	$ 7.253
Balance	$ -	$ -	$ 6.683
Total Reduction	$ 20.021 Million		

These losses will be more than covered by Kentucky Corporate's RUDE and member contributed capital.

Your capital with Kentucky Corporate has always been considered an "at risk" investment. At Kentucky Corporate, capital is contributed through your MCS, and voluntarily by some members through PIC. Through all of our previous correspondence, it was reiterated that in the event of a loss greater than Kentucky Corporate's RUDE, then your PIC and MCS would be impacted in that order.

NCUA/U.S. Central will continue to report OTTI on a quarterly basis and therefore if the mortgage market worsens, there could possibly be more losses to our members' capital. These OTTI losses are based on estimates. NCUA/U.S. Central has reported that the actual losses to date are only $45.7 million. However, if the actual losses for U.S. Central are not as large as these estimates, NCUA has repeatedly stated that U.S. Central has no legal responsibility to return these losses charged to the Corporates.

A worst case scenario is if all of Kentucky Corporate's remaining capital deposits with U.S. Central are lost, Kentucky Corporate could lose an additional $6.683 million. As of 6/30/09, this would result in the reduction of all retained earnings ($2.11 million), all member PIC ($6.06 million) and 32.52% of member MCS ($5.76 million).

With all non-capital deposits guaranteed, Kentucky Corporate has no other exposure risk outside of the U.S. Central capital account losses. Unlike most other corporate credit unions, Kentucky Corporate has invested almost exclusively with U.S. Central. We have no mortgaged-backed securities or any other investment vehicles which have been linked to losses at other retail corporate credit unions. Therefore, Kentucky Corporate has no realized or unrealized losses which may have an adverse affect to the balance sheet in the future.

Thank you for your continued support of Kentucky Corporate. We continue to work hard to earn your trust and safeguard your deposits with us. We look forward to getting beyond these issues so that we can get back to focusing on serving our members.

We will continue to inform you as developments arise. Please let me know how I may be of assistance in the interim. Please e-mail me at jthompson@kycorp.org or call me at (502) 459-6110 or 1-800-333-5285, ext. 200.

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Mr. Carl F. Hicks, Jr.
President & CEO
Jefferson County Federal Credit Union
9600 Ormsby Station Road
Louisville, Kentucky 40223

Via email and hand delivery

August 20, 2009

RE: Jefferson County Federal Credit Union
vs. Townsend, Kimberly J.
Possible claim against Fifth Third Bank

Dear Mr. Hicks:

Subsequent to referring this matter to our firm for foreclosure, you also asked me to research the question as to whether a claim may exist against Fifth Third Bank for improperly cashing certain checks issued during the closing of the subject loan. I conclude that while causes of action may exist, the Credit Union may be contractually barred from asserting them. If the Credit Union is not barred contractually, the deadline to bring suit may soon run. What follows is an analysis of the facts and applicable law, and a conclusion.

Facts

I understand the facts surrounding the matter to be as follows:

Jefferson County Federal Credit Union ("JCFCU") made a loan to its member, Kimberly J. Townsend ("Townsend") on or about July 3, 2006. In connection with the closing of the transaction, JCFCU drew approximately 20 checks, representing loan proceeds, upon an account it maintained with Fifth Third Bank. These checks were joint payee checks, made payable to Townsend and other various parties who were intended to be paid with loan proceeds.

Rather than indorsing the checks and forwarding to the other joint payee, Townsend went to Fifth Third branch and had the checks cashed. Fifth Third cashed the checks and remitted the funds to Townsend despite the fact that most of the checks only had Townsend's indorsement and some had no indorsement at all.

Fifth Third reflected the processing of these checks on the statements that it sent to JCFCU. These statements only contained images of the front side of the checks. The reverse side, bearing the indorsement, was not provided.

JCFCU discovered the fact that checks lacked the proper indorsements on or about February 6, 2009, after having requested copies of the reverse side of the checks. It is my understanding that JCFCU had contacted Fifth Third regarding being reimbursed for the improper payment of the checks and that Fifth Third has failed to respond.

<u>Analysis of Applicable Law - Causes of Action</u>

There are two possible causes of action against Fifth Third: an action for conversion of an instrument, and an action for negligence.

Conversion of an Instrument

Kentucky Revised Statutes, Section 355.3-420 states that the law regarding conversion of personal property is applicable to instruments.[1] That section also provides that an instrument is converted if a "bank makes or obtains payment with respect to the instrument for a person not entitled to enforce the instrument or receive payment." KRS 355.3-420(1). Since Fifth Third paid these checks to one of the joint payees without the indorsement of the other, it made payment to a party not entitled to receive payment. I believe Fifth Third is liable under this provision.

Negligence

The case of Bullitt County Bank v. Publishers Printing Co., 684 S.W.2d 289 (Ky. Ct. App. 1984) addresses negligence of this sort.. In that case, the Court considered a situation where a company's trusted employee defrauded his employer. The employer would leave pre-signed checks for the employee to use. The employee began taking these checks to the bank maintaining the employer's account. The checks were made out to the bank. The bank would then pay the checks without indorsement and convert them to cashier's checks made payable to the employee's bank. The employee would go to his bank and deposit the cashier's checks in his account.

In considering this case, the Court held:

> We begin with an analysis of the nature and extent of the duty owed to Publishers by Bullitt County Bank. In brief, that duty is to exercise good faith and use ordinary care in handling the accounts of its customers. Bank of Southern Maryland v. Robertson's Crab House, Inc., 39 Md. App. 707, 389 A.2d 388, 391 (1978) [citing Taylor v. Equitable Trust Co., 269 Md. 149, 304 A.2d 838 (1973)]. While the Uniform Commercial Code (U.C.C.) as adopted in Kentucky does not expressly state that a collecting or payor bank is liable for negligently paying on an instrument, numerous U.C.C. provisions indirectly indicate that this is so. These begin with KRS 355.1-103 incorporating the common law rules of negligence into the U.C.C. § 3-419(3); KRS 355.3-419(3) [now KRS 355.3.420] speaks also of limiting recovery against collecting banks for conversion where they have acted in good faith and followed reasonable commercial standards. Section 3-406, dealing exclusively with material alterations and unauthorized signatures, guarantees a payor, who has paid in good faith and in accordance with reasonable commercial standards of his business, protection from assertions of material alteration or unauthorized signature by parties whose negligence substantially contributed to his injury. Finally, under § 4-103(1) a bank may not

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[1] "Conversion" is defined as "the wrongful exercise of dominion and control over property of another." State Auto. Mut. Ins. Co. v. Chrysler Credit Corp., 792 S.W.2d 626 (Ky. Ct. App. 1990).

> disclaim its own lack of good faith or failure to exercise ordinary care, thus implying that such duties do indeed exist.
>
> Outside the provisions of the U.C.C., further indication of the Bank's duties of good faith and ordinary care can be found in the inherently contractual relationship of a bank to its depositor. See Hileman v. Hulver, 243 Md. 527, 221 A.2d 693 (1966). "Implicit in the contract is the duty of the bank to use ordinary care in disbursing the depositor's funds." Bank of Southern Maryland v. Robertson's Crab House, Inc., supra at 392 [citing Commonwealth Bank of Baltimore v. Goodman, 128 Md. 452, 97 A. 1005 (1916)].
>
> Publishers, 684 S.W.2d at 291-292.

This case suggests that the Commonwealth of Kentucky has preserved a cause of action against a bank for negligently paying on an instrument.

Limitations of Actions

However, the existence of a cause of action does not, in and of itself, enable a recovery. There may be other principles at work that preclude recovery, which may include contractual provisions and applicable statutes of limitations.

Contractual Provisions

In Kentucky, banks and customers are free to establish, by contract, periods of time in which customers may assert errors and discrepancies against the bank. In Concrete Materials Corporation v. Bank of Danville and Trust Company, 938 S.W.2d 254(Ky. 1997) the Court considered claims against the bank by a corporate commercial customer which argued that the conduct of the bank allowed the embezzlement of corporate funds by a corporate employee. Specifically, a plant manager had the duty of depositing checks written to the corporation by its customers. The manager tendered a deposit slip to the bank listing each check and he received cash back in an amount equal to one of the checks. The bank teller stamped the deposit slip; however, the plant manager also had the teller stamp a blank duplicate deposit slip. The manager then took the blank deposit slip back to his office. He listed all of the checks which were actually deposited, but he did not list the check for which he received the cash. This practice went on for eight years. When the corporation finally became aware of it, an action was filed against the bank for negligence.

The Court noted that there was a deposit agreement between the customer and the bank. That agreement contained the following provision:

> "Statements-- To minimize our mutual risk of loss, you must carefully examine your statements (or passbook entries) and report any errors, forgeries, unauthorized withdrawals or alterations to us as soon as possible, but in no event, later than sixty days after the statement is made available to you (or the passbook entries are made). If no report is made to us within such time, you waive your right to contest the payment of item so disclosed and you accept the charges assessed and account balances reported as correct."

Concrete Materials, 938 S.W.2d at 256.

Regarding the law applicable to such a provision, the Court stated:

> The account agreement makes examination of bank statements in a timely fashion for any unauthorized withdrawals or alterations a condition precedent to suit and recovery. An extensive discussion of the nature of such account agreements is found in Parent-Teacher Assn. v. Manufacturers Hanover Trust Co., 138 Misc. 2d 289, 524 N.Y.S.2d 336 (N.Y. City Civ. Ct. 1988). The court stated in pertinent part that the UCC permits parties to a contract of deposit to agree between themselves as to their duties and the legal consequences which flow therefrom. A contract of deposit may include conditions precedent or the equivalent of a shortened statute of limitations. However, the deposit agreement does not absolutely bar the depositor from suit and does not excuse liability in the future. The purpose of these agreements is to encourage investigation and preservation of evidence and as such are in accord with public policy by limiting disputes in an area where so many bank transactions occur every day. Similar principles are applied in Retail Shoe Health Com'n v. Manufacturers Hanover Trust Co., 160 A.D.2d 47, 558 N.Y.S.2d 949 (A.D. 1 Dept. 1990). See also Simcoe & Erie General Insurance Co. v. Chemical Bank, 770 F. Supp. 149 (S.D.N.Y. 1991). The official commentary to KRS 355.4-103(1) states that an account agreement is controlling unless it is manifestly unreasonable. A similar issue has been decided in Jamison v. First Georgia Bank, 193 Ga. App. 219, 387 S.E.2d 375 (Ga.App. 1989). Id. at 257.

In light of this authority, the Court concluded that the terms of the account agreement could be asserted by the bank as a defense to the claims of the customer. Id. at 259.

JCFCU's agreement with Fifth Third provides as follows:

> ***Duty to Inspect***
>
> *You are responsible for monitoring all Services, including each individual transaction processed by us in connection therewith. If you fail to notify us of any discrepancy between your records and the information shown on any periodic statement or other confirmation within 15 calendar days after you receive such periodic statement or confirmation or such greater time as may be required by applicable law, you shall, except as otherwise provided by law, be precluded from asserting the discrepancy against us, and we shall not be liable for any loss (including loss of interest) resulting from your failure to notify us, except as otherwise provided by law. All entries in our books, records and accounts shall constitute conclusive evidence of transactions unless you furnish proof of manifest error.*
>
> Account Agreement, Page 45.

This language closely resembles that of the agreement in the Concrete Materials case, but has a shorter deadline. According to the rule in the Concrete Materials case, by entering into the agreement with Fifth Third, JCFCU has essentially created, by contract, a fifteen-day statute of limitations for asserting claims against Fifth Third arising from any discrepancy.

An argument might be made that it was impossible to discovery the discrepancies from the statements as the image of the reverse side of the checks was not provided. It might be equally argued that JCFCU was under a duty to request those images within the 15 days. In any event, it far from certain that JCFCU has an exception to the 15-day requirement.

Statute of Limitations

In addition to contractual provisions, certain statutes limiting the time which an aggrieved party may bring suit may also apply. In the Concrete Materials case, the Kentucky Supreme Court held that a one-year statute of limitations applied to suits seeking to assert discrepancy against a bank for issues regarding alterations to checks. That court held that KRS 355-4-406 required bank customers to assert such discrepancies against the bank within one (1) year after the statements or items were made available to the customer by the bank. Concrete Materials, 938 S.W.2d at 257-9. Arguably, the present situation arises more from either a conversion or negligent payment of a check. However, it is possible a court could hold that this statute applies.

Even if a court were to determine that the one (1)-year state does not apply, another statute may come into play. KRS 355-3.118(7) requires that suits for conversion must be made within three (3) years after the cause of action "accrues." The question is when the cause of action "accrues." Kentucky courts have enunciated a "discovery rule." The rule, basically stated, is that "a cause of action will not accrue until the plaintiff discovers, or in the exercise of reasonable diligence should have discovered, not only that he has been injured but also that his injury may have been caused by the defendant's conduct." Hazel v. General Motors Corp., 863 F.Supp. 435, 438 (W.D.Ky. 1994).

In the present situation, the earliest JCFCU might have learned of the conversion of the checks would have been when it received the statement with the first 6 cashed checks, which were cashed on August 21, 2006. However, the fact that Fifth Third failed to provide the reverse side of the checks until February of 2009 may mean that the statute did not begin to run until then. In any event, under a conservative reading of the law, the deadline to bring a cause of action for conversion is near.[2]

Conclusion

Based on the above, I conclude that there appear to be two causes of action against Fifth Third Bank. However, it is likely that JCFCU is precluded from bringing suit by virtue of the provisions of its

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[2] The statute of limitations for the negligence claim, if not contractually barred, is likely five (5) years from the discovery of the cause of action. KRS 425.120.

agreement with Fifth Third. If the agreement does not apply, the deadline to bring suit may be rapidly approaching.

It is my understanding that JCFCU's relationship with Fifth Third extends beyond checking account services. It is also my understanding that you told Mr. Canary during your meeting with him on August 18, 2009 that JCFCU does not intend to sue Fifth Third. Therefore, our firm will take no action in that regard. However, it may be desirable for JCFCU to renegotiate the account agreement. Should it wish to do so, I recommend that it seek to extend the 15-day deadline. JCFCU should also seek to include a specific provision requiring that before the time period begins to run, that it have been given complete information allowing them to discovery the error. This language will incorporate the "discovery rule" into the agreement.

Please let me know if you have any questions or comments relative to the matters discussed in this letter.

Sincerely,

Kyle P. Williams
Attorney at Law

KPW/

xc: Thomas L. Canary, Jr.
Merv Warren

OHIO
SUITE 2320, KROGER BUILDING
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SUITE 340
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LEXINGTON, KENTUCKY 40507-1543
(859) 253-0003

Carl Hicks, President
Jefferson County FCU
9600 Ormsby Station Rd
Louisville, KY 40223-4030

August 19, 2009

Dear Carl:

Thank you again for taking time out of your busy schedule to meet with me yesterday. I am glad we were able to discuss the issues between the Credit Union and Mapother & Mapother, P.S.C., as well as come to an understanding of how we will move forward from here. Your vote of confidence in keeping the Firm on retainer is very much appreciated.

Personal meetings like ours of yesterday are key. In this day of email, Facebook, Twitter, etc., in-person, face-to-face meetings are sadly becoming something of a bygone era. There are many valuable lessons to be learned from the "Old School" and this is one of them. The almost three-decade long relationship between Jefferson County FCU (in its present and past incarnations) has been forged on such personal communication, mutual respect and trust. As we discussed yesterday, that relationship is special to the Firm as I know it is to the Credit Union.

Should you ever have any questions or concerns, ***please*** do not hesitate to call me or Merv. My numbers are (Louisville) 587-5421, (Lexington) 859-280-5030 and (Cell) 502-905-0377. Merv can be reached in Louisville at 992-3764 or on his cell phone at 502-303-6671

Thanking you again for your continued support of Mapother & Mapother, I remain,

Very truly yours,

Tom

Thomas L. Canary, Jr.
President/Attorney at Law
Mapother & Mapother, P.S.C.

JEFFERSON COUNTY FEDERAL CREDIT UNION
Statement of Financial Condition -- July 2009

ASSETS	
LOANS	38,862,272.92
ASSETS IN LIQUIDATION OF LOANS - RE	0.00
ASSETS IN LIQUIDATION OF LOANS - AU	0.00
REAL ESTATE LOANS - TECUMSEH	64,108.77
TOTAL LOANS TO MEMBERS	38,926,381.69
ALLOW. FOR LOAN LOSSES	(239,980.91)
ALLOW. FOR OVERDRAFT LOSSES	(1,673.93)
NET LOANS	**38,684,726.85**
FIFTH THIRD	232,863.50
VAULT CASH	432,023.19
CHANGE FUND - ATM MACHINE	58,250.00
PETTY CASH	50.00
CASH TOTAL	**723,186.69**
KENTUCKY CORPORATE FCU	16,657,803.98
FEDERAL HOME LOAN BANK OF CINCINNATI	141,433.95
DEPOSITS - OTHER FINANCIAL INSTITUTIONS	34,923,000.00
SHARE ONE CUSO INVESTMENT	100,000.00
LOAN TO CUCKY	0.00
CLF CU SIP INVESTMENT	25,000,000.00
TOTAL INVESTMENTS	**76,822,237.93**
ACCRUED INTEREST - LOANS	168,966.99
OTHER ACCRUED INCOME	110,659.51
TOTAL ACCRUED INCOME	**279,626.50**
PREPAID & DEFERRED EXPENSES	65,972.00
TOTAL PREPAID & DEFERRED	**65,972.00**
LAND - MAIN & OUTER LOOP OFFICE	448,100.00
BUILDING - MAIN & OUTER LOOP OFFICE	1,547,029.32
IMPROVEMENTS - MAIN OFFICE	2,791.87
IMPROVEMENTS - BRANCH 1	1,491.25
IMPROVEMENTS - BRANCH 2	0.00
IMPROVEMENTS - BRANCH 3	0.00
IMPROVEMENTS - BRANCH 4	0.00
ACCUM. DEPR. - MAIN & OUTER LOOP OFFICE	(517,607.00)
FURNITURE & EQUIPMENT	71,553.23
COMPUTER EQUIPMENT	25,334.04
TOTAL FIXED ASSETS	**1,578,692.71**
ACCOUNTS RECEIVABLE	0.00
DEFERRED COMPENSATION	2,154,591.85
CAPITAL DEPOSIT - CUCKY	65,664.00
DEPOSIT - NCUSIF	656,528.04
TOTAL OTHER ASSETS	**2,876,783.89**
============================	=============
TOTAL ASSETS	**121,031,226.57**

LIABILITIES	
ACCOUNTS PAYABLE	1,289.52
MONEY ORDERS	6,139.50
TRAVELERS CHECKS	0.00
AMUSEMENT PARK TICKETS	9,592.51
KYCUPAC - FROM MEMBERS	10.00
DEATH CLAIMS	316,165.83
EMPLOYEE 401(K) PLAN	0.00
INSURANCE COMPANIES	8,473.09
FLOOD DETERMINATION	84.00
RECORDING FEES - CLERK	314.00
ATTORNEY FEES	10,586.00
APPRAISALS	(1,675.00)
TOTAL ACCOUNTS PAYABLE	**350,979.45**
DIVIDENDS PAYABLE	**88,165.87**
CLF CU SIP NOTE PAYABLE	**25,000,000.00**
FEDERAL TAXES	0.00
KENTUCKY STATE TAXES	0.00
FEDERAL & STATE UNEMPLOY.	0.00
OCCUPATIONAL TAXES	0.00
TAXES HELD ON DIVIDENDS	658.69
ACCRUED PROPERTY TAXES	10,147.31
PENALTIES ON PREMATURE IRA DISTR.	0.00
TOTAL TAXES PAYABLE	**10,806.00**
ACCRUED EXPENSES	481,668.66
TOTAL ACCRUED EXPENSES	**481,668.66**
ACCRUED NCUSIF STABILIZATION EXPENSE	**119,412.23**
UNAPPLIED EXCEPTIONS	**48,793.25**
TOTAL LIABILITIES	**26,099,825.46**
CAPITAL	
REGULAR SHARE ACCOUNTS	17,990,468.86
CLUB ACCOUNTS	885,168.88
SHARE DRAFT ACCOUNTS	5,066,175.78
CASH INVESTMENT ACCOUNTS	28,710,246.09
CORPORATE CASH INVESTMENT	2,495,328.48
REWARDS CHECKING	1,921,570.24
IRA - ACCUMULATION ACCOUNTS	1,505,735.06
CERTIFICATES - REGULAR	19,387,797.52
CERTIFICATES - IRA	3,852,154.90
CERTIFICATES - TOTAL	23,239,952.42
TOTAL SHARES	**81,814,645.81**
REGULAR RESERVE	1,901,148.19
RESERVE FOR CONTING.	0.00
UNDIVIDED EARNINGS	10,957,014.11
NET INCOME	258,593.00
TOTAL CAPITAL	**94,931,401.11**
============================	=============
TOTAL CAPITAL & LIABILITIES	**121,031,226.57**

Jefferson County Federal Credit Union
BUDGET REVIEW
July 31, 2009

	ACTUAL CURRENT	BUDGETED CURRENT	ACTUAL Y-T-D	BUDGETED Y-T-D	DIFFERENCE Y-T-D	PERCENT TOT INCOME
I N C O M E						
INTEREST ON LOANS	239,562.64	238,688.00	1,602,075.72	1,652,208.00	(50,132.28)	53.80%
INVESTMENTS	79,659.02	115,318.00	667,880.53	793,318.00	(125,437.47)	17.89%
INTEREST ON CLF CU SIP	20,298.49	0.00	110,659.51	0.00	110,659.51	4.56%
INSURANCE REIMB.	4,938.09	3,950.00	32,803.51	27,350.00	5,453.51	1.11%
MO & CHK FEE	437.75	425.00	2,848.17	2,975.00	(126.83)	0.10%
OVERDRAFT FEE	73,497.20	69,000.00	397,321.22	483,000.00	(85,678.78)	16.51%
WIRE TRANS. & CMO	249.00	325.00	1,664.00	2,125.00	(461.00)	0.06%
LOAN LATE FEE	5,503.91	4,400.00	32,059.39	30,800.00	1,259.39	1.24%
ATM SURCHARGE FEES	415.50	275.00	2,605.50	1,825.00	780.50	0.09%
SHARE DRAFT & ATM	1,909.24	2,450.00	13,443.72	17,050.00	(3,606.28)	0.43%
MISCELLANEOUS INC.	1,319.63	1,600.00	8,895.62	11,200.00	(2,304.38)	0.30%
LOCK BOX FEE	250.00	160.00	1,350.00	1,120.00	230.00	0.06%
ATM TRANSACTION FEE	641.00	800.00	3,951.00	5,600.00	(1,649.00)	0.14%
LOAN APPLICATION FEE	375.00	250.00	1,700.00	1,650.00	50.00	0.08%
MEMBERSHIP FEE	455.00	450.00	3,080.00	3,150.00	(70.00)	0.10%
C-CARD INCOME	658.40	225.00	1,795.20	1,475.00	320.20	0.15%
D-CARD INTERCHANGE	15,129.70	14,750.00	100,668.04	102,250.00	(1,581.96)	3.40%
TOTAL INCOME	**445,299.57**	**453,066.00**	**2,984,801.13**	**3,137,096.00**	**(152,294.87)**	**100.00%**
E X P E N S E S						
SALARIES - REGULAR	77,507.51	84,499.00	570,059.28	613,847.00	(43,787.72)	17.41%
SALARIES - OVERTIME	117.01	647.00	1,198.83	3,634.00	(2,435.17)	0.03%
CONTRACT EMPLOY.	0.00	400.00	0.00	2,800.00	(2,800.00)	0.00%
401K COSTS	3,398.52	3,661.00	25,688.69	26,552.00	(863.31)	0.76%
SOCIAL SECURITY TAX	5,860.21	6,514.00	42,882.29	47,236.00	(4,353.71)	1.32%
UNEMPLOYMENT TAX	79.24	475.00	5,050.32	3,325.00	1,725.32	0.02%
STAFF INSURANCE	14,589.98	16,200.00	99,858.01	109,800.00	(9,941.99)	3.28%
LOCAL TRAVEL	621.68	925.00	3,366.59	6,475.00	(3,108.41)	0.14%
VEHICLE MAINTENANCE	156.33	500.00	1,741.95	3,500.00	(1,758.05)	0.04%
OUT OF TOWN TRAVEL	0.00	900.00	2,219.15	6,300.00	(4,080.85)	0.00%
BOARD MEETING EXP.	247.28	1,340.00	3,046.04	9,380.00	(6,333.96)	0.06%
ASSOC. DUES & SUBSCR.	2,314.19	2,269.00	15,616.03	15,883.00	(266.97)	0.52%
OFFICE OCCUP. EXP.	13,198.90	14,138.00	96,012.05	101,661.00	(5,648.95)	2.96%
BLDG.-LAND IMPROV.	395.16	595.00	2,765.64	4,165.00	(1,399.36)	0.09%
TELEPHONE EXPENSE	1,793.11	1,842.00	11,079.71	12,894.00	(1,814.29)	0.40%
POSTAGE	7,411.17	5,900.00	33,365.30	40,400.00	(7,034.70)	1.66%
MAINT. OF EQUIP.	867.85	1,182.00	8,517.28	8,274.00	243.28	0.19%
STATIONARY & SUPP.	1,749.51	2,400.00	9,947.38	16,800.00	(6,852.62)	0.39%
INSURANCE	3,187.89	3,500.00	20,927.29	22,961.00	(2,033.71)	0.72%
DEPRECIATION - FURN.	3,356.93	3,613.00	24,795.94	26,867.00	(2,071.06)	0.75%
BANK SERVICE CHARGE	25,581.96	26,713.00	178,098.51	174,221.00	3,877.51	5.74%
COMPUTER EXPENSE	14,549.61	17,479.00	106,083.81	122,171.00	(16,087.19)	3.27%
EDUCATIONAL & PROM.	7,553.72	9,167.00	52,606.81	64,169.00	(11,562.19)	1.70%
LOAN SERVICING EXP.	9,101.47	6,745.00	60,014.86	45,730.00	14,284.86	2.04%
PROF. & OUTSIDE EXP.	8,511.68	10,913.00	65,067.24	77,044.00	(11,976.76)	1.91%
FEDERAL SUPERVISION	1,737.74	1,596.00	11,880.70	11,172.00	708.70	0.39%
NCUSIF INS. PREM.	0.00	625.00	119,412.23	4,375.00	115,037.23	0.00%
NCUSIF STABILIZATION EXPENSE	0.00	0.00	453,004.35	0.00	453,004.35	0.00%
CASH OVER & SHORT	46.22	100.00	208.24	700.00	(491.76)	0.01%
COST-BORROWED FUND	14,990.36	0.00	81,721.64	0.00	81,721.64	3.37%
ANNUAL MEETING EXP.	700.00	700.00	4,900.00	4,900.00	0.00	0.16%
MISCELLANEOUS EXP.	51.62	3,850.00	2,415.15	26,950.00	(24,534.85)	0.01%
TOTAL OPER. EXP.	**219,676.85**	**229,388.00**	**2,113,551.31**	**1,614,186.00**	**499,365.31**	**49.33%**
ALLOWANCE - LOAN LOSS	18,500.00	18,500.00	145,411.00	129,500.00	15,911.00	4.15%
ALLOWANCE - OVERDRAFT LOSS	125.00	125.00	(943.00)	875.00	(1,818.00)	0.03%
DIVIDENDS	124,966.45	145,750.00	925,560.17	1,002,669.00	(77,108.83)	28.06%
(GAIN)LOSS ON INVESTMENTS	0.00	0.00	(4,367.00)	0.00	(4,367.00)	0.00%
OTHER NON OPERATING EXPENSE (INCOME	0.00	0.00	(453,004.35)	0.00	(453,004.35)	0.00%
TOTAL EXPENSES	**363,268.30**	**393,763.00**	**2,726,208.13**	**2,747,230.00**	**(21,021.87)**	**81.58%**
NET INCOME	**82,031.27**	**59,303.00**	**258,593.00**	**389,866.00**	**(131,273.00)**	**18.42%**
NET INCOME - WITHOUT NCUA ASSESSMENT	**82,031.27**		**378,005.23**			

P R E S I D E N T ' S   R E P O R T   August 26, 2009

MEETING SCHEDULE - 2009

MONTH	DATE	DAY	TIME	TYPE	LOCATION
September	09-09-09	Wednesday	08:30 AM	Executive	Holiday Inn – Hurstbourne Lane
September	09-23-09	Wednesday	08:30 AM	Regular	Main Office
October	10-14-09	Wednesday	08:30 AM	Executive	Holiday Inn – Hurstbourne Lane
October	10-28-09	Wednesday	08:30 AM	Regular	Main Office
November	11-11-09	Wednesday	08:30 AM	Executive	Holiday Inn – Hurstbourne Lane
November	**11-21-09**	**Saturday**	**09:00 AM**	**Planning**	**Main Office**
November	11-25-09	Wednesday	08:30 AM	Regular	Main Office

STATISTICAL REPORTS

Key Ratios, Operating Statistics, Delinquency, Loan Losses, Loan Officer Report, Suspicious Activity, and Long Term Assets, Monthly Comparison are attached for your review monthly. Delinquency Analysis, ALLL Analysis, and Doubtful Loans are available quarterly. GAP, Cash Flow, Rate Shocks, other ALM reports are available semi annually.

FINANCIAL SUMMARY FOR THE MONTH

The key ratios and other pertinent data for the most major areas impacted (before CUSIP & NCUA assessment and after) are compared below. The operation before the assessment is within 10% of our budget income. Income from overdraft fees, investments and loans continue to be the big lagers. Our loan growth projection increased for July which helps. Our YTD bottom line without the assessment expense is within $11,000 of budget. There was a decrease in deposits from the previous month of $419,000 and an increase of $8,700,000 year to date. Loan volume for the month showed an increase of $584,000 and net loans showed an increase of $884,000 for the month and an increase of $1,505,000 year to date. We will continue to closely monitor the competition and the overall operation for additional adjustments to dividend and income to benefit the members.

FINANCIAL DETAIL COMPARISON

Major Areas of Impact	REASON	BEFORE	AFTER	Difference
Assets	**CU-SIP**	**96,031,227**	**121,031,227**	**25,000,000**
Average Assets	**CU-SIP**	**92,845,506**	**114,274,078**	**21,428,572**
Investment Balance	**CU-SIP**	**51,822,238**	**76,822,238**	**25,000,000**
NET WORTH	**CU-SIP**	**13.65%**	**10.84%**	**-2.81%**
Long Term Assets	**CU-SIP**	**22.58%**	**17.92%**	**-4.66%**
Total Loans / Assets	**CU-SIP**	**40.54%**	**32.16%**	**-8.38%**
Fixed Assets	**CU-SIP**	**1.64%**	**1.30%**	**-0.34%**
INC- NET- YTD	**NCUA**	**378,005**	**258,593**	**-119,412**
Return on Average Assets	**NCUA**	**0.48%**	**0.31%**	**-0.17%**

LOAN LOSSES FOR YOUR REVIEW – (SEE ATTACHED REPORT FOR DETAIL)

As of 07-15-09	6	18,260.73
As of 08-15-09	5	21,098.70
As of 09-15-09		
T O T A L	**11**	**39,361.46**

LENDING ACTIVITY

RE LOANS - July 2009									
DATE	NAME	ACCOUNT #	APPRAISAL	NEW MONEY	LOAN AMOUNT	EQUITY	TERM IN MONTHS	CREDIT LIMIT	APPROVED BY
7/7/09	Meredith	882980	360,000	197,476	197,476	288,000	150	0	CEO
7/10/09	Mapother LLC	892030	330,000	264,000	264,000	264,000	180	0	CEO
7/13/09	Eskridge-Lincoln	6002582	140,000	31,174	112,000	112,000	180	0	CEO
TOTAL/AVG		**3**	**830,000**	**492,650**	**573,476**	**664,000**	**170**	**0**	

A '0' in the equity column indicates > 80% LTV

COMMENTS: None

INVESTMENT ACTIVITY

CD Purchases - July 2009							
DATE	AMOUNT	TERM	RATE	INSTITUTION	CITY	ST	CODE
07/01/09	48,000	6	0.80%	PELICAN STATE CREDIT UNION	BATON ROUGE	LA	3
	99,000	12	1.15%	GOLDEN EAGE COMMUNITY BANK	WOODSTOCK	IL	2
07/06/09	148,000	12	1.25%	FIRST WESTERN FED. SAVINGS BANK	WARNER	SD	2
07/14/09	99,000	12	0.86%	TOWN BANK	HARTLAND	WI	2
07/15/09	248,000	12	1.00%	SAN ANTONIO FED. CREDIT UNION	SAN ANTONIO	TX	3
	100,000	18	1.20%	KEYSOURCE COMMERCIAL BANK	DURHAM	SC	3
07/16/09	100,000	12	1.15%	MEMBERS FIRST CREDIT UNION	QUINCY	IL	3
07/23/09	99,000	12	1.85%	BENCHMARK BANK	PLANO	TX	2
07/27/09	99,000	12	1.70%	ROCKBRIDGE COMMERCIAL BANK	ATLANTA	GA	3
TOTAL	**1,040,000**	**12**	**1.22%**	**9**			

INVESTMENT ACTIVITY – FAILED BANKS

	AMOUNT	BANK	DATE	DISPOSISTION
1.	$99,000	Security Bank of Jones County	07-24-09	Paid 07-31-09 – P&A by State Bank Trust

REAL ESTATE PROBLEM LOANS

Acct. #	Name	Address	Zip	Balance	Appraisal	Year	Pamt.	Due
1. 852730	**Townsend, K.**	**1218 W. Woodlawn.**	**40215**	**$24,142**	**$84,500**	**05-06**	**$244**	**$1,778**

01-14-09 Member was laid off from a 3+ year job and had satisfactory credit when the loan was made. She is drawing unemployment. The insurance is still in force but taxes are delinquent in the amount of $1,098 for 2008. There are no other mortgages that we are aware of. There are other taxes showing up – totaling $5,300 that we cut checks for as loan proceeds but she converted. We have asked 5/3 to reimburse us for their errors. That will reduce our exposure to some degree and they can pursue her criminally in lieu of us having to do it. The initial foreclosure letter was authorized on 01-16-09. The PVA assessment is $84,360. 02-23-09. 05-28-09 - The motion for judgment was filed on May 21, 2009. Pursuant to local court rules, the motion is automatically referred to the Master Commissioner for recommendation as to whether the judgment should be entered. That process can take up to 30 days. If the Master Commissioner recommends that the judge sign the order, it can take several weeks for us to receive the signed judgment, depending on the judge's docket at the time. The sale date is 10-13-09.

CHECK REGISTER & ACH DEDUCTIONS

Attached for your review.

COMMENT CARDS

Attached for your review.

RECONCILIATIONS
All accounts are current and correct.

SAFE LANDING AND OVERDRAFT LOAN CHARGE OFF FOR – July 2009
None

SUSPICIOUS ACTIVITY REPORTS (SARS) – July 2009
2 For $259,821

KCUL 2009 Functions
1. Annual Meeting & Education Session 11-04 to 11-06, 2009 Ft. Mitchell, KY

ID THEFT INFORMATION
Attached for your review.

STAFF TRAINING DAY – Board lunch with the staff
Monday - October 12th
Wednesday - November 11th - Executive meeting is also this day.

STAFF UPDATE
Administrative Area
Support Service Area

NEW KYCUL ENDORSED VENDOR
KYCUL will be marketing an Emergency Alert Network (EAN) product from a company out of Atlanta. They have been in business for 14 years and the local guy is Jim Booher, formerly of Jim Booher Chevrolet. The KBA has endorsed it to their membership. Our cost will be $99 per(5 person family) once in a lifetime membership. We can mark it up if we choose. It is sold to customers from EAN's website for $299. Some of the banks are charging that and some less. When we get a formal proposal from KYCUL we can discuss it further. We may want to consider it as a service whether we mark it up of not. The website is http://www.emergencyalertnetwork.com/

MODEL YEAR CHANGE
08-28-09

FOR YOUR INFORMATION

- ✓ **Filene report: 12,485 CU mergers from 1971-2008** - The pace and types of credit union consolidation will increase over the next several years, according to a recent Filene Research Institute report that examines merger activity. The study, "Characteristics of Credit Union Mergers: 1984-2008," analyzes a database of credit union mergers from 1984 to the present. Researchers Luis G. Dupico and James A. Wilcox found that about 12,485 credit union mergers took place between 1971 and 2008--which translates to 2.3% of credit unions per year. The number of credit unions peaked at 23,866 in 1969, compared with 8,147 in 2008. During 1984-2008, credit union mergers transferred members and assets from institutions that didn't perform as well as peer institutions on average. The assets of the target credit unions totaled $37.3 billion during 1984-2008. The report also touches on the influence of events such as the savings and loan crisis, regulatory changes, and the 1980 recession. "Credit union mergers are unlikely to fade away in the foreseeable future," said Filene Chief Research Officer George Hofheimer. "Competitive, economic and regulatory factors all point toward a more intense external environment."

- ✓ **Confirmed Matz promises 'focused, positive' agenda -** WASHINGTON—In her first comments since she was confirmed to return to the National Credit Union Administration board, incoming NCUA Chairman Deborah Matz promised a "focused and positive agenda" that will be "characterized by an ongoing priority on reform and revitalization." Matz was unanimously confirmed by the full Senate on Friday, and will soon join the NCUA board for the second time. Matz's nomination was scheduled for Senate approval several times in recent days, but a busy Senate calendar, dominated by such things as okaying $2 billion to extend the "cash for clunkers" program, and approving Sonia Sotomayor as a Supreme Court Justice, pushed back the Matz vote. Matz last served on the board between 2002 and 2005, and most recently held the position of executive vice president and chief operating officer of Maryland-based, $800 million-in-assets Andrews FCU, an experience which Matz said "sensitized" her "to the need for effective, rather than excessive, regulation." Current NCUA Chairman Michael E. Fryzel congratulated Matz on her confirmation, adding that he is certain that Matz will meet the "current economic turmoil and challenges," challenges that require "strong, practical, progressive leadership," with confidence. Credit Union National Association (CUNA) President/CEO Dan Mica joined Fryzel in congratulating Matz on her confirmation, saying that CUNA looks forward to working with Matz to ensure the "continued safety and soundness of credit unions" and to foster "a regulatory environment in which credit unions may continue to grow, prosper and effectively serve their members." Matz has taken on so-called "progressive" stances in the past, as she in 2002 provided the lone vote against what she has called "overly broad and permissive" NCUA corporate credit union regulations. Matz during recent Senate committee testimony also promised to revamp some aspects of the NCUA's rules governing corporate credit unions, and, more generally, stated that further work is needed to stabilize the corporate credit union system. Matz in her statement also pledged to work with the NCUA, credit union volunteers, and credit union staff to ensure that the "vital" role that credit unions play in American life is "not only preserved, but enhanced" going forward. She was sworn in 08-24-09.

- ✓ **Bankruptcy filings up 38%, CUs can expect more -** Bankruptcy filings in the U.S.--both business and personal--rose sharply during the 12 months ended June 30, as the recession continued to take its toll. Credit unions can expect more members and businesses to file in coming months, despite the fact the recession will be technically over by year-end, said Steve Rick, senior economist with the Credit Union National Association (CUNA). Overall bankruptcy filings rose 35%, with 1.3 million bankruptcy cases filed in bankruptcy courts between July 2008 and June 2009. That is up from the 968,000 filed for the same period a year earlier, according to the Administrative Office of the U.S. Courts, which (*Reuters* Aug. 13). With an unemployment rate near 9.25% to 9/4%, credit unions will see an increase in bankruptcies among their members, said Rick. "Economists say we're coming out of a recession, but the unemployment rate likely will stay high for another year. Bankruptcies will go up. Roughly 247,000 people lost jobs last month. That's 247,000 prospective bankruptcies down the line. The recession will be technically over by the end of the year, but bankruptcies will be high through next summer," Rick told *News Now*. He noted foreclosures also are at record highs. "A lot of people are underwater with their homes as well as losing jobs." Credit risk has two components: collateral risk, which is going down, and default risk, which is going up, he said. Collateral risk or when the value of the home or car put up for collateral falls, is "huge," Rick said. Default risk involves the consumers' ability and willingness to pay back a loan. "Everything in the economy--housing prices, unemployment, wage cuts, furloughs, reduction of full-time jobs to part-time-- all that leaves consumers under financial stress. And they're not able to pay back their loans." To put the filings into perspective, Rick noted that one needs to look at bankruptcy filings before 2005, when the bankruptcy reform law went into effect, and during the last recession, in 2001. Second quarter's bankruptcy filings remain low compared with the period prior to the new law in 2005, according to Moody's *Economy.com* (Aug. 13). This also complicates interpretation of the data since some portion of the increase may be attributable to a slow return to a new equilibrium level after the reforms became law, Moody's said. Personal filings also remain below the level of the 2001-2004 period, when credit conditions were better. Total filings are predicted at 1.4 million this year, the highest since 2005, when consumers surged to file before the bankruptcy reform law went into effect. Second-quarter bankruptcy filings rose nearly 38% compared with second quarter a year ago. During second quarter, 381,000 bankruptcies were filed, up 15% from first quarter. The number of business failures rose 64% from second-quarter 2008, and Chapter 11 business filings more than doubled in the first half, compared to first-half 2008 (*Reuters*).

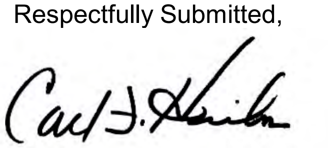
✓ **Fed rate inaction means more bottom-line pressure -** (8/13/09)--The Federal Reserve policymakers' announcement Wednesday that the target fed funds interest rate range would stay steady at 0% to 0.25% is no surprise to credit unions, who will likely see an continued visibility in bottom-line pressures, said a Credit Union National Association (CUNA) economist. "The inactivity on the part of the Fed is no surprise," said Mike Schenk, CUNA senior economist and vice president of economics and statistics. "Most credit union managers anticipated that the Fed would stand pat. "The good news is that the inaction will mean the yield curve will remain steep, with a wide difference between the long-term and short-term rates. Credit unions will continue to see funding costs that trail asset yields by a significant margin," Schenk told *News Now*. "Of course, the bigger issue is what has been happening with balance sheet flows," Schenk said. "Savings are growing very quickly, and loan demand is relatively low. This means that investments will continue to grow quickly. But short-term investment yields will remain close to zero. So earnings pressures related to the changing asset mix may overwhelm the positive rate-related effects of a steep yield curve," he added. "The bottom-line pressures [for credit unions] are likely to continue to be obvious going forward," Schenk said. The decision of the Federal Open Market Committee (FMOC), which met Tuesday and Wednesday, was unanimous and based on information it received in June that suggests economic activity "is leveling out," the committee said. "Conditions in financial markets have improved further in recent weeks. Household spending has continued to show signs of stabilizing but remains constrained by ongoing job losses, sluggish income growth, lower housing wealth, and tight credit," FOMC said Wednesday. "Businesses are still cutting back on fixed investment and staffing, but are making progress in bringing inventory stocks into better alignment with sales," it added. "Although economic activity is likely to remain weak for a time, the committee continues to anticipate that policy actions to stabilize financial markets and institutions, fiscal and monetary stimulus, and market forces will contribute to a graduate resumption of sustainable economic growth in a context of price stability," FOMC stated. It noted prices of energy and commodities have risen but that "substantial resource slack is likely to dampen cost pressures, and the committee expects that inflation will remain subdued for some time." Under the circumstances, the Fed "will employ all available tools to promote economic recovery and to preserve price stability." Among them:

- Maintaining the target range for federal funds and anticipating conditions that are likely to warrant exceptionally low levels on the rate "for an extended time."
- Keeping to the Fed's previous announcement that it would purchase up to $1.25 trillion of agency mortgage-backed securities and up to $200 billion of agency debt by the end of the year.
- Buying $300 billion of Treasury securities but gradually slowing the pace of these transactions, while anticipating that the full amount will be purchased by the end of October. FOMC said this was "to promote a smooth transition in markets as these purchases" are completed.
- Continuing to evaluate the timing and overall amounts of its purchases of securities in light of the evolving economic outlook and conditions in financial markets. "The Federal Reserve is monitoring the size and composition of its balance sheet and will make adjustments to its credit and liquidity programs as warranted," FOMC said.

BUSINESS DEVELOPMENT & MARKETING

GE will report.

Respectfully Submitted,



Carl F. Hicks
President and CEO

July **STATISTICAL REPORT** 2009

CATEGORY	Year End 2008	Prior Month	Current Month	Difference	Year-To-Date
Deposits	73,102,429	82,233,520	81,814,646	(418,874)	8,712,217
Regular CDs	20,987,276	19,468,444	19,387,798	(80,646)	(1,599,478)
IRA Cds	3,667,761	3,855,487	3,852,155	(3,332)	184,394
Total CDs	24,655,037	23,323,931	23,239,953	(83,978)	(1,415,084)
Loan Balance	37,420,917	38,042,024	38,926,382	884,358	1,505,465
Loans Made	15,292,094	1,438,494	2,023,242	584,748	10,273,424
Members	13,505	13,508	13,500	(8)	(5)
Accounts	22,685	22,679	22,674	(5)	(11)
Delinquent Percent	0.53%	0.23%	0.26%	0.03%	-0.27%
E-Statements	1184	1357	1396	39	212
Bill Payer	1067	1171	1190	19	123
Info-Teller Inquiries	187,027	14,025	14,271	246	99,120
Website Inquiries	418,620	34,150	33,304	(846)	260,487
HB -Members Used	2,539	2,570	2,596	26	57
Overdrawn Accounts	41,820	34,632	28,764	(5,868)	(13,056)
CIA - #	879	886	876	(10)	(3)
CIA - $	22,552,171	29,105,522	28,710,246	(395,276)	6,158,075
CCIA - #	41	43	41	(2)	0
CCIA - $	1,965,519	2,673,124	2,495,328	(177,796)	529,809
Rewards - #	174	157	163	6	(11)
Rewards - $	1,183,310	1,784,069	1,921,570	137,501	738,260
Rewards - Surcharge Ref.	854	211	154	(57)	1,034
Rewards - Cost	24,626	4,222	4,395	173	29,917
Regular Checking - #	4,629	4,642	4,641	(1)	12
Regular Checking - $	4,442,852	4,766,809	5,066,176	299,367	623,324
TOTAL CHECKING - #	5,723	5,728	5,721	(7)	(2)
TOTAL CHECKING - $	30,143,852	38,329,524	38,193,320	(136,204)	8,049,468
Trans - MO	56,671	4,322	4,587	265	30,036
Trans - HV	37,557	3,396	3,611	215	23,009
Trans - DT	31,735	2,469	2,562	93	16,952
Trans - UR	29,684	2,310	2,352	42	15,789
Trans - IN	41,619	3,459	3,344	(115)	22,578
Trans - INFO	12,843	1,045	979	(66)	7,105
Trans - HB	87,003	7,074	7,277	203	50,391
Trans - SB	50,510	4,167	4,090	(77)	27,693
Trans - Total YTD	347,622	28,242	28,802	560	193,553

DELINQUENCY	Number	Balance
2 - 5 Months	11	55,324
6 -11 Months	5	41,868
12 Months & Over	1	5,743
Total	**17**	**102,935**

Monthly Statistics - Year To Date Statistics - Key Ratios - 2009

Category	%	Y/E 2008	JAN	FEB	MAR	APR	MAY	JUNE	JUL	AUG	SEP	OCT	NOV	DEC	YTD
Assets		86,366,726	87,757,046	115,291,732	115,952,351	118,445,061	120,161,319	121,279,807	121,031,227						34,664,501
Deposits		73,102,429	74,221,189	76,665,091	77,897,382	79,968,639	81,429,411	82,233,520	81,814,646						8,712,217
Investment Balance		43,185,859	44,911,138	79,593,710	74,406,580	76,110,844	77,513,598	77,925,466	76,822,238						33,636,379
Cash Balance		1,272,429	844,738	463,448	414,159	543,487	414,191	757,540	723,186						(549,243)
Loan Balance		37,420,917	37,527,807	36,810,817	37,093,747	37,746,402	38,162,336	38,042,024	38,926,382						1,505,465
Loans Made		1,209,689	942,195	1,167,548	1,278,928	1,684,003	1,739,015	1,438,494	2,023,241						10,273,424
Members		13,505	13,485	13,489	13,499	13,509	13,503	13,508	13,500						(5)
Accounts		22,685	22,657	22,662	22,686	22,700	22,673	22,679	22,674						(11)
DEL - 2-5 Months		187,983	206,403	198,613	84,134	85,713	57,379	47,514	55,324						(132,659)
DEL - 6-11 Months		3,866	12,249	37,000	20,065	26,770	50,359	33,977	41,868						38,002
DEL - 12 Months & >		8,033	8,033	7,618	7,307	7,187	7,003	6,883	5,743						(8,033)
Delinquent Amount		199,882	226,685	243,231	111,506	119,670	114,741	88,374	102,935						(96,947)
Delinquent Percent	< 1.30%	0.53%	0.60%	0.66%	0.30%	0.32%	0.30%	0.23%	0.26%						-0.27%
Info-Teller		15,573	14,471	14,026	14,203	14,022	14,102	14,025	14,271						99,120
Website Inquiries		39,072	36,609	38,039	40,863	39,223	38,299	34,150	33,304						260,487
Bill Payer		1,067	1,088	1,106	1,124	1,144	1,158	1,171	1,190						123
E-Statements		1,184	1,217	1,242	1,260	1,306	1,326	1,357	1,396						212
Home Branch Access		2,539	2,543	2,584	2,596	2,615	2,615	2,570	2,596						2,596
Overdrawn Accounts		41,820	21,551	12,723	26,923	34,167	26,835	34,632	28,764						28,764
Share Bal. $5,000 & <		8,909,888	9,548,838	10,195,480	9,577,336	9,438,864	9,759,495	9,312,113	9,604,156						
INC - Loans YTD		2,695,524	234,871	444,153	674,907	899,289	1,134,956	1,362,513	1,602,076						
INC - Investments YTD		1,524,870	110,862	226,397	311,135	413,883	502,311	588,222	667,880						
INC - Other YTD		1,121,675	82,079	146,008	253,573	360,070	471,828	588,767	714,845						
INC - Total YTD		5,342,069	427,812	816,558	1,239,615	1,673,242	2,109,095	2,539,502	2,984,801						
EXP - ALLL YTD		244,000	22,111	40,611	64,661	92,411	92,411	126,911	145,411						
EXP - ALLL - OD YTD		978	125	250	(1,068)	(943)	(818)	(1,068)	(943)						
EXP - Dividend YTD		2,043,551	140,439	264,076	403,499	534,086	670,250	800,594	925,560						
EXP - Operating YTD		2,500,742	205,842	425,323	1,111,678	1,344,317	1,618,494	1,440,870	2,113,551						
EXP -(G)/L on Invest. YTD		(2,538)	0	0	0	(4,367)	(4,367)	(4,367)	(4,367)						
Other Non Operating (Income)		0	0	0	0	0	0	0	(453,004)						-
EXP - Total YTD - $		4,786,733	368,517	730,260	1,578,770	1,965,504	2,375,970	2,362,940	2,726,208						
INC- NET- YTD		555,336	59,295	86,298	(339,155)	(292,262)	(266,875)	176,562	258,593						
Operating Exp. YTD - %	< 5.00%	2.91%	2.84%	2.51%	4.18%	3.69%	3.48%	2.55%	3.17%						
Net Interest Margin / AA	> 3.00%	2.53%	2.83%	2.40%	2.19%	2.14%	2.08%	2.03%	2.02%						
Return on Average Assets	0.70%	0.65%	0.82%	0.51%	-1.28%	-0.80%	-0.57%	0.31%	0.39%						
Net Worth - $		12,883,162	12,914,457	12,944,460	12,511,091	12,565,901	12,591,287	13,034,724	13,116,755						
Total Resv. / Curr. Assets	> 9.00%	14.92%	14.72%	11.23%	10.79%	10.61%	10.48%	10.75%	10.84%						
Average Assets - $		85,989,400	87,061,886	101,524,389	106,333,710	109,361,548	111,521,502	113,147,886	114,274,078						
Net Charge Off - $		220,359	0	0	52,684	0	0	63,792	0						116,476
Net Charge Off / AA - %	< .45%	0.26%	0.00%	0.00%	0.05%	0.00%	0.00%	0.06%	0.00%						0.11%
Long Term Assets - $		21,264,716	20,603,600	19,922,004	19,821,392	20,320,411	20,698,440	21,282,060	21,684,847						
Net Long Term Asset /A - %	< 35.00%	24.62%	23.48%	17.28%	17.09%	17.16%	17.23%	17.55%	17.92%						
Total Loans / Assets - %	< 90.00%	43.33%	42.76%	31.93%	31.99%	31.87%	31.76%	31.37%	32.16%						
Share Growth - %	7.00%	13.28%	1.53%	4.87%	6.56%	9.39%	11.39%	12.49%	11.92%						
Loan Growth - %	4.00%	8.14%	0.29%	-1.63%	-0.87%	0.87%	1.98%	1.66%	4.02%						
CD Deposits - $		24,655,037	24,179,789	23,693,423	23,810,493	23,681,190	23,244,206	23,323,931	23,239,953						
Share Deposits - $		48,447,392	50,041,400	52,971,668	54,086,889	56,287,449	58,185,205	58,909,589	58,574,693						
Loan To Total Share - %		77.24%	74.99%	69.49%	68.58%	67.06%	65.59%	64.58%	66.46%						
Loan To Total Deposit - %		51.19%	50.56%	48.02%	47.62%	47.20%	46.87%	46.26%	47.58%						
Fixed Assets - $		1,641,838	1,635,009	1,625,166	1,615,323	1,607,550	1,597,931	1,588,312	1,578,693						
Fixed Assets - %	< 5.00%	1.90%	1.86%	1.41%	1.39%	1.36%	1.33%	1.31%	1.30%						

	Year	Count	Balance	Monthly Installments	Amount to Reprice In 3 Years
Tecumseh		2	64,109.00		64,109.00
Variable Rate		21	490,503.82		490,503.82
Maturities of 3 Years & Less	2009-2012	31	279,524.42		279,524.42
Maturities of 4 Years	2013	21	434,647.11		434,647.11
Maturities of 5 Years	2014	23	441,315.61		441,315.61
Maturities of 6 Years	2015	19	518,322.77		518,322.77
Maturities of 7 Years	2016	21	900,261.63		900,261.63
Maturities of 8 Years	2017	21	753,175.90	10,280.31	185,045.58
Maturities of 9 Years	2018	52	2,335,238.62	29,461.25	530,302.50
Maturities of 10 Years	2019	23	928,536.70	10,679.11	192,223.98
Maturities of 11Years	2020	28	1,653,603.44	18,385.83	330,944.94
Maturities of 12Years	2021	46	2,196,593.94	22,270.29	400,865.22
Maturities of 13Years	2022	56	3,866,187.52	36,708.16	660,746.88
Maturities of 14Years	2023	67	5,416,076.14	48,111.15	866,000.70
Maturities of 15Years	2024	53	4,117,349.30	34,287.17	617,169.06
Maturities of 16-19 Years	2025	0	0.00	0.00	0.00
Maturities of > Than 20 Years					0.00
		484	**24,395,445.92**		**6,911,983.22**

Net Long Term Loans	**17,483,462.70**
Fixed Assets	**1,578,692.71**
NCUSIF Deposit	**656,528.04**
LLC	**500.00**
Deferred Compensation	**1,800,000.00**
CUSO Investments	**165,664.00**
Total Long Term Assets	**21,684,847.45**

LOAN OFFICERS REPORT 2009
JEFFERSON COUNTY FEDERAL CREDIT UNION

July , 2009

Loans Approved	***232***	***$2,001,563.22***
Credit Limits Approved **** includes updates & increases***	***10***	***$55,000.00***
Loans Disbursed	***243***	***$2,016,108.60***
Indirect Lending	***11***	***$148,813.29***
Equity Checks	***4***	***$38,066.92***
Tecumseh Mortgages	***0***	***$0.00***
Universal Approved Loans **(100% Real Estate Loans)**	***2***	***$59,545.00***
Requests Denied	***73***	***$636,430.68***

J. Kevin Lush ***August 11,2009***
Preparer ***Date***

RECOMMENDED LOAN CHARGE OFF
THIRD QUARTER 2009

ACCOUNT NUMBER	MEMBER NAME	CURRENT BALANCE	LOAN SUFFIX	LOAN TYPE	MDR	AUDR	DATE PAID	DATE DUE	MEMBER GROUP	LOAN OFFICER	Comments	REASON
681140	Judy Emily	$4,867.38	5	Open End	37%	43%	05/29/09	06/05/09	Dr. Bizers	GSE	Unsecured -Paying In Plan	CH-13 Bankruptcy
712400	Luis Bracero	$1,459.97	3	Note	2%	4%	04/29/09	05/05/09	Minor	TW	Unable to Pay - Sending to ABL	Unemployed
822830	Danny Knotts	$5,086.87	2	Motocycle	12%	28%	07/10/08	08/05/08	Dayton Walther	KL	Sending to ABL	Unemployed - Def Bal
829800	Hope Finley	$5,000.30	5	Open End	24%	25%	03/27/09	04/05/09	Lou Metro	GSE	Joint Owner Employed - ABL	Unemployed
836490	Judy Jones	$696.56	1	Note	41%	43%	04/05/09	04/05/09	Place Of Residence	KL	Incapacitated & Unable to Pay	In Hosp had Stroke in 08
700200258	June Howard	$1,151.68	5	Open End	33%	36%	06/19/09	08/05/09	Census Bureau	KL	Unsecured & Not Reafirming	CH-7 Bankruptcy
TOTALS	**For July**	**$18,262.76**		**6**								
562370	Dwayne Hagan	$1,772.87	2	Auto	39%	44%	05/12/09	04/05/09	Insight Comm	KL	Totaled - Def Bal - Mailed to ABL	Unemployed
726760	Fawnda Walters	$4,196.80	5	Open end	42%	42%	06/08/09	07/05/09	Mapother	KL	Unsecured	CH-13 Bankruptcy
833820	Megan Moore	$8,480.29	2	Auto	48%	49%	04/21/09	05/05/09	Place Of Residence	GSE	Unable to Pay - Mailing to ABL	Unemployed
847200	Amanda Richert	$4,990.21	5	Open end	34%	36%	06/01/09	07/05/09	Place Of Residence	KL	Unsecured	CH-13 Bankruptcy
700207131	Misty Webb	$1,658.53	3	Auto	7%	4%	03/12/09	04/05/09	Census Bureau	KL	Def Bal - Mailed to ABL	Unemployed
TOTAL	**For August**	**$21,098.70**		**5**								
TOTAL	**For September**	**$0.00**		**0**								
TOTAL	**ACCOUNTS**	**11**										
TOTAL	**FOR QUARTER**	**$39,361.46**										

SAR

July
2009

Suspicious Activity Report

DATE FILED	DATE(S) OF ACTIVITY			REASON FILED	DOLLAR AMOUNT
07/02/09	04/01/09	THRU	06/30/09	Unusual Cash Deposits	$ 239,821.00
07/17/09	06/19/09	THRU	0706/09	Structuring	$ 20,000.00

Total Activities =		**2**
Total Dollar Amount =	**$**	**259,821.00**

By:	
Date:	

WHY ARE WE OFFERING ID THEFT PROTECTION NOW?

The truth is that we have been offering ID theft protection for a couple of years. However, first, let's talk about the problem of ID Theft. It seems that hardly a week goes by where we do not hear something about a data breach or an unsecured laptop containing confidential information being stolen. That is only the tip of the iceberg. For the most part the problem starts closer to home. These days the bad guys have gotten much smarter. Failure to shred important papers and credit card offers provide a source of information for an ID thief. Most people do not realize that they often contribute to this growing problem by not safeguarding their personal information. An unattended mailbox is a bonanza for an ID thief. A bank statement, check reorders and credit card statements are typically shipped to consumer's homes and placed in the mailbox. One may not immediately miss one of these items. However, if an ID thief is watching mailboxes for just these items, it does not take any time for him to appropriate them and set up a whole new series of financial accounts IN YOUR NAME. Consumers usually do not hear about this until a couple of months later when they start to receive collection calls or collection letters. Consumers are then surprised to learn that their credit bureau report includes new home purchases, automobile purchases and new credit cards. The problems do not stop there. One may discover that the information on his credit card was skimmed and now fraudulent charges have been assessed to his account. Straightening out the mess is a daunting process that often takes hundreds of hours.

There are many ID Theft programs on the market. Indeed, some home owners' policies and credit card vendors offer such programs. It is wise to examine these programs closely. Most programs will provide advice as to how to proceed in restoration of your good name. However, they do not do the work for you. Others will provide an insurance benefit to reimburse you for the cost spent in restoring your credit or up to a specified dollar amount based on documented substantiated losses. This particular point is something to consider. Most ID thieves will plunder a victim's credit standing for all that they can get, easily eclipsing the amount of the insurance benefit.

This is where the difference rests. Our ID SafeChoice will result in a full restoration of your credit. ID SafeChoice provides an Identity Recovery Advocate who will do all of the work so you do not have to take off of work or surrender your personal time to remedy the situation. Since ID SafeChoice returns your credit file to the status it was prior to the theft, there is no need for an insurance benefit. ID SafeChoice give you the peace of mind knowing that for the low price of $1.95 per month, your credit rating is protected against ID Theft. When you factor in that members receive services for three generation of your family – you, your spouse or partner, your dependents up to age 25 with the same permanent address, and your parents living with you or in a hospice, nursing care or assisted living, with benefits up to 12 months after death, the $1.95 monthly cost represents a tremendous value.

Your credit union is pleased to offer this low cost ID Theft protection program for you. For your protection and peace of mind, we strongly encourage your participation. As a reminder, you are automatically enrolled for OPTION1 if you have a checking account with JCFCU and the fee will be deducted from your primary checking account monthly unless you opt out.

<u>OPTION 1 $1.95 Per Month For Basic Coverage</u>

<u>OPTION 2 $2.95 Per Month For Basic Coverage and Monitoring</u>
(Click Here) For Additional Information

<u>OPTION 3 $5.95 Per Month For Basic Coverage, Monitoring and Additional Services – Individual Plan</u>
(Click Here) For Additional Information

<u>OPTION 4 $9.95 Per Month For Basic Coverage, Monitoring and Additional Services – Family Plan</u>
(Click Here) For Additional Information

8581	367.40	6/1/2009	GARY S. EDELEN
8582	2,108.40	6/1/2009	UNIVERSAL ASSURORS
8583	913.50	6/1/2009	ALLIED SOLUTIONS GAP
8584	5,723.99	6/2/2009	MINNESOTA MUTUAL
8585	7.15	6/2/2009	JACKIE HARRIS
8586	7.15	6/2/2009	MABLE STRANGE
8587	300.00	6/3/2009	THE CRUSADE FOR CHILDREN
8588	199.00	6/3/2009	SATURN OF LOUISVILLE
8589	24.00	6/4/2009	CLARK COUNTY CLERK
8590	227.00	6/4/2009	GRACE TITLE GROUP
8591	32.00	6/4/2009	JEFFERSON COUNTY CLERK
8592	135.00	6/4/2009	GRACE TITLE GROUP
8593	233.00	6/4/2009	COYLE DODGE
8594	97.00	6/4/2009	DOWNTOWN FORD
8595	4,119.97	6/5/2009	KYCUL SERVICES
8596	135.00	6/5/2009	GRACE TITLE GROUP
8597	32.00	6/5/2009	JEFFERSON COUNTY CLERK
8598	70.22	6/8/2009	FIRST SERVICE GROUP
8599	135.00	6/8/2009	GRACE TITLE GROUP
8600	38.00	6/8/2009	JEFFERSON COUNTY CLERK
8601	191.00	6/9/2009	BOB HOOK CHEVROLET
8602	115.00	6/9/2009	KEVIN GOSS
8603	210.00	6/9/2009	GRACE TITLE GROUP
8604	56.00	6/9/2009	CLARK COUNTY CLERK
8605	132.00	6/10/2009	OXMOOR TOYOTA
8606	300.00	6/10/2009	BOB HOOK CHEVROLET
8607	54.00	6/11/2009	KYCUPAC
8608	1,436.00	6/11/2009	KYCUPAC
8609	73.50	6/11/2009	WASHINGTON NATIONAL LIFE INS
8610	628.25	6/11/2009	DIRECT RESPONSE
8611	1,264.70	6/11/2009	AMERICAN HERITAGE
8612	163.76	6/11/2009	PROFESSIONAL INSURANCE CO
8613	163.76	6/11/2009	PROFESSIONAL INSURANCE CO
8614	1,092.06	6/11/2009	LIFE INVESTORS INSURANCE
8615	252.00	6/11/2009	BYERLY FORD NISSAN
8616	135.00	6/11/2009	GRACE TITLE GROUP
8617	32.00	6/11/2009	JEFFERSON COUNTY CLERK
8618	150.00	6/12/2009	STAMLER MACHINE
8619	135.00	6/12/2009	GRACE TITLE GROUP
8620	135.00	6/12/2009	GRACE TITLE GROUP
8621	32.00	6/12/2009	JEFFERSON COUNTY CLERK
8622	32.00	6/12/2009	JEFFERSON COUNTY CLERK
8623	329.00	6/12/2009	COYLE DODGE
8624	66.00	6/12/2009	BULLITT COUNTY CLERK
8625	22.00	6/12/2009	HENRY COUNTY CLERK
8626	40.00	6/12/2009	VEVAY LICENSE BRANCH
8627	500.00	6/15/2009	KOONS RECOVERY SERVICE
8628	150.25	6/16/2009	KROGER CATERING SERVICE
8629	141.00	6/16/2009	VOLVO OF LOUISVILLE
8630	182.00	6/16/2009	DAVID'S CARS
8631	151.00	6/17/2009	CRAIG & LANDRETH
8632	75.00	6/18/2009	LABA
8633	120.29	6/18/2009	INDUSTRIAL DISPOSAL
8634	1,866.00	6/18/2009	COURTESY CLEANING
8635	15.00	6/18/2009	OKOLONA PEST CONTROL
8636	284.06	6/18/2009	ACCO INC
8637	125.00	6/18/2009	VIC NORDMAN
8638	50.00	6/18/2009	LINDSAY MARIE IRRIGATION
8639	56.16	6/18/2009	LOUISVILLE/JEFFERSON CO METRO
8640	31.17	6/18/2009	DUPLICATOR SALES & SERVICE
8641	915.75	6/18/2009	ARROW ELECTRIC
8642	194.42	6/18/2009	ADT SECURITY
8643	639.85	6/18/2009	BLUEGRASS.NET
8644	5,229.00	6/18/2009	FORTRESS NETWORK
8645	7,315.00	6/18/2009	ADMAN MARKETING
8646	0.00	6/18/2009	VOID
8647	0.00	6/18/2009	VOID
8648	0.00	6/18/2009	VOID
8649	0.00	6/18/2009	VOID
8650	0.00	6/18/2009	VOID
8651	0.00	6/18/2009	VOID
8652	0.00	6/18/2009	VOID
8653	0.00	6/18/2009	VOID
8654	0.00	6/18/2009	VOID
8655	0.00	6/18/2009	VOID
8656	0.00	6/18/2009	VOID
8657	0.00	6/18/2009	VOID
8658	0.00	6/18/2009	VOID

8659	0.00	6/18/2009	VOID
8660	0.00	6/18/2009	VOID
8661	0.00	6/18/2009	VOID
8662	285.00	6/18/2009	CREDIT UNION CONNECTION
8663	189.00	6/18/2009	ROUTEONE
8664	168.00	6/18/2009	PCI SERVICES
8665	576.00	6/18/2009	NADA
8666	1,712.50	6/18/2009	TRANS UNION
8667	20.00	6/18/2009	MAPOTHER & MAPOTHER
8668	2,068.31	6/18/2009	PRINTING SERVICES II
8669	2,600.00	6/18/2009	CHOICEPOINT
8670	672.45	6/18/2009	GARDA CL CENTRAL
8671	1,225.00	6/18/2009	DAVID WATERMAN
8672	541.66	6/18/2009	CNBS
8673	800.00	6/18/2009	ASCENSUS
8674	283.36	6/18/2009	DIGITALMAILER
8675	10.00	6/18/2009	MACO INVESTIGATIONS
8676	646.00	6/18/2009	CHEXSYSTEMS
8677	40.00	6/18/2009	OXMOOR TOYOTA
8678	381.00	6/18/2009	CAPITAL FUNDING
8679	3,109.57	6/19/2009	STEPHANIE KATHERINE MILLER
8680	51.72	6/22/2009	BOBBIE HOLSCLAW
8681	68.15	6/22/2009	THE ESTATE OF GLENDA DIRCK
8682	200.00	6/22/2009	STAMLER MACHINE
8683	10.00	6/22/2009	LOUISVILLE METRO GOVT
8684	60.00	6/22/2009	A PLACE LIKE HOME
8685	80.55	6/22/2009	MINNESOTA MUTUAL
8686	31,633.33	6/23/2009	EVELYN DUGAN TRUSTEE
8687	0.00	6/24/2009	VOID
8688	0.00	6/24/2009	VOID
8689	350.60	6/24/2009	CARL HICKS
8690	430.21	6/24/2009	GENERAL SERVICES ADMINISTRATION
8691	15,091.92	6/24/2009	LOUISVILLE METRO GOVT
8692	90,801.44	6/24/2009	THE ESTATE OF JAMES FORD
8693	8.00	6/24/2009	LABA
8694	162.00	6/25/2009	OXMOOR TOYOTA
8695	135.00	6/25/2009	OXMOOR TOYOTA
8696	221.00	6/25/2009	SATURN OF LOUISVILLE
8697	167.00	6/25/2009	SATURN OF LOUISVILLE
8698	191.00	6/25/2009	COYLE DODGE
8699	264.91	6/25/2009	ALLIED SOLUTIONS AUTO CPI
8700	421.25	6/26/2009	DIRECT RESPONSE
8701	160.00	6/26/2009	GRACE TITLE GROUP
8702	135.00	6/26/2009	GRACE TITLE GROUP
8703	32.00	6/26/2009	BULLITT COUNTY CLERK
8704	32.00	6/26/2009	JEFFERSON COUNTY CLERK
8705	8,369.40	6/26/2009	THE ESTATE OF GWENDOLYN HARDIN
8706	110.00	6/30/2009	LARRY DODSON
8707	29.15	6/30/2009	ED DAVIS
8708	125.40	6/30/2009	STEVE SCHWEITZER
8709	72.60	6/30/2009	DON FRITTS
8710	9.90	6/30/2009	BARBARA BRIGGS
8711	1,575.00	6/30/2009	GENERAL SERVICES COMPANY
8712	1,125.00	6/30/2009	ACME TREE SERVICE
8713	50.00	6/30/2009	SHRED IT
8714	2,450.35	6/30/2009	FISERV
8715	1,175.00	6/30/2009	DAVID WATERMAN
8716	525.00	6/30/2009	MARVIN SCHMIDT
8717	780.20	6/30/2009	ZIP EXPRESS COURIER SERVICE
8718	375.00	6/30/2009	WEBER & ROSE
8719	1,150.00	6/30/2009	PUBLISHERS PRESS
8720	31.90	6/30/2009	CATHY PENNELL
8721	190.00	6/30/2009	PARC
8722	538.14	6/30/2009	LINCOLN NATIONAL LIFE INS CO
8723	44.00	6/30/2009	POSTMASTER
8724	0.50	6/30/2009	LINDSAY STINSON
8725	30.25	6/30/2009	LINDSAY STINSON
8726	236.50	6/30/2009	RACHEL LEE
8727	281.94	6/30/2009	VISA
8728	1,503.23	6/30/2009	MASTERCARD
8729	32.00	6/30/2009	CLAPP VOLKSWAGEN
8730	115.00	6/30/2009	JAMIE WILCOXSON
8731	256.00	6/30/2009	BYERLY FORD NISSAN
Total	217,402.15		151

JUNE 2009 **OPERATING ACCOUNT GL #733000 PAYOUTS**

	ACH Amount	Payable To:	Reason
	1,381.91	AT&T	Phones - MO & HV
	997.59	Louisville Gas & Electric - MO	Office Occupancy
	348.34	Louisville Gas & Electric - HV	Office Occupancy
	2,000.00	Postage	Postage
	532.72	Louisville Water Co. - MO	Office Occupancy
	467.89	Louisville Water Co. - HV	Office Occupancy
	7,722.72	Share One	Computer
	11.79	AT&T	Internet - Indiana
Total	13,462.96		

Month	July 2009																																		
Stations / Spots	WAVE-TV 3 (A - 16) WHAS-TV 11 (B - 22) WLKY-TV 32 (C - 33)																																		
Date	Jun 28	29	30	Jul 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	Aug 1
Day	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
AM																																			
12:00 - 12:59				C																															
1:00 - 1:59			C				C						B		B																				
2:00 - 2:59													C							C							C								
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5:00 - 5:59																														B					
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7:00 - 7:59							B	BB						AB	B							C													
8:00 - 8:59					B		A	C					B		B						A							A							
9:00 - 9:59																																			
10:00 - 10:59																																			
11:00 - 11:59																																			
PM																																			
12:00 - 12:59		CC								AC C						A		CC								A	CC								
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10:00 - 10:59																																			
11:00 - 11:59																																			

Total Spots = 71