JEFFERSON COUNTY
FEDERAL CREDIT UNION

A COMMUNITY CREDIT UNION

Board Packet

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JEFFERSON COUNTY FEDERAL CREDIT UNION
BOARD OF DIRECTORS MEETING
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February 25, 2009

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JEFFERSON COUNTY FEDERAL CREDIT UNION

MINUTES - BOARD OF DIRECTORS MEETING

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

Roll Call

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

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

A motion was made by MH and duly seconded by ED to approve the minutes of 12-17-08 and 01-21-09. Vote Taken – Motion Carried.

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

TREASURER'S REPORT
CH reported for WW that we had another good month. Our ROA for 2008 is .65% which is less than our target goal for the year. Net worth is a very comfortable 14.92% when compared to our minimum comfort level of 9.00% and regulatory minimum preference of 7.00%. There was a decrease in deposits from the previous month of $473,000 and an increase of $8,570,000 year to date. Loan volume for the month showed an increase of $205,000 and net loans showed an increase of $305,000 for the month and an increase of $2,816,000 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. Our dividend and interest rates which were lowered 01-01-09 are very competitive. As previously stated I am personally comfortable with this level of performance and hope 2009 affords us .40% to .50% ROA. There are many, many negative forces at work in the marketplace and these will continue for the foreseeable future. Attempting to pay enough to keep our member's deposits and function somewhat normally will be at best a slippery slope. A motion was made by ED 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 on the CU SIP program.
2. A report was given regarding $1.2 billion write down by US Central relative to mortgage back loans.
3. An update was given on an ATM proposal requested by the Census bureau for us to supply them two additional ATMs..
4. It was reported that we had an additional 340 debit cards numbers potentially compromised.
5. It was reported that CH and WW met via conference call and reviewed the 12-31-08 ALM report from

CNBS. No changes were required.

6. An update was given on the first problem RE loan that the tax errors were not the Mapother firm's fault and that the member had actually converted the funds. More details will follow. The second one, Mr. Finger however was and CH was instructed to tell them to make us whole since it was their error.

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

SENIOR VICE PRESIDENT'S REPORT
GE made the following report. We had 85 TV and 77 radio commercials for November and 76 TV and 52 radio commercials for last month. Our ad is running for a new business development person at KCUL and the unemployment office. Richard Brooks is working some. A motion was made by LD 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
GF reported the 2008 audit was underway.

UNFINISHED BUSINESS - None

NEW BUSINESS

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

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

A motion was made by ED and duly seconded by LD to adjourn at 9:15 AM. Vote Taken - Motion Carried.

__________________________________ __________________________________
Chairman Secretary

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

DATE: February 10, 2009
TIME: 8:30 A.M
LOCATION: Holiday Inn – Hurstbourne Lane

Roll Call

William Eskridge - Chairman	(WE)	Excused
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

Vice Chairman Schweizter 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 –** A brief discussion and update was given on last month's financial picture. We had a good January despite the economy and have a .82% ROA. Debit card replacement costs and snow removal will have a negative impact on February's numbers.

2. **Deposit Rates** – Still very competitive in all areas even though they have been reduced. 15 Year mortgage rates are up to 4.92% nationally and 4.97% regionally. APRs in most cases will eclipse or 5.05%.

   a. Dividend Cost and Investment Income Historical Tracking – The numbers below were our cost on Rewards, CIA and CCIA for the dates listed. Then following months are tracked and detailed in the attached graph: DEC-07 - $77,888, MAR-08 - $70,146, JUN-08 - $53,960, SEP-08 - $53,044, DEC-08 - $61,712 and JAN-09 - $44,880. Investment income over the same period is tracked.

3. **Annual Meeting Door Gift** – A discussion ensued about using the small flashlights form a few years ago, the flashlight screwdriver or hats.

4. **Debit Cards Compromised** – Thankfully no additional cards have required replacement.

5. **CU Bond and other Insurance** – I am still awaiting final figures for our coverage for 2009-10.

6. **NAFCU** – They offered to waive ½ of our dues for this year and only charge $3,000. I recommend we still not renew. The Board agreed by consensus to pass this offering.

7. **Legislation** – Pending rules on RE cram downs on non subprime loans in bankruptcy will parallel what we currently have on auto loans and is not good for our business. We are following this closely.

8. **Finger RE Loan** – We have had no word on our written request to pay off our balance that expired yesterday. CH will contact the senior partner to see what his position is. If we have to pursue this the Board instructed CH to discontinue using the firm as our retainer attorney and request a refund of our 2009 payment. CH advised we will use Grace Title Group for all title exams and Jim McDonough for foreclosures on a forward going basis.

   a. RE: Finger- We really have no need for the other payoffs. - As I told you when we talked, had we been aware of these additional tax liens we would have either paid them off to conform with our lending policy or denied the loan renewal. I cannot hold by staff responsible since they did not obtain the proper information on the requested title exam from your office. Since your office failed to tell us about the existence all but the one we did payoff (2007 Taxes- $832.04) we had no way of knowing of them and no option to pay them then. Again, had we known of them we would have denied the loan and in all probability been paid off by a competitor thereby eliminating any additional liability for JCFCU. Had he not paid us off then the payments the member paid in 2008 would have eliminated the $2,931 balance by yearend 2008. Therefore our balance and the tax liens have become your problem due the error at your office. Please remit our payoff of $7,915.74 by next Monday and we will assign our note and mortgage to you.

9. **US CENTRAL CU Problems** - We are awaiting NCUA's final method on how they plan to fix this and the projected impact it will probably have on all natural person credit unions. Here's what we know at this time.

   a. I've attached a work sheet detailing the NCUA – CLF bailout. The SIP program has garnered approximately $4B in new deposits in the US Central but they have about $14B in borrowed money so that continues to be an ongoing program. NCUA has contracted PIMCO to evaluate US Central's mortgage back portfolio but that will take a while even if they find something positive.
   b. After Fitch came in to US Central to downgrade them based on mortgage back securities they were holding NCUA made a direct capital infusion into U.S. Central Credit Union of $1 billion, to help offset losses of $1.2 billion on mortgage and asset back securities. US Central had been telling Kentucky Corporate and our CEO verified for the last several months that these instruments were noted on their financials as 'mark to market' and did not have to be written down as they did not have to sell them. (Something like we used to do with Kemper and Lord Abbott). Now that their rating is downgraded and that there is not a market for the securities US Central cannot use them to collateralize their borrowings and at least for the short term they have become worthless. The new NCUA leader (Fryzel) that authorized this (in my perception) responded to a knee jerk reaction without considering the big picture. The $1B infusion impaired part of natural person CUs 1% deposits and (I believe he knew that) we would have to immediately make it good per law. How's that for a confidence builder for our industry in these already periled times? He either did not think about what he was doing or is in fact a representative of the ABA undercover sent to try and destroy us from the top since it's not working from the bottom. Five large corporate players (not KCFCU) have some of these mortgage backs as well and I cannot help but wonder if this is the last write down we have to consider this year or early 2010. Mr. Fryzel says we need to fix the entire corporate system. Obviously all corporates belong to US Central just as most natural person credit unions belong to one or more corporate. I think I've preempted you with all the info you need. At any rate all federally insured credit unions (whether they belong to or do business with a corporate) will be required to do the following:
      i. Write down 51% of our NCUSIF deposit by the end of March 2009, and
      ii. NCUA will assess an NCUSIF premium equal to 30 basis points of our insured shares to bring the fund back up to $1.30 per $100 in insured shares (expected in September).
   c. We still don't know whether they will use the $100K or $250K guaranteed deposit approach for the assessment basis (i.e. the two different scenarios on the work sheet). They do project that greater than 60% of all credit unions will have negative ROA as of 12-31-09. Obviously we will have a negative bottom line for 03-31-09 and YTD beginning 03-31-09 as the current fix totals represent 82% and 90% respectively of our projected total income for the year. If we experience any growth those scenarios only worsen.
   d. NCUA has also issued for comment an Advanced Notice of Proposed Rulemaking on the structure and governance of the corporate network. We are commenting find another way to fix this mess. We CUNA/KCUL initially commented that we did not want CUs to participate in TARP funds meaning natural person CUs. We felt that immediately opened the door to taxation. That stance has been modified to say that US Central and the other large corporates with large blocks of mortgage back security losses should be able to receive this funding as they were not loans actually made by our movement. At this point taxation and IRS may be lesser adversaries than the bankers and our own regulators.
   e. I listened to a 2 hour national conference call last Wednesday with CUNA that really didn't broaden my horizons. If you choose you can listen to the archived call at: http://www.cuna.org/initiatives/corp_stabilization/member/audio.html The item I sent 02-05-09 explains things pretty well too.

10. I'll be OOT on vacation Wednesday through Friday this week and OOT on business the following week. I am due back in Louisville at 6:00 PM 02-20-09. Call my cell if you need me.

All the above items were discussed and reviewed by the Board. There being no further business WE declared the meeting adjourned at 9:45 A.M.

_________________________________ Vice Chairman

_________________________________ Secretary

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NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314

DATE: **January 2009** **LETTER NO.: 09-CU-01**
TO: **Federally Insured Credit Unions**
SUBJ: **Risk Management of Remote Deposit Capture**
ENCL: **FFIEC Risk Management of Remote Deposit Capture Guidance**

Dear Board of Directors:
The purpose of this letter is to provide Federally Insured Credit Unions with the enclosed guidance, developed collectively by the Federal Financial Institutions Examination Council, in an effort to assist credit unions engaging in or considering, the operation of the Remote Deposit Capture service (RDC). Credit unions should comply with this guidance in the planning, implementing, contracting, and processing of RDC activities.

RDC is an automated deposit transaction delivery system enabling members to scan items, typically checks, from remote locations and electronically transmit the electronic images or captured digital data to credit unions for posting and clearing. RDC may provide benefits to both credit unions and their members; however, this service can introduce additional legal, compliance, and operational risks.

Performing effective risk management is the key to mitigate and control associated risks. The risk management process includes:

- Risk Assessment. Management should perform a comprehensive risk assessment to identify and assess legal, compliance, and operational risks.
- Risk Mitigation and Controls. Management should establish policies addressing risk tolerance levels, internal procedures and risk controls, risk transfer mechanisms, and contracts and agreements.
- Risk Measuring and Monitoring. Management should establish operational performance metrics, benchmarks and standards, and develop management reports to support management oversight of RDC operations.

To ensure sound implementation and ongoing operations, the board of directors should approve and oversee the RDC plans and policies, and review performance and risk management reports.

If you have any questions, please contact your NCUA Regional Office or State Supervisory Authority.

ENCLOSURE 1 TO 09-CU-01 **Federal Financial Institutions Examination Council**

Risk Management of Remote Deposit Capture

Background and Purpose

Remote Deposit Capture (RDC), a deposit transaction delivery system, allows a financial institution to receive digital information from deposit documents captured at remote locations. These locations may be the financial institution's branches, ATMs, domestic and foreign correspondents, or locations owned or controlled by commercial or retail customers of the financial institution. In substance, RDC is similar to traditional deposit delivery systems at financial institutions; however, it enables customers of financial institutions to deposit items electronically from remote locations. RDC can decrease processing costs, support new and existing banking products, and improve customers' access to their deposits; however, it introduces additional risks to those typically inherent in traditional deposit delivery systems. This guidance addresses the necessary elements of an RDC risk management process in an electronic environment, focusing on RDC deployed at a customer location. The general principles of RDC risk management discussed here are also applicable to financial institutions' internal deployment and other forms of electronic deposit delivery systems (e.g., mobile banking and automated clearing house [ACH] check conversions).

Risk Management: Risk Assessment

Although deposit taking is not a new activity, RDC should be viewed as a new delivery system and not simply as a new service. Prior to implementing RDC, senior management should identify and assess the legal, compliance, reputation, and operational risks associated with the new system. They should ensure that RDC is compatible with the institution's business strategies and understand the return on investment and management's ability to manage the risks inherent in RDC. Management should incorporate their assessments of RDC systems, including products and services, into existing risk assessment processes. The Management Booklet of the *FFIEC IT Examination Handbook* and the *FFIEC Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual* provide high-level descriptions of risk management processes that include planning, risk identification and assessment, controls, and measuring and monitoring. The size and complexity of the financial institution, as well as the relative scale and impact of RDC to overall activities, should determine the appropriate level at which governance, oversight, and risk management of RDC should occur. Accordingly, the board or management should approve plans, policies, and significant expenditures, and should review periodic performance and risk management reports on the implementation and ongoing operation of RDC systems and services. A financial institution's RDC risk assessment should include a determination of the risks to the security and confidentiality of nonpublic personal information consistent with the *Interagency Guidelines Establishing Information Security Standards* (Guidelines). Under these Guidelines, financial institutions must adjust their information security programs in light of any relevant changes in technology, the sensitivity of customer information, internal or external threats to information, and their own changing business arrangements. Therefore, as an institution implements RDC systems, it must consider information security risks associated with RDC technology and operations. The complexity of the risk identification and assessment process will vary depending on the scope of RDC implementation and exposures faced by the institution. In general, implementing RDC in the institution's backroom operations may present less risk and complexity than deploying RDC at remote locations, such as customers' business premises or homes, where the capture process is outside the direct control of the institution. Risks may differ if the institution uses image exchange for a portion of the process or elects to use the ACH network throughout. Therefore, depending on how RDC is implemented, the financial institution's risk assessment should include its own IT systems as well as those of its third-party service providers and RDC customers. Financial institutions should approach their risk management responsibilities by involving all potential stakeholders in RDC. Depending on the size and complexity of the institution, stakeholders could include staff from information technology, deposit operations, treasury or cash management sales, business continuity, information security, audit, compliance (including BSA/AML), management, accounting, and legal. Some financial institutions may involve third parties in the risk assessment, implementation, or ongoing operations to provide additional expertise. Regardless of the parties involved, the board and senior management are ultimately responsible for safe and sound operations, including RDC products and services.

Legal and Compliance Risks

Senior management should identify and assess exposure to legal and compliance risks related to RDC. For example, if a financial institution accepts a deposit of check images from a customer through the RDC system, legal risk exposures may be related to the controls over the process used for image capture or image exchange and the institution's arrangements and contracts for clearing and settling checks. When a financial institution sends the deposited items, in either electronic or paper form, to another institution for collection or presentment, it should consider the risks it takes under the Check Clearing for the 21st Century Act (Check 21 Act), Regulation CC, Regulation J, applicable state laws, or any agreements or clearinghouse rules. Some RDC systems employ "least cost routing," which allows items to be transmitted and settled either through the check collection system or as an ACH transaction. Financial institutions should understand the separate rules and liabilities and consider them in the risk assessment. For each clearing method, the financial institution should consider applicable legal and regulatory requirements, such as timing and amount of funds availability, as well as the timeframes for handling returned items. The institution should assess its agreements to verify that liability is allocated appropriately and that other matters, such as methods for resolving disputes and choice of legal jurisdiction, are addressed adequately. (See further discussion under *Contracts and Agreements*.) The financial institution should evaluate potential risks and regulatory requirements under Bank Secrecy Act laws and regulations when designing and implementing RDC. The institution should consider whether and to what extent it could be exposed to the risk of money laundering activities as well as its ability to comply with anti-money laundering laws and regulations and suspicious activity monitoring. In particular, the growing use of RDC by foreign correspondent financial institutions and foreign money services businesses to replace pouch and certain instrument processing and clearing activities raises money laundering risks the institution should understand and mitigate. Additional due diligence may be necessary where there is evidence that the RDC capture device is in a foreign location, or when a customer has been otherwise identified as being high risk.

Operational Risks

Senior management should understand operational risks and ensure that appropriate policies, procedures, and other controls are in place to mitigate them, including physical and logical access controls over RDC systems, original deposit items at customer locations, electronic files, and retained nonpublic personal information. Management should assess carefully how RDC affects existing risks and mitigating controls. For example, for the various technological options, management should assess the risks associated with how and where nonpublic personal information is captured, transmitted, retained, and destroyed. Management should consider the confidentiality, integrity, and availability of data afforded by its IT systems and by the systems used by its service providers and RDC customers. RDC processes at a customer location expose the financial institution to operational risks from the point of initial capture. These risks can be unique to each customer's location, RDC processing technology, and information security systems. Faulty equipment, inadequate procedures, or inadequate training of customers and their employees can lead to inappropriate document processing, poor image quality, and inaccurate electronic data. Ineffective controls at the customer location may lead to the intentional or unintentional alteration of deposit item information, resubmission of an electronic file, or re-deposit of physical items. Inadequate separation of duties at a customer location can afford an individual end-to-end access to the RDC process and the ability to alter logical and physical information without detection. In the typical RDC process, original deposit items are not submitted to the financial institution but are retained by the customer or the customer's service provider. Therefore, it is important for the financial institution to require customers to implement appropriate document management procedures to ensure the safety and integrity of deposited items from the time of receipt until the time of destruction or other voiding. Depending on the type of RDC system implemented, information security risks may extend to the financial institution's own internal networks and networks of its service providers. These technology-related operational risks include failure to maintain compatible and integrated IT systems between the financial institution, service providers, and the customer. For example, a customer or service provider may modify RDC-associated software or hardware or fail to update or patch an associated operating system in a timely manner. There also may be risks related to Web application vulnerabilities, authentication of a customer to the RDC system, and encryption used at any point in the process. The Information Security Booklet of the *FFIEC IT Examination Handbook* provides further guidance in these areas. A financial institution should consider carefully the authentication method appropriate for RDC customers. As stated in the *Interagency Guidance on Authentication in an Internet Banking Environment,* the FFIEC agencies consider single-factor authentication, as the only control mechanism, to be inadequate for high-risk transactions involving access to customer information or the movement of funds to other parties. The agencies consider transfer of deposit transaction information to represent "the movement of funds to other parties." Thus, for those RDC systems using the Internet as a communication medium, management should implement multifactor authentication, layered security, or other controls reasonably calculated to mitigate risks. Risks associated with fraud are not unique to RDC; however, certain aspects of fraud risk are elevated in an RDC environment. Check alteration, including making unwarranted changes to the Magnetic Ink Character Recognition (MICR) line on the image of scanned items, may be more difficult to detect when deposited items are received through RDC and are not inspected by a qualified person. Similarly, forged or missing endorsements, which may be detected in person, may be less easily detected in an RDC environment. Certain check security features may be lost or the physical alteration of a deposited check – such as by "washing" or other alteration techniques – may be obscured in imaging or electronic conversion processes. Counterfeit items may be similarly difficult to detect. Duplicate presentment of checks and images at the institution or another depository institution represents both a business process and a fraud risk. The potential for insider fraud may be greater with RDC because the financial institution typically does not perform background checks on its customers' employees who may have access to physical deposit items or electronic files. Access by customers and their staffs to nonpublic personal information contained on, or represented by, deposit items may also increase the risk of identity theft.

Risk Management: Mitigation and Controls

If a comprehensive risk assessment supports a management conclusion that the risks associated with RDC can be effectively mitigated, measured, and monitored, management should implement appropriate risk management policies. These policies should establish risk tolerance levels, internal procedures and controls, risk transfer mechanisms where appropriate and available, and well-designed contracts that meet the institution's risk management needs.

Customer Due Diligence and Suitability

A financial institution may determine that risks associated with RDC warrant greater customer selectivity than the risks associated with traditional deposit services and may choose to reduce and control those risks by limiting the availability of this system. Management should establish appropriate risk-based guidelines to qualify customers for this service. In general, information gathered while conducting customer identification and customer due diligence procedures in fulfillment of the institution's BSA/AML program can support the assessment of customer suitability. Foreign correspondent accounts are subject to due diligence requirements prescribed in regulations issued pursuant to the USA PATRIOT Act amendments to the BSA. For new and existing customers, a suitability review should involve consideration of the customer's business activities and risk management processes, geographic location, and customer base. The depth of such review should be commensurate with the level of risk. When the level of risk warrants, financial institution staff should include visits to the customer's physical location as part of the suitability review. During these visits, the institution should evaluate management, operational controls and risk management practices, staffing and the need for training and ongoing support, and the IT infrastructure. In addition, the financial institution should review available reports of independent audits performed at the customer location related to IT, RDC, and associated operational processes. When appropriate, based on risk, financial institutions may choose to rely on self-assessments by their RDC customers when these address the controls and risk management practices that would otherwise be reviewed during on-site visits by financial institution staff.

Vendor Due Diligence and Suitability

Financial institutions' interest in RDC has led to a proliferation of RDC technology service providers and RDC hardware and software suppliers. Financial institutions that rely on service providers for RDC activities should ensure implementation of sound vendor management processes as described in the Outsourcing Technology Services Booklet of the *FFIEC IT Examination Handbook*.

RDC Training for Customers

Without effective periodic training, RDC customers may have unrealistic expectations of the system or may not understand their roles in managing risks and monitoring for processing errors or unauthorized activity. Management should ensure that customers receive sufficient training, whether the customer obtains the RDC system from the financial institution or from a third-party servicer. Sound training should include documentation that addresses routine operations and procedures, including those related to the risk of duplicate presentment and problem resolution.

Contracts and Agreements

Strong, well-constructed contracts and customer agreements are critical in mitigating the financial institution's risks. The financial institution's legal counsel should help develop contracts and agreements with other financial institutions that accept checks in the form of electronic files, third-party service providers, and customers that participate in the RDC process. Contracts and agreements should be appropriate for the institution's specific RDC environment and should identify clearly each party's roles, responsibilities, and liabilities. RDC agreements should establish the control requirements identified during the risk assessment process and the consequences of noncompliance. There are many elements that management should consider when developing customer contracts. For example, the contracts should cover risks and responsibilities relative to the physical equipment used by the customer in the RDC process. Specific contract provisions for consideration include:

- Roles and responsibilities of the parties, including those related to the sale or lease of equipment and software needed for RDC at the customer location;
- Handling and record retention procedures for the information in RDC, including physical and logical security expectations for access, transmission, storage, and disposal of deposit items containing nonpublic personal information;
- Types of items that may be transmitted;
- Processes and procedures that the customer must follow, including those related to image quality;
- Imaged documents (or original documents, if available) RDC customers must provide to facilitate investigations related to unusual transactions or poor quality transmissions, or to resolve disputes;
- Periodic audits of the RDC process, including the IT infrastructure;
- Performance standards for the financial institution and the customer;
- Allocation of liability, warranties, indemnification, and dispute resolution;
- Funds availability, collateral, and collected funds requirements;
- Governing laws, regulations, and rules;
- Authority of the financial institution to mandate specific internal controls at the customer's locations, audit customer operations, or request additional customer information; and,
- Authority of the financial institution to terminate the RDC relationship.

Business Continuity

Senior management should ensure the financial institution's ability to recover and resume RDC operations to meet customer service requirements when an unexpected disruption occurs. The financial institution's business continuity plan should address RDC systems and business processes, and the testing activities should assess whether restoration of systems and processes meets recovery objectives and time frames. To the extent possible, contingency plan development and testing should be coordinated with customers using RDC. The Business Continuity Planning Booklet of the *FFIEC IT Examination Handbook* provides more guidance on the process.

Other Mitigation and Control Considerations

Management should implement as appropriate other controls that mitigate the operational risks of RDC, including those related to item processing as discussed in the Operations Booklet of the *FFIEC IT Examination Handbook*. These controls should be designed and implemented to ensure the security and integrity of nonpublic personal information throughout the transmission flow and while in storage. Separation of duties or other compensating controls at both the institution and the customer location can mitigate the risk of one person having responsibility for end-to-end RDC processing. Strong change control processes coordinated between the institution and customer can help to ensure synchronized RDC platforms, operating systems and applications, and business processes. To reduce the risk of items being processed more than once, deposit items can be endorsed, franked, or otherwise noted as already processed. When insurance coverage is available and cost effective, institutions may be able to mitigate risk further.

Risk Management: Measuring and Monitoring

Financial institutions should develop and implement risk measuring and monitoring systems for effective oversight of RDC activities. Institutions should ensure that customers using RDC have implemented operational and risk monitoring processes appropriate to their choice of technology. Management should establish key operational performance metrics that support accurate and timely monitoring of risk within RDC processes. This information should be used to set operational benchmarks and standards, as well as to develop reports for monitoring results against the standards. Effective management oversight involves regularly reviewing the reports and periodically conducting reviews and operational risk assessments. This will help ensure that the monitoring and reporting process accurately reflects current policies and procedures and sound practices. A variety of reports can facilitate management oversight of RDC operations, customer compliance with agreements or contracts, and instances of anomalous or questionable activity. Reports on duplicate entries (file and/or item recognition and interception) and violations of deposit thresholds may help monitor for unauthorized activities. Velocity metrics such as file size and number of files, transaction dollar value and volume, and return item dollar value and volume also assist in monitoring for fraudulent activity and capacity utilization. In addition, reporting on reject items and corrections, and CAR/LAR/ICR adjustments supports monitoring of operational efficiency. Report content should be structured to meet the needs of the various levels of management. Reports should address point-in-time activities as well as trends for individual customers, groups of customers with similar characteristics, and for the RDC product as a whole.

Conclusion

A financial institution offering RDC should have sound risk management and mitigation systems in place and should require adequate risk management at customer locations. Prior to implementing RDC, and periodically thereafter, management should conduct a risk assessment to identify the related types and levels of risk exposure. Comprehensive contracts and customer agreements should identify clearly the roles, responsibilities, and liabilities of all parties in the RDC process to minimize exposure to legal and compliance risks. Appropriate technology and process controls should be implemented at both the financial institution and the customer locations to address operational risk. Financial institution management and the customer should implement effective risk measurement and monitoring systems. When appropriate and available, insurance coverage should be considered as a risk transfer mechanism. As with other financial services, RDC may not be appropriate for all customers or for all financial institutions.

Sincerely,
Michael E. Fryzel, Chairman

NCUA LETTERS TO CREDIT UNIONS

DATE: **January 2009** **LETTER NO.: 09-CU-02**
TO: **Federally Insured Credit Unions**
SUBJ: **Corporate Credit Union System Strategy**
ENCL: **(1) Corporate Credit Union Advanced Notice of Proposed Rulemaking**
(2) Share Guarantee Term Notice

Dear Board of Directors:

For over three decades, natural person credit unions have supported the corporate credit union system. In turn, the corporate system has provided vital investment, liquidity and payment system services to credit unions. Many credit unions, especially those of smaller asset size, would face significant challenges without the services and assistance provided by corporate credit unions. The corporate credit union system is now facing unprecedented strains on its liquidity and capital due to credit market disruptions and the current economic climate. NCUA has developed a strategy to address the issues facing the corporate system, with three primary objectives:

1. Maintain liquidity;
2. Strengthen capital; and
3. Restructure the existing corporate system.

NCUA will use all available resources to successfully achieve these objectives. It is essential that natural person credit unions continue to support the system as well. While economic uncertainty will continue to affect corporate credit unions, it is clear that achievement of the objectives listed above requires your continued support of the corporate system. Actions you can take to support the system include maintaining your current deposits and placing additional excess liquidity in your corporate credit union(s), utilizing the Central Liquidity Facility (CLF) for your own cash needs, and participating in the new programs NCUA has developed to ease the liquidity stress in the corporate system. In particular, participation in the Credit Union System Investment Program (CU SIP) provides a credit-risk free opportunity for you to enhance your earnings and provide liquidity to the corporate system. Information concerning all of the corporate liquidity programs is available on NCUA's website at www.ncua.gov, or by contacting your NCUA examiner or Regional Office. NCUA is announcing two additional actions which provide immediate enhancement to the corporate credit union system's liquidity and capital position. The actions include:

- Offering a temporary National Credit Union Share Insurance Fund (NCUSIF) guarantee of member shares in corporate credit unions. The guarantee will cover all shares, but does not include paid-in-capital and membership capital accounts, through December 31, 2010. This guarantee is the equivalent of full share insurance on member shares and will be extended beyond that date by the NCUA Board if necessary. A condition of the guarantee requires the management team of each participating corporate credit union to be subject to supervisory conditions and terms defined by NCUA. Refer to the Share Guarantee Term Notice for full details concerning the guarantee.
- Injecting $1.0 billion in cash from the NCUSIF into U.S. Central Federal Credit Union (U.S. Central) in the form of capital. The capital will provide reserves to the system in order to offset the anticipated realized losses on some of the mortgage and asset-backed securities held by U.S. Central.

Given the importance of U.S. Central as a liquidity and payment systems provider to both corporate credit unions and by extension, natural person credit unions, NCUA is taking decisive action to stabilize U.S. Central's financial position. This includes both the capital infusion and U.S. Central's participation in the uninsured share guarantee. These actions bring immediate stability to not only U.S. Central but the entire corporate system.

Background and Current Condition of Corporate Credit Unions

By regulation, corporate credit unions are only allowed to invest in highly rated securities, and their interest rate risk exposure is constrained by net economic value limits. Corporate credit unions have used these securities as part of their overall balance sheet management in meeting their member liquidity needs. Historically, the securities could be readily sold in the market or used for collateralized borrowing to obtain liquidity, and the values of the securities have experienced little or no loss. Current financial market conditions, however, are like nothing experienced since the Great Depression. Credit markets have been disrupted world-wide, resulting in depressed pricing, inactive trading of debt securities, and a severe contraction of wholesale lending. Like other financial institutions in the United States and around the world, corporate credit unions have not been immune to the effects of these conditions. The corporate system is experiencing a strain on liquidity due to approximately $64 billion held in mortgage and asset-backed securities for which, in most cases, there is currently a limited active trading market. Nearly 80 percent of the securities held in the corporate credit union system remain highly rated, but a portion of the securities has been downgraded below investment grade due to the underlying collateral performance. As of November 30, 2008, corporate credit unions reported approximately $18 billion in unrealized losses on securities. However, context must be placed on this figure. These unrealized losses likely overstate the actual credit losses to be absorbed by corporate credit unions should the securities be held to maturity. The credit losses are largely determined by the evaluation of the expected securities cash flows and include the amount of principal that may not be paid to the holder of the securities. The credit exposure is difficult to define as it is predicated on estimates about the economy and performance of underlying collateral (e.g., mortgages and credit card and auto loans). NCUA and the corporate credit unions continue to evaluate the credit exposure of the corporate system's portfolio. Selling securities in the current environment is problematic as there is no active market for many mortgage-backed and asset-backed securities. Should a corporate sell its securities at this time, such transactions will likely occur only at "fire sale prices" resulting in losses that may far exceed the current unrealized losses and the $8.7 billion in corporate total capital. For these reasons, the NCUA Board believes the lowest cost option to stabilize the corporate system is to maintain liquidity in the corporate system and prevent distressed price liquidation of securities.

Steps to Address the Problem

NCUA, the corporate credit union system, and others are working diligently to sustain the long-term viability of the corporate system. Our goal is to ensure the corporate credit union system is strengthened. We have developed a strategy that will ensure appropriate levels of capital, effective diversification of investments, and a restructuring of the system to produce more efficient institutions that will continue to provide critically needed investment and payment system services to credit unions. These changes will be accomplished by NCUA using our rulemaking and supervisory authority and with the full participation of the credit union community. It will take time, however, to resolve the issues facing corporate credit unions and accomplish these goals. Meanwhile, it is essential that we maintain an adequate level of liquidity not only in corporate credit unions, but also the whole credit union system. **Success requires credit unions working together in the cooperative spirit that is the very foundation of the credit union system.**

<u>Maintaining Liquidity in the System</u>

NCUA has taken important steps to help the corporate credit unions weather the current liquidity crisis.

- We established the Temporary Corporate Credit Union Liquidity Guarantee Program, providing an NCUSIF guarantee for unsecured borrowings by the corporate credit unions. Loans that you and other creditors make to the corporate credit unions under this program are guaranteed by the NCUSIF, which in turn is backed by the full faith and credit of the U.S. Treasury.
- We obtained Congressional authorization of the CLF's full statutory borrowing cap (approximately $41 billion) for new liquidity loans to natural person credit unions.
- We established the CU SIP and Credit Union Homeowners Affordability Relief Program (CU HARP), both of which involve natural person credit unions borrowing from the CLF and investing the funds in corporate credit unions, again with a full guarantee from the NCUSIF and the backing of the U.S. Treasury.

These programs will enable corporate credit unions to reduce reliance on borrowings from outside of the credit union system. We continue to work with the Federal Reserve and the Treasury Department to consider additional ways to provide federal support in the form of direct liquidity funding for corporate credit unions. However, NCUA believes the long-term viability of the entire credit union system is best served by a solution that comes from within the credit union community. Along with these actions, we are announcing the previously discussed full guarantee of uninsured member shares for the period through December 31, 2010 for each corporate credit union that elects to participate. The NCUA Board will consider extending the guarantee beyond that date, if necessary, to maintain liquidity in the corporate credit unions system. The guarantee helps provide stability to meet the liquidity needs of the corporate system which will allow for the orderly pay down of the stressed securities. In turn, it reduces the overall resolution cost. This guarantee requires the establishment of a liability that will impact the NCUSIF. Based on current corporate credit union balance sheets and modeling various market scenarios, the amount of the liability will initially be $3.7 billion with the participation of all corporate credit unions. U.S. Central has agreed to participate, and NCUA strongly encourages all corporate credit unions to participate in order to maintain confidence and liquidity in the corporate credit union system. In order to ensure a smooth transition to final decisions by corporate credit unions on their participation, NCUA is guaranteeing all uninsured member shares in all corporate credit unions through February 28, 2009. By that date, NCUA requires each corporate credit union to determine its participation status. NCUA continues to study and evaluate the potential credit risks within the corporate securities portfolio. In the coming weeks, a systematic review of the $64 billion in mortgage and asset-backed securities held by corporate credit unions will be completed. This subsequent information will refine the ultimate liability and subsequent charge to each credit union. As a result, you won't be assessed a charge until later in 2009. Discussion of the actual projected costs for each credit union is provided later in this letter. The assessment of the securities will continue throughout the resolution process and if future estimates of potential losses decline, you can anticipate a return of funds in the form of dividends from the NCUSIF. For these various liquidity steps to be effective, natural person credit unions need to maintain their deposits in corporate credit unions and participate in the programs established by NCUA. Maintaining funds with your corporate credit union represents the lowest cost alternative for the entire credit union industry to weather the current world-wide financial crisis.

Strengthening the Capital Position

As part of the restructuring of the corporate system, new capital requirements for corporate credit unions will emerge. In the interim, maintaining a strong capital position in the corporate system is necessary. **As we work through the various resolution scenarios, the capital position of natural person credit unions remains a constant source of strength for the industry.** The funding for the new corporate system structure will come from voluntary capitalization by natural person credit unions. In the near-term, NCUA will infuse capital as necessary into corporate credit unions in the form of cash contributions from the NCUSIF to provide stability during the resolution process. While a capital infusion has cost implications for all credit unions, it is a lower cost alternative than liquidation and sale of the distressed securities in today's market. Future cash infusions will depend on both the level of continued support of the corporate credit unions by their members and the expected performance of the approximately $64 billion in mortgage-backed and other asset-backed securities held by corporate credit unions. NCUA will continue the comprehensive review of the securities, and make a judgment as to the need for further cash infusions as the circumstances warrant. An event that necessitates this infusion is the other-than-temporary-impairment (OTTI) accounting charges required of some corporate credit unions. These OTTI charges turn previously unrealized losses on the securities into realized losses. The result is a reduction in a corporate credit union's capital level. The first capital infusion will be a $1.0 billion NCUSIF capital note with U.S. Central. As this transaction represents capital for U.S. Central, the liability for the NCUSIF is equal to the amount of the injection.

Restructuring the Existing Corporate System

The current market conditions and the adverse impact on the balance sheets of several corporate credit unions necessitate a comprehensive look at the regulatory and functional structure of the corporate system. The NCUA Board approved an Advanced Notice of Proposed Rulemaking (ANPR) on January 28, 2009 to solicit input from all stakeholders in the credit union industry as NCUA looks for effective reforms to enhance the corporate system. We plan to follow-up the ANPR with various public forums to discuss the corporate system so all stakeholders receive an opportunity to provide input. You will have a direct influence on the future of the corporate credit union system.

Financial Impact on Credit Unions

The expense of the actions will be passed on proportionately to all federally-insured credit unions through a partial write-off of your existing 1 percent NCUSIF deposit, as well as the assessment of a premium, sufficient to return the NCUSIF's equity ratio to 1.30 percent. The projected average cost for credit unions for the share guarantee is an approximate 48 basis point decline in annual return on assets and a 43 basis point decline in the net worth ratio. The impact on credit unions for the capital infusion to U.S. Central will be an average additional decline in the return on assets of 14 basis points and 13 basis points of net worth. The combination of both actions results in the average credit union absorbing a total 62 basis point decline in the return on assets and a total 56 basis point reduction in the net worth ratio. Correct regulatory reporting of this action will be included in the supplemental March 31, 2009 Call Report instructions.

Conclusion

Given the cost to the entire credit union industry as outlined in this letter, the NCUA Board has carefully evaluated the alternatives to provide stability and strengthen the corporate credit union system. This letter provides cost projections for the uninsured share guarantee as well as the initial capital injection. These costs are not final, but rather are provided to you as a reasonable gauge to determine the impact on your credit union. Several factors will continue to impact the cost to the industry including OTTI charges, further evaluation of the credit risk in the securities, additional changes in the credit ratings of each corporate credit union, and liquidity levels. As these factors change, the cost may change in either direction. If the cost estimates decline, you will see a return of your charge in the form of future dividends from the NCUSIF. In view of the extreme costs of the alternative for all insured credit unions, we cannot over-emphasize the importance of all credit unions cooperating at this time to maintain their deposits in and continue their support of the corporate system. For its part, NCUA will continue to utilize the full extent of its authorities to maintain stability in the system and resolve these conditions. The cooperative nature of credit unions has served the industry well over the last 75 years and we have no doubt that with your support it will remain vibrant well into the future. NCUA is committed to work with you to weather the liquidity crisis, restore capital adequacy and reform and restructure the corporate credit union system. The NCUA Board is unified in its support of this action and unanimously agreed to this Letter to Credit Unions.

ENCLOSURE 1 TO 09-CU-02

7535-01-U
NATIONAL CREDIT UNION ADMINISTRATION
12 CFR Part 704
RIN 3133- AD58
Corporate Credit Unions
AGENCY: National Credit Union Administration (NCUA).
ACTION: Advance notice of proposed rulemaking and request for comment (ANPR).

SUMMARY: In the light of current economic circumstances affecting the U.S. economy and, in particular, the financial sector, NCUA is evaluating and reconsidering the role corporate credit unions currently play in the credit union system, including corporates' membership structure, size, and types of services they offer. NCUA is also considering whether to amend its regulation governing corporate credit unions to clarify or revise current provisions, including those related to: capital; permissible investments; management of credit risk and liquidity; and corporate governance. NCUA seeks comment on these issues and any others commenters think NCUA should consider.

DATES: Comments must be received on or before [INSERT DATE THAT IS SIXTY DAYS FROM DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: You may submit comments by any of the following methods (**Please send comments by one method only**):

- Federal eRulemaking Portal: **http://www.regulations.gov**. Follow the instructions for submitting comments.
- NCUA Web Site: **http://www.ncua.gov/RegulationsOpinionsLaws/proposed_regs/proposed_regs.html**. Follow the instructions for submitting comments.
- E-mail: Address to **regcomments@ncua.gov.** Include "[Your name] – Comments on Advanced Notice of Proposed Rulemaking for Part 704" in the e-mail subject line.
- Fax: (703) 518-6319. Use the subject line described above for e-mail.
- Mail: Address to Mary Rupp, Secretary of the Board, National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314-3428.
- Hand Delivery/Courier: Same as mail address.

PUBLIC INSPECTION: All public comments are available on the agency's website at http://www.ncua.gov/RegulationsOpinionsLaws/comments as submitted, except as may not be possible for technical reasons. Public comments will not be edited to remove any identifying or contact information. Paper copies of comments may be inspected in NCUA's law library at 1775 Duke Street, Alexandria, Virginia 22314, by appointment weekdays between 9:00 a.m. and 3:00 p.m. To make an appointment, call (703) 518-6540 or send an e-mail to OGCMail@ncua.gov.

FOR FURTHER INFORMATION CONTACT: Ross Kendall, Trial Attorney, Office of General Counsel, at the above address or telephone: (703) 518-6540, or David Shetler, Senior Corporate Program Specialist, at the above address or telephone (703) 518-6640.

SUPPLEMENTARY INFORMATION:
A. Background.
The Federal Credit Union Act (Act) authorizes natural person federal credit unions (FCUs) to invest in shares or deposits of any central credit union (corporate credit union). 12 U.S.C. 1757(7)(G). A corporate credit union is an organization, chartered under the Act or under applicable state law as a credit union that receives shares from and provides loan and other services primarily to other credit unions. 12 CFR 704.2. Historically, corporate credit unions have fulfilled an important role in the credit union industry and have provided credit unions with payment and clearing services, including access to wire transfer facilities and automated clearing house transactions. Corporate credit unions have also provided investment services, enabling smaller credit unions to achieve economies of scale and access to greater market returns otherwise unavailable to them. Corporate credit unions have been an important source of liquidity for credit unions through short and medium term credit facilities, and have served as agents on behalf of NCUA's Central Liquidity Facility (CLF) in connection with loans funded by the CLF. Corporate credit unions have also provided other operational services, such as coin and currency services and safekeeping of investments.

There are currently twenty-eight corporate credit unions serving the nation's approximately 7,900 credit unions. As with all credit unions, corporate credit unions are organized as cooperatives, owned by their members and responsive to their needs, enabling members to receive access to necessary products and services at affordable rates. They provide a level of expertise and market presence that would be unavailable to most of their members if required to rely solely on their own resources.

B. Current Economic Climate and Remedial Measures Taken.
Over the last year, many corporate credit unions have experienced a dramatic reduction in the value of their investment portfolios. These reductions, coupled with, in some cases, the virtual freeze-up of the market for trading in certain types of investment securities, have undermined the stability of the corporate credit union system. Simultaneously with the issuance of this Advance Notice of Proposed Rulemaking, which is designed to identify issues that may have contributed to the current state of affairs and to solicit comment and ideas on how to address them as the industry moves ahead, the NCUA Board has taken several actions with a more immediate, remedial impact, designed to stabilize the industry and maintain confidence in the corporate system. These actions include the following:

- An infusion of $1 billion in capital into U.S. Central Federal Credit Union, the corporate system's wholesale credit union, by the National Credit Union Share Insurance Fund (NCUSIF); and
- A temporary NCUSIF guarantee of all member shares, for any corporate credit union that decides to participate in a voluntary guarantee program offered by NCUA.

The Board believes these extraordinary measures, which are mandated by the exigent economic conditions affecting the country, will help stabilize the corporate credit union system and enable credit unions return to their primary mandate, which is to provide affordable financial services to their members. The Board believes that identifying and addressing the issues discussed in this ANPR will help continue to assure stability and confidence in the corporate credit union system in the future.

C. Issues for Consideration.
Notwithstanding the successful role that corporates have played in the credit union sector, events of recent months have highlighted several areas in which re-evaluation is appropriate and necessary. As set out more fully below, these include some fundamental aspects concerning the structure, role and services offered by corporate credit unions to the credit union industry.

1. **The Role of Corporates in the Credit Union System.**
Recent events have highlighted structural vulnerabilities in the corporate credit union system. NCUA is considering whether comprehensive changes to the structure of the corporate system are warranted. Possible approaches the agency is considering include eliminating the second or wholesale tier from the corporate system, modifying the level of required capital, isolating payment services from the risks associated with other lines of business, determining which product and service offerings are appropriate for corporates, requiring a restructure of corporate boards, and tightening or eliminating the expanded investment authority that is currently available to corporates.

Payment system. Some of the questions and issues arising in this context, on which the Board is seeking comment, include matters such as whether payment system services should be isolated from other services to separate the risks. If so, what is the best structure for isolating these services from other business risks? Specific comment is solicited concerning whether, for example, it would be better to establish a charter for corporate credit unions whereby a corporate's authority is strictly limited to operating a payment system, with no authority to engage in other services, such as term or structured investments. Additionally, a separate charter may be available for corporate credit unions that want to engage in providing investment services. Another alternative would be for NCUA to establish distinct capital requirements for payment systems risk and the risks of other corporate services. NCUA could also require that a legal and operational firewall be established between payment system services and other services. In connection with this topic, comment is also sought on the question of whether there is sufficient earnings potential in offering payment systems to support a limited business model that is restricted to payment systems services only.

Liquidity and liquidity management. Historically, the primary role of corporate credit unions has been to provide and ensure liquidity. Corporate investments were made with an eye towards ensuring funds would be available to meet members' short-term liquidity needs. Recent events underscore the need to assure a corporate properly considers its investment position relative to its cash flow needs. The Board recognizes and understands that providing liquidity for the credit union system is one of the principal purposes of the corporate credit union network. One question for consideration and comment is whether liquidity ought to be considered a core service of the corporate system, and if so, what steps should be taken, and by whom, to preserve and strengthen corporates' ability to offer that service? For example, should NCUA consider limiting a corporate's ability to offer other specific types of products and services in order to preserve and defend the liquidity function? What specific types of products and services should corporates be authorized to provide?

NCUA is considering additional cash flow measuring requirements to assist corporates in achieving and maintaining proper liquidity management. In this respect, comment is specifically solicited on the question of whether NCUA should add aggregate cash flow duration limitations to Part 704. If so, commenters are invited to describe how this requirement should be structured, and also to identify how such limitations would benefit liquidity management. Finally, comment is solicited on the question of what cash flow duration limits would be appropriate for corporate credit unions, particularly in an evolving interest rate market with previously unseen credit risk spreads.

Field of Membership Issues. NCUA also seeks comment on whether and how to restructure the corporate credit union system. For example, despite its intention of fostering competition, NCUA's decision to allow corporates to have national fields of membership (FOMs) may have resulted in significant, and unforeseen, risk taking. For example, corporates have competed with each other to offer higher rates, and have done so through the accretion of credit and marketability risks. To address this development, should the agency return to defined FOMs, for example, state or regional FOMs?

Expanded Investment Authority. At present, Part 704 provides for an option by which corporates meeting certain criteria can qualify for expanded investment authority. For example, a corporate meeting the criteria set out under Part One of the expanded authority is allowed to purchase investments with relatively lower credit ratings than otherwise permissible under the rule. NCUA seeks comment, first, as to whether the need for expanded authorities continues to exist. If so, should NCUA modify the procedures and qualifications, such as higher capital standards, by which corporates currently qualify for expanded authorities? If so, what should the new standards be? Should NCUA reduce the expanded authorities available? If so, which ones? Alternatively, should any of the limits in existing expanded authorities be reduced or increased? If so, which ones? Once granted, should NCUA require periodic requalification for expanded authorities? If so, what should be the timeframe?

Structure; two-tiered system. Over time, the corporate system has evolved into two tiers: a retail network of corporates that provide products and services to natural person credit unions, and a single, wholesale corporate that exclusively services the retail corporates. NCUA solicits comment about whether the two-tier corporate system in its current form meets the needs of credit unions. Specifically, NCUA seeks input from commenters about whether there is a continuing need for a wholesale corporate credit union. If so, what should be its primary role? Should there be a differentiation in powers and authorities between retail and wholesale corporates? In considering these issues, commenters are specifically asked to consider whether the current configuration results in the inappropriate transfer of risk from the retail corporates to the wholesale corporate. Commenters should also address whether, assuming the two-tiered system is retained, capital requirements and risk measurement criteria (e.g., NEV volatility), as well as the range of permissible investments, for the wholesale corporate credit union should be different from those requirements that apply to a retail corporate credit union.

2. Corporate Capital.

NCUA is considering revising various definitions and standards for determining appropriate capital requirements for corporate credit unions. For example, the agency could establish a new required capital ratio consisting only of core capital excluding membership capital accounts as a component of regulatory capital; the agency could also determine to increase the required capital ratio to more than four percent. The agency could also establish a new ratio based on risk-weighted asset classifications, which could include some form of membership capital. These changes would bring the corporate capital requirements more into line with standards applied by other federal financial regulators, such as the Comptroller of the Currency and the Federal Deposit Insurance Corporation (recognizing, however, that there are other accounting differences that apply with respect to the calculation of regulatory capital for banks). Another issue under consideration is whether to require a certain level of contributed capital from any natural person credit union seeking either membership or services from a corporate.

Core capital. The Board is considering several issues relating to the agency's approach to core capital (i.e., the traditional "tier one capital" definition as used by the several federal financial institution regulators). Under the current rule, core capital is defined as retained earnings plus paid-in capital. 12 CFR 704.2. Comment is invited concerning whether NCUA should establish a new capital ratio that corporates must meet consisting only of core capital, and if so, what would be the appropriate level to require. Commenters should offer their view concerning what actions are necessary to enable corporates to attain a sufficient core capital ratio as described above, as well as their thought about what would be an appropriate time frame for corporates to attain sufficient capital. The Board invites comment also on the question of what is the appropriate method to measure core capital given the significant fluctuation in corporate assets that occur. Commenters are invited to offer their view on the correct degree of emphasis that ought to be placed on generating core capital through undivided earnings. Finally, NCUA Is considering whether to require that a corporate limit its services only to members maintaining contributed core capital with the corporate. Commenters are invited to react to that idea, and to offer any other suggestions or comments relative to the issue of core capital for corporates.

Membership capital. The Board is also considering several issues involving membership capital. 12 CFR 704.3(b). Issues under consideration and for which comment is sought include whether NCUA should continue to allow membership capital in its current configuration, or should the agency eliminate or modify certain features, such as the adjustment feature, so that membership capital meets the traditionally accepted definition of tier two capital. Other questions include whether to tie adjusted balance requirements, as set out currently in §704.3(b)(8), only to assets, as well as whether to impose limits on the frequency of adjustments. The agency is considering whether to require that any attempted reduction in membership capital based on downward adjustment automatically result in the account being placed on notice, within the meaning of current §704.3(b)(3), so that only a delayed payout after the three-year notice expires is permissible. Comment is also sought on whether to require that any withdrawal of membership capital be conditioned on the corporate's ability to meet all applicable capital requirements following withdrawal. Comment is invited on all these issues and on any revisions NCUA should consider for the definition and operation of membership capital.

Risk-based capital and contributed capital requirements. Comment is solicited with respect to the following issues pertaining to risk-based capital and contributed capital requirements. Should NCUA consider risk-based capital for corporates consistent with that currently required of other federally regulated financial institutions? What regulatory and statutory changes, if any, would be required to effectuate such a change? Should a natural person credit union be required to maintain a contributed capital account with its corporate as a prerequisite to obtaining services from the corporate? Should contributed capital be calculated as a function of share balances maintained with the corporate? What about using asset size?

3. Permissible Investments.

NCUA is considering whether the corporate investment authorities should be constrained or restricted. Presently, corporates have the authority to purchase and hold investments that would not be permissible for natural person FCU members under Part 703 (or, in some cases, outside of what is authorized for a state chartered credit union). This increases a corporate member's exposure to these risks commensurate with their level of investment in the corporate. Questions on which comment is solicited in this context include whether NCUA should limit corporate credit union investment authorities to those allowed for natural person credit unions. NCUA is also considering whether to prohibit certain categories of, or specific, investments, for example: collateralized debt obligations (CDOs), net interest margin securities (NIMs), and subprime and Alt-A asset-backed securities. Comment is solicited on that issue, as well as on whether NCUA should modify existing permissibility or prohibitions for investments.

4. Credit Risk Management.

The reliability of credit ratings for investments has become more questionable in light of events in the financial industry and the current absence of regulatory oversight for rating organizations. Consequently, NCUA is considering curbing the extent to which a corporate may rely on credit ratings provided by Nationally Recognized Statistical Rating Organizations (NRSROs). Comment is requested on whether NCUA should require more than one rating for an investment, or require that the lowest rating meet the minimum rating requirements of Part 704. NCUA also solicits comment on whether to require additional stress modeling tools in the regulation to enhance credit risk management.

Several specific aspects of this issue are under consideration, for which comment is solicited, including whether Part 704 should be revised to lessen the reliance on NRSRO ratings. Commenters are invited to identify any other changes they believe may be prudent to help assure adequate management of credit risk. In this respect, commenters should consider whether Part 704 should be revised to provide specific concentration limits, including sector and obligor limits. If so, what specific limits would be appropriate for corporate credit unions? Comments are also solicited on the question of whether corporates should be required to obtain independent evaluations of credit risk in their investment portfolios. If so, what would be appropriate standards for these contractors? Another issue under consideration is whether corporates should be required to test sensitivities to credit spread widening, and if so, what standards should apply to that effort.

5. Asset Liability Management.

In a previous version of its corporate rule, NCUA required corporate credit unions to perform net interest income modeling and stress testing. Because one of the problems leading to the current market dislocation is a widening of credit spreads, the agency is considering re-instating this requirement. Alternatively, the agency may consider some form of mandatory modeling and testing of credit spread increases. Comment is solicited on whether NCUA should require corporates to use monitoring tools to identify these types of trends, including specifically comments about tangible benefits, if any, that would flow from these types of modeling requirements.

6. Corporate Governance.

The sophistication and far-reaching impact of corporate activities requires a governing board with appropriate knowledge and expertise. NCUA is considering minimum standards for directors that would require a director possess an appropriate level of experience and independence. The agency is also considering term limits, allowing compensation for corporate directors, and requiring greater transparency for executive compensation. Comment is sought on all these issues.

In addition, commenters are invited to respond to the question of whether or not the current structure of retail and wholesale corporate credit union boards is appropriate given the corporate business model. Should NCUA establish more stringent minimum qualifications and training requirements for individuals serving as corporate credit union directors? If so, what should the minimum qualifications be? NCUA is also considering whether to establish a category of "outside director," i.e., persons who are not officers of that corporate, officers of member natural person credit unions, and/or individuals from entirely outside the credit union industry. Commenters should offer their view on whether that approach is wise, and, if so whether NCUA should require that corporates select some minimum number of outside directors for their boards. Should a wholesale corporate credit union be required to have some directors from natural person credit unions? Comment is sought on whether NCUA should impose term limits on corporate directors, and, if so, what the maximum term should be. Comment is also sought on whether corporate directors should be compensated, and, if so, whether such compensation should be limited to outside directors only. Another issue under consideration, for which reaction from commenters is sought, is whether NCUA should allow members of corporate credit unions greater access to salary and benefit information for senior management.

Request for Comments.

The NCUA Board invites comment on any of the issues discussed above including specifically if NCUA's regulations should be amended to address the issues discussed in this ANPR. NCUA also welcomes comment on any other relevant issues pertaining to corporate credit unions that have not been addressed in this ANPR.

By the National Credit Union Administration Board on January 28, 2009. Mary F. Rupp, Secretary of the Board

ENCLOSURE 2 TO 09-CU-02

Temporary Corporate Credit Union Share Guarantee Program

On January 28, 2009, the NCUA Board announced the Temporary Corporate Credit Union Share Guarantee Program (TCCUSGP). This document summarizes the TCCUSGP and provides public notice of the specific terms and conditions applicable to the TCCUSGP.

A. TCCUSGP Summary.

The TCCUSGP consists of two parts. The first part of the TCCUSGP is an immediate, temporary guarantee by the National Credit Union Share Insurance Fund (NCUSIF) of all shares at all corporate credit unions through February 28, 2009. The second part of the TCCUSGP would extend the share guarantee from February 28, 2009, through December 31, 2010. Each corporate credit union must decide, voluntarily and by February 27, 2009, whether it wishes to participate in the TCCUSGP extension through December 31, 2010. On February 28, 2009, NCUA will post on its website a list of those corporate credit unions that decide to participate in the TCCUSGP through December 31, 2010.

The guarantee provides members who have NCUSIF-insured share accounts at corporates with excess coverage above the NCUSIF insurance limits. The NCUSIF guarantee applies to all share amounts above $250,000, and the NCUSIF insurance coverage applies to all share amounts below $250,000. The net effect is that during the period of the guarantee the *entire* share account will be treated by the NCUSIF as if it was insured. The specific terms and conditions of the guarantee follow.

B. Terms and Conditions Applicable to the TCCUSGP.

1. *TCCUSGP guarantee*. The NCUA Board has determined that the NCUSIF will guarantee 100% of a participating corporate credit union's excess shares, as defined below, from January 28, 2009 through December 31, 2010.

2. *Excess shares*. The term "excess shares" means any shares in a qualifying share account that are in excess of the Standard Maximum Share Insurance Amount ("SMSIA") on the date of the participating corporate credit union's liquidation. The SMSIA is currently $250,000 through December 31, 2009, and reverts to $100,000 after that date.

3. *Qualifying share account*. The term "qualifying share account" means any account which qualifies for NCUSIF share insurance coverage under Part 745 of NCUA's regulations. 12 C.F.R. Part 745. The term "qualifying share account" does not include capital accounts, such as Member Capital and Paid-in Capital accounts, or obligations that are not share obligations. Some corporate obligations that are not share obligations may be guaranteed under a different NCUA program, such as the Temporary Corporate Credit Union Liquidity Guarantee Program ("TCCULGP"). For example, notes issued under the Credit Union System Investment Program ("CU SIP") and the Credit Union Homeowners Affordability Relief Program ("CU HARP") are not share obligations but are covered by this separate TCCULGP guarantee.

4. Payments by NCUSIF on guaranteed excess shares.

a. <u>In general.</u> The NCUSIF obligation to pay holders of guaranteed excess shares arises only upon the liquidation of the participating corporate credit union. The NCUSIF will pay on its excess share guarantee obligation at the same time it pays on its statutory share insurance obligation. Payment on excess shares is subject to the same terms and conditions, including proof of claim, appellate procedures, and judicial review, as NCUSIF payments on share insurance. See 12 C.F.R. Part 745. Upon payment of any excess shares, the NCUSIF will be subrogated to the rights of the excess share holder against the corporate credit union's estate to the extent of the payments made.

b. <u>Liquidation after December 31, 2010.</u> The NCUSIF guarantee of excess shares expires on December 31, 2010. For liquidations that occur after December 31, 2010, the NCUSIF will not pay upon its excess share guarantee unless the claimant clearly establishes:

(1) The claimant had excess shares in the corporate credit union before December 31, 2010;

(2) The claimant made written demand upon the corporate credit union for payment of these excess shares and delivered that demand to the corporate credit union on or before December 31, 2010; AND

(3) The corporate credit union did not honor the written demand.

5. Termination.

a. The NCUA Board may terminate a corporate credit union's participation in the TCCUSGP at any time and at the Board's discretion. Termination will be by written notice issued to the corporate credit union and published on NCUA's website, and the termination will be effective seven days after publication. The TCCUSGP guarantee will continue (through December 31, 2010 or maturity, whichever occurs first) on any of the corporate credit union's qualifying excess term shares issued before the effective date of termination.

b. A participating corporate credit union may not terminate its participation in the TCCUSGP.

C. Authority.

The NCUA Board is implementing the TCCUSGP under the authority provided the Board by §§120(i), 203(a), 208(a), and 209(a)(7) of the Federal Credit Union Act.

D. Additional Information.

For further information about the TCCUSGP, please contact the NCUA Regional Office for the area in which you are located. See http://www.ncua.gov/AboutNcua/ncua_directory.html.

Sincerely,

Michael E. Fryzel, Chairman

NCUA LETTERS TO CREDIT UNIONS

DATE: January 2009 **LETTER NO.: 09-FCU-03**
TO: All Federal Credit Unions
SUBJ: Membership Data Collection

REF: Letters to Credit Unions #03-CU-05, Expanded AIRES Loan and Share Record Layout

Dear Board of Directors:
The purpose of this letter is to inform you of the membership data collection process NCUA began with examinations started in 2009.

During the May 2008 NCUA Board meeting, the Board approved the collection of federal credit union (FCU) membership profile data during the regularly scheduled examination cycle using Automated Integrated Regulatory Examination System (AIRES), NCUA's automated examination tool. Collecting membership data will allow for an assessment of FCU membership profiles by charter type and size. The membership profiles will provide a better understanding of whom FCUs serve within particular fields of membership. The data will also allow NCUA to be responsive to Congress and other interested parties. Additionally, the FCU membership profiles will facilitate NCUA outreach efforts.

As stated above, NCUA will use AIRES to collect the data. NCUA examiners will gather member address data through AIRES during the regularly scheduled examination cycle. This provides for the most complete data and, more importantly, does not create a regulatory burden for reporting FCUs. Examiners will extract the needed information from the AIRES download, which the majority of FCUs provide during the examination. The specifications for the AIRES download are outlined in *Letters to Credit Unions #03-CU-05, Expanded AIRES Loan and Share Record Layout*. For FCUs unable to provide an AIRES download, alternative methods for collecting the data have been provided to the examiners which will also not impose any regulatory burden on the FCU.

The membership profile data will be uploaded to NCUA central computers at the conclusion of the examination. NCUA will use geo-coding software to generate a membership income profile. The software will determine the census tract for each member account, extract median family income information from the U.S. Census Bureau, and create individual FCU membership profiles. In order to protect member privacy, member address data will be deleted once the geo-coding is complete and will not be retained on any NCUA computer or server. As always, NCUA has procedures in place to ensure control and confidentiality of your FCU's member data. These procedures include, but are not limited to:

- Examiners computers are password protected and the examination data is encrypted. The examiners have been instructed to lock their computers when they leave their work area. To access the computer after shutting down or hibernation, the examiner must enter a user name and corresponding password.
- After each examination, the examiner destroys the loan and share data downloads. NCUA examination reports may contain some member data, but are NCUA property and considered confidential, privileged, and exempt from public disclosure.

In conclusion, the membership profiles will provide us a better understanding of whom FCUs serve. NCUA plans to publish aggregate data on membership profiles collected through the above described method once a complete database from all FCUs is built. We are also developing a process to make your specific credit union information available to you for viewing later this year. You may find this information valuable in facilitating your FCU's services to members.

If you have any questions or concerns, please contact your regional office.
Sincerely,
Michael E. Fryzel, Chairman

FRAUD ALERT

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

DATE: January 2009 **Fraud ALERT NO.: 09-Fraud-01**
TO: Federally-Insured Credit Unions
SUBJ: Fedwire Phishing Scheme

REF: Federal Deposit Insurance Corporation, Special Alert SA-20-2009, Fedwire Phishing Scheme

Dear Board of Directors:
The National Credit Union Administration is warning credit unions to be aware of fraudulent e-mails allegedly from the Federal Reserve Bank. The fraudulent e-mails claim that a phishing attack has affected the Fedwire system and that restrictions are in place. The e-mails further instruct recipients to click on links within the e-mail for additional information.

The fraudulent e-mails have included various spoofed names and addresses in the "From:" line of the messages, including "Bank System Administration," "System Administration", and "Federal Reserve Bank." The e-mails contain the following message verbatim:

FEDERAL RESERVE BANK
Important: You're getting this letter in connection with new directives issued by U.S. Treasury Department. The directives concern U.S. Federal Wire online payments. On On January 1, 2009 a large-scaled phishing attack started and has been still lasting. A great number of banks and credit unions is affected by this attack and quantity of illegal wire transfers has reached an extremely high level. U.S. Treasury Department, Federal Reserve and Federal Deposit Insurance Corporation (FDIC) in common worked out a complex of immediate actions for the highest possible reduction of fraudulent operations. We regret to inform you that definite restrictions will be applied to all Federal Wire transfers from January 6 till January 16. Here you can get more detailed information regarding the affected banks and U.S. Treasury Department restrictions: The message contains links to two Web pages that attempt to load malicious Trojan
horse programs onto end users' computers. Credit unions should be aware that Fedwire operations are not restricted and are operating as normal, and should take the following precautions:

If an end user received the e-mail and clicked on any of the links, fully scan the computer using updated anti-virus software. If malicious code is detected on the computer, consult with a computer security or anti-virus specialist to remove the malicious code or re-install a clean image of the computer system.

Be aware that phishing e-mails frequently have links to Web pages that host malicious code and software. Do not follow Web links in unsolicited e-mails from apparent federal banking agencies. Instead, bookmark or type the agency's Web address.

Always use anti-virus software and ensure that the virus signatures are automatically updated. Ensure that the computer operating systems and common software applications security patches are installed.

Do not open unsolicited or unexpected e-mail attachments because of the risk of malicious code or software in the attachments. Instead, call the agency using a known and appropriate telephone number to verify the legitimacy of the message and attached file.

Be **alert** to different variations of the fraudulent e-mails.

Additional information regarding fraudulent schemes and reporting such activity can be found on NCUA's website at http://www.ncua.gov/FraudInfo/index.htm. Using that link, you will find other NCUA issued **Fraud** Alerts as well as an option for federally-insured credit unions to subscribe to receive NCUA publications automatically through e-mail.

Sincerely,
John E. Kutchey, Acting Director of Examination & Insurance

R E G U L A T O R Y   A L E R T

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

DATE: January 2009 **NO: 09-RA-01**
TO: All Federally-Insured Credit Unions
SUBJ: Standard Flood Hazard Determination Form

Dear Board of Directors,
The Federal Emergency Management Agency (FEMA) recently released the revised FEMA Form 81-93, Standard Flood Hazard Determination Form (SFHDF). The effective date for mandatory use of the new form will be June 16, 2009.

In order to update their systems to the new version of the SFHDF, credit unions may continue to use the previous version, which expired October 31, 2008, until the mandatory effective date. SFHDFs completed on or after June 16, 2009 must be completed using the new SFHDF for compliance purposes.

FEMA's press release and the new SFHDF and instructions may be accessed at http://www.fema.gov/business/nfip/sfhdform.shtm.

If you have any questions, please contact your regional director or state supervisory authority.

Sincerely,
Michael E. Fryzel, Chairman

REGULATORY ALERT

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

DATE: **January 2009** **NO: 09-RA-02**
TO: **Federally-Insured Credit Unions**
SUBJ: **Home Mortgage Disclosure Act**
Data Collection Requirements for Calendar Year 2009

Dear Board of Directors:
Credit unions that engage in residential mortgage lending and meet certain criteria must comply with Regulation C, which implements the Home Mortgage Disclosure Act (HMDA). Regulation C requires credit unions that meet all three of the following criteria to collect HMDA data associated with mortgage applications processed during 2009:

1. The credit union's total assets as of December 31, 2008 exceeded $39 million. This is the threshold established by the Board of Governors of the Federal Reserve Board (FRB);

2. The credit union had a home or branch office in a metropolitan statistical area (MSA) on December 31, 2008; and

3. During 2008, the credit union originated at least one home purchase loan or a refinance of a home purchase loan secured by a first lien on a one-to-four-family dwelling.

Credit unions meeting all three of the above criteria must collect HMDA data during calendar year 2009 and submit the data to the FRB by no later than March 1, 2010. All other credit unions are exempt from filing HMDA data associated with mortgage applications processed during 2009.

If you have any questions about how to interpret these requirements, please contact your regional office or state supervisory authority. In addition, the Federal Financial Institutions Examination Council's Internet site provides a comprehensive discussion of HMDA and related reporting requirements at the address http://www.ffiec.gov/hmda/default.htm.

Sincerely,
Michael E. Fryzel, Chairman

REGULATORY ALERT

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

DATE: **February 2009** **NO: 09-RA-03**
TO: **Federally-Insured Credit Unions**
SUBJ: **Home Mortgage Disclosure Act**
Submission of Data

Dear Board of Directors:

Credit unions located in metropolitan areas that engage in certain types of residential mortgage lending and have assets exceeding the Federal Reserve Board's (FRB) published threshold must comply with Regulation C. Regulation C implements the Home Mortgage Disclosure Act. Credit unions subject to HMDA requirements for 2008 activity must submit loan/application register (LAR) data to the FRB by March 2, 2009.

To determine if your credit union must submit HMDA data for calendar year 2008 activity, please review Regulatory Alert 08-RA-01, Home Mortgage Disclosure Act Data Collection Requirements for Calendar Year 2008 dated January 2008. This Regulatory Alert is available on our Internet site at the address http://www.ncua.gov/reg_alerts/reg_alert.html.
The purpose of this regulatory alert is to: Remind you of the filing deadline for 2008 HMDA data; and Inform you of NCUA's policy concerning the late submission of required HMDA data. Filing Deadline for 2008 HMDA Data
Credit unions subject to HMDA requirements for 2008 activity must submit LAR data to the FRB processing center by March 2, 2009. This requirement remains in place even for credit unions that do not have to accumulate HMDA data for applications processed during 2009.

The LAR requires data about the mortgage applications processed during the reporting year. Additional information about the LAR filing requirements is available at the Federal Financial Institutions Examination Council's (FFIEC) Internet site http://www.ffiec.gov/hmda/default.htm. This site also provides access to free software to assist you with the filing process. Credit unions with 25 or fewer entries on their LAR may report and submit the data in paper form. However, all credit unions that have more than 25 entries on the LAR must submit their reports in an automated, machine-readable, form. The Internet site http://www.ffiec.gov/hmda/contactNCUA.htm provides an overview of all acceptable LAR submission methods. The FRB prefers receiving automated LAR data by email at the address: hmdasub@frb.gov. Transmissions by methods other than email may be delayed due to FRB security protocols.

The HMDA Data Entry Software is available for free at the FFIEC Internet site http://www.ffiec.gov/hmda/softinfo.htm. The software automates the filing of your HMDA data and includes editing features to help you verify and analyze the accuracy of the data. The data file created, using this software, can be submitted to your regulatory agency using "Submission via Web",2 encrypted for submission via Internet email, or exported onto a diskette/CD-ROM for mailing.
If you do not use the "Submission via Web" option, you must ensure the LAR data file is properly encrypted using the FFIEC data entry software encryption utility before transmission. This process requires installing the Internet Submission software that is available for free at the FFIEC Internet site http://www.ffiec.gov/software/default.aspx. To ensure data can be successfully read by the FRB by email, you should use the edit check feature of the HMDA data entry software prior to encrypting and submitting your transmission file.

Data is considered to be successfully received by the FRB once the FRB has loaded your data onto its mainframe computer. When the FRB has successfully loaded your data, it will confirm receipt of the file by faxing or emailing an edit report that lists potential data errors. You should retain a dated copy of the edit report with your credit union's records. The following general time frames apply:

If you sent your submission using the "Submission via Web" or Internet email option, you should receive an edit report by fax within a week of transmitting your report. If you sent your submission via diskette or CD-ROM, you should receive an edit report via fax within two weeks of mailing your report.

Credit unions submitting their data by email will receive an email message from the FRB that confirms receipt of the submission. It is important to not confuse the confirmation that the FRB has received your submission with the edit report that documents the FRB has successfully loaded your data onto its mainframe computer. The FRB only considers your data as being received when it issues the edit report. If your credit union does not receive an edit report from the FRB, it is your responsibility to follow up with the FRB. In the recent past, several credit unions did not either a) contact the FRB when not receiving a confirmation of receipt; or b) follow up when not receiving a list of potential data errors after initially receiving a confirmation of receipt. As a result, the credit unions were not aware that their LAR data was not successfully loaded onto the FRB's mainframe computer until appearing on a delinquent filer list.
NCUA Policy Concerning Delinquent Filings

NCUA anticipates every credit union that is required to report 2008 HMDA data will provide a readable transmission file to the FRB by the March 2, 2009 deadline. Following March 2, the FRB will provide a list of delinquent filers to NCUA. Credit unions appearing on this list could become subject to civil money penalty assessments.

Other Resources
The FFIEC maintains an Internet site (http://www.ffiec.gov/hmda/default.htm) that is devoted to providing financial institutions with assistance in complying with HMDA requirements. This site also provides access to a comprehensive guide entitled A Guide to HMDA Reporting – Getting it Right! that provides information about the history of HMDA, data reporting requirements, LAR completion guidelines, geocoding tools, and disclosure requirements.
Questions concerning HMDA software, data receipt confirmations, data edits, and other issues related to the submission of HMDA data can be sent to the FRB by email at hmdahelp@frb.gov or you may contact the HMDA Assistance Line (202-452-2016).

Should you have questions about completing the LAR, please contact your regional office or state supervisory authority.

CFC North Central KY, Southern Indiana, Ft. Knox,
Bowling Green, Evansville, & Owensboro
www.cfclouisville.org

December 30, 2008

Jeffersonville Co Federal Credit Union

Greetings,

This letter acknowledges your generous donation of $50.

Through your generosity, our CFC campaign has been a tremendous success!

Your donation was used either as a door prize for the kickoff celebration or in our weekly prize drawings to encourage employee participation.

We included a special thank to your company in our CFC newsletter and at our kick-off event.

Thank you again for your continued support of this most-worthy project.

Best Regards,

Laura Dillander

Laura Dillander

Michael G. Moore Sr.

Michael Moore Sr.

Co-Chairs, 2008 Combined Federal Campaign
United States Census Bureau

JEFFERSON COUNTY FEDERAL CREDIT UNION

Statement of Financial Condition --January 2009

ASSETS

LOANS	37,462,712.29
ASSETS IN LIQUIDATION OF LOANS - RE	0.00
ASSETS IN LIQUIDATION OF LOANS - AU	0.00
REAL ESTATE LOANS - TECUMSEH	65,094.87
TOTAL LOANS TO MEMBERS	37,527,807.16
ALLOW. FOR LOAN LOSSES	(234,889.14)
ALLOW. FOR OVERDRAFT LOSSES	(2,741.93)
NET LOANS	**37,290,176.09**
FIFTH THIRD	309,448.35
VAULT CASH	476,159.49
CHANGE FUND - ATM MACHINE	59,080.00
PETTY CASH	50.00
CASH TOTAL	**844,737.84**
KENTUCKY CORPORATE FCU	8,987,803.87
FEDERAL HOME LOAN BANK OF CINCINNATI	129,334.06
DEPOSITS - OTHER FINANCIAL INSTITUTIONS	35,694,000.00
SHARE ONE CUSO INVESTMENT	100,000.00
LOAN TO CUCKY	0.00
TOTAL INVESTMENTS	**44,911,137.93**
ACCRUED INTEREST - LOANS	180,160.48
OTHER ACCRUED INCOME	0.00
TOTAL ACCRUED INCOME	**180,160.48**
PREPAID & DEFERRED EXPENSES	67,788.37
TOTAL PREPAID & DEFERRED	**67,788.37**
LAND - MAIN & OUTER LOOP OFFICE	448,100.00
BUILDING - MAIN & OUTER LOOP OFFICE	1,547,029.32
IMPROVEMENTS - MAIN OFFICE	4,789.59
IMPROVEMENTS - BRANCH 1	1,864.09
IMPROVEMENTS - BRANCH 2	0.00
IMPROVEMENTS - BRANCH 3	0.00
IMPROVEMENTS - BRANCH 4	0.00
ACCUM. DEPR. - MAIN & OUTER LOOP OFFICE	(490,488.50)
FURNITURE & EQUIPMENT	92,544.70
COMPUTER EQUIPMENT	31,170.16
TOTAL FIXED ASSETS	**1,635,009.36**
ACCOUNTS RECEIVABLE	0.00
DEFERRED COMPENSATION	2,098,737.28
CAPITAL DEPOSIT - CUCKY	61,297.00
DEPOSIT - NCUSIF	668,001.16
TOTAL OTHER ASSETS	**2,828,035.44**
TOTAL ASSETS	**87,757,045.51**

LIABILITIES

ACCOUNTS PAYABLE	21,533.28
MONEY ORDERS	3,192.49
TRAVELERS CHECKS	0.00
AMUSEMENT PARK TICKETS	0.00
KYCUPAC - FROM MEMBERS	41.00
DEATH CLAIMS	93,793.56
EMPLOYEE 401(K) PLAN	0.00
INSURANCE COMPANIES	8,612.25
FLOOD DETERMINATION	24.00
RECORDING FEES - CLERK	405.00
ATTORNEY FEES	10,123.00
APPRAISALS	(500.00)
TOTAL ACCOUNTS PAYABLE	**137,224.58**
DIVIDENDS PAYABLE	**96,362.78**
FEDERAL TAXES	0.00
KENTUCKY STATE TAXES	0.00
FEDERAL & STATE UNEMPLOY.	0.00
OCCUPATIONAL TAXES	0.00
TAXES HELD ON DIVIDENDS	1,486.06
ACCRUED PROPERTY TAXES	1,447.31
PENALTIES ON PREMATURE IRA DISTR.	0.00
TOTAL TAXES PAYABLE	**2,933.37**
ACCRUED EXPENSES	344,904.95
TOTAL ACCRUED EXPENSES	**344,904.95**
UNAPPLIED EXCEPTIONS	**36,973.92**
TOTAL LIABILITIES	**618,399.60**

CAPITAL

REGULAR SHARE ACCOUNTS	16,605,744.55
CLUB ACCOUNTS	590,549.58
SHARE DRAFT ACCOUNTS	4,929,112.26
CASH INVESTMENT ACCOUNTS	23,068,298.08
CORPORATE CASH INVESTMENT	2,157,832.46
REWARDS CHECKING	1,234,529.97
IRA - ACCUMULATION ACCOUNTS	1,455,332.49
CERTIFICATES - REGULAR	20,624,754.06
CERTIFICATES - IRA	3,555,035.26
CERTIFICATES - TOTAL	24,179,789.32
TOTAL SHARES	**74,221,188.71**
REGULAR RESERVE	1,901,148.19
RESERVE FOR CONTING.	0.00
UNDIVIDED EARNINGS	10,957,014.11
NET INCOME	59,294.90
TOTAL CAPITAL	**87,138,645.91**
TOTAL CAPITAL & LIABILITIES	**87,757,045.51**

Jefferson County Federal Credit Union
BUDGET REVIEW
January 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	234,870.64	233,388.00	234,870.64	233,388.00	1,482.64	54.90%
INVESTMENTS	110,861.98	111,363.00	110,861.98	111,363.00	(501.02)	25.91%
INSURANCE REIMB.	3,904.04	3,900.00	3,904.04	3,900.00	4.04	0.91%
MO & CHK FEE	402.67	425.00	402.67	425.00	(22.33)	0.09%
OVERDRAFT FEE	58,196.40	69,000.00	58,196.40	69,000.00	(10,803.60)	13.60%
WIRE TRANS. & CMO	200.00	300.00	200.00	300.00	(100.00)	0.05%
LOAN LATE FEE	4,646.27	4,400.00	4,646.27	4,400.00	246.27	1.09%
ATM SURCHARGE FEES	286.50	250.00	286.50	250.00	36.50	0.07%
SHARE DRAFT & ATM	2,182.94	2,425.00	2,182.94	2,425.00	(242.06)	0.51%
MISCELLANEOUS INC.	1,224.28	1,600.00	1,224.28	1,600.00	(375.72)	0.29%
LOCK BOX FEE	70.00	160.00	70.00	160.00	(90.00)	0.02%
ATM TRANSACTION FEE	320.00	800.00	320.00	800.00	(480.00)	0.07%
LOAN APPLICATION FEE	125.00	225.00	125.00	225.00	(100.00)	0.03%
MEMBERSHIP FEE	425.00	450.00	425.00	450.00	(25.00)	0.10%
C-CARD INCOME	0.00	200.00	0.00	200.00	(200.00)	0.00%
D-CARD INTERCHANGE	10,096.54	14,500.00	10,096.54	14,500.00	(4,403.46)	2.36%
TOTAL INCOME	**427,812.26**	**443,386.00**	**427,812.26**	**443,386.00**	**(15,573.74)**	**100.00%**
E X P E N S E S						
SALARIES - REGULAR	75,353.20	81,394.00	75,353.20	81,394.00	(6,040.80)	17.61%
SALARIES - OVERTIME	461.51	348.00	461.51	348.00	113.51	0.11%
CONTRACT EMPLOYMENT	0.00	400.00	0.00	400.00	(400.00)	0.00%
401K COSTS	3,390.41	3,515.00	3,390.41	3,515.00	(124.59)	0.79%
SOCIAL SECURITY TAX	5,747.91	6,253.00	5,747.91	6,253.00	(505.09)	1.34%
UNEMPLOYMENT TAX	1,376.15	475.00	1,376.15	475.00	901.15	0.32%
STAFF INSURANCE	13,297.42	15,600.00	13,297.42	15,600.00	(2,302.58)	3.11%
LOCAL TRAVEL	274.10	925.00	274.10	925.00	(650.90)	0.06%
VEHICLE MAINTENANCE	227.97	500.00	227.97	500.00	(272.03)	0.05%
OUT OF TOWN TRAVEL	118.81	900.00	118.81	900.00	(781.19)	0.03%
BOARD MEETING EXP.	40.73	1,340.00	40.73	1,340.00	(1,299.27)	0.01%
ASSOC. DUES & SUBCR.	2,826.84	2,269.00	2,826.84	2,269.00	557.84	0.66%
OFFICE OCCUP. EXP.	13,568.66	14,738.00	13,568.66	14,738.00	(1,169.34)	3.17%
BLDG. - LAND IMPROV.	395.08	595.00	395.08	595.00	(199.92)	0.09%
TELEPHONE EXPENSE	1,481.52	1,842.00	1,481.52	1,842.00	(360.48)	0.35%
POSTAGE	6,813.77	5,700.00	6,813.77	5,700.00	1,113.77	1.59%
MAINT. OF EQUIP.	1,728.18	1,182.00	1,728.18	1,182.00	546.18	0.40%
STATIONARY & SUPP.	1,225.83	2,400.00	1,225.83	2,400.00	(1,174.17)	0.29%
INSURANCE	2,806.34	2,987.00	2,806.34	2,987.00	(180.66)	0.66%
DEPRECIATION - FURN.	3,640.16	3,970.00	3,640.16	3,970.00	(329.84)	0.85%
BANK SERVICE CHARGE	24,858.65	25,868.00	24,858.65	25,868.00	(1,009.35)	5.81%
COMPUTER EXPENSE	15,394.58	17,449.00	15,394.58	17,449.00	(2,054.42)	3.60%
EDUCATIONAL & PROM.	7,709.00	9,167.00	7,709.00	9,167.00	(1,458.00)	1.80%
LOAN SERVICING EXP.	8,951.58	6,405.00	8,951.58	6,405.00	2,546.58	2.09%
PROF. & OUTSIDE EXP.	10,492.99	11,184.00	10,492.99	11,184.00	(691.01)	2.45%
FEDERAL SUPERVISION	1,596.00	1,596.00	1,596.00	1,596.00	0.00	0.37%
NCUSIF INS. PREM.	0.00	625.00	0.00	625.00	(625.00)	0.00%
CASH OVER & SHORT	684.23	100.00	684.23	100.00	584.23	0.16%
COST-BORROWED FUND	0.00	0.00	0.00	0.00	0.00	0.00%
ANNUAL MEETING EXP.	700.00	700.00	700.00	700.00	0.00	0.16%
MISCELLANEOUS EXP.	680.29	3,850.00	680.29	3,850.00	(3,169.71)	0.16%
TOTAL OPER. EXP.	**205,841.91**	**224,277.00**	**205,841.91**	**224,277.00**	**(18,435.09)**	**48.12%**
ALLOWANCE - LOAN LOSS	22,111.00	18,500.00	22,111.00	18,500.00	3,611.00	5.17%
ALLOWANCE - OVERDRAFT LOSS	125.00	125.00	125.00	125.00	0.00	0.03%
DIVIDENDS	140,439.45	140,751.00	140,439.45	140,751.00	(311.55)	32.83%
(GAIN)LOSS ON INVESTMENTS	0.00	0.00	0.00	0.00	0.00	0.00%
TOTAL EXPENSES	**368,517.36**	**383,653.00**	**368,517.36**	**383,653.00**	**(15,135.64)**	**86.14%**
NET INCOME	**59,294.90**	**59,733.00**	**59,294.90**	**59,733.00**	**(438.10)**	**13.86%**

PRESIDENT'S REPORT - February 25, 2009

MEETING SCHEDULE - 2009

MONTH	DATE	DAY	TIME	TYPE	LOCATION
March	03-18-09	Wednesday	08:30 AM	Executive	Holiday Inn – Hurstbourne Lane
March	03-25-09	Wednesday	08:30 AM	Regular	Main Office
April	04-08-09	Wednesday	08:30 AM	Executive	Holiday Inn – Hurstbourne Lane
April	04-22-09	Wednesday	08:30 AM	Regular	Main Office
May	05-08-09	Friday	06:30 PM	Annual	St. Athanasius Parrish Hall
May	05-13-09	Wednesday	08:30 AM	Executive	Holiday Inn – Hurstbourne Lane
May	05-27-09	Wednesday	08:30 AM	Regular	Main Office
November	11-21-09	Saturday	09:00 AM	Planning	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 AND ANALYZATION FOR THE MONTH

Our ROA is .82% which is more than our target goal for the year. Net worth is a very comfortable 14.72% when compared to our minimum comfort level of 9.00% and regulatory minimum preference of 7.00%. There was an increase in deposits from the previous month of $1,118,000 and an increase of $1,118,000 year to date. Loan volume for the month showed a decrease of $267,000 and net loans showed an increase of $106,000 for the month and an increase of $106,000 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

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

As of 01-15-09	10	36,240.80
As of 02-15-09	6	13,224.01
As of 03-15-09		
TOTAL	**16**	**49,464.81**

LENDING ACTIVITY

RE LOANS - January 2009

DATE	NAME	ACCOUNT #	APPRAISAL	NEW MONEY	LOAN AMOUNT	EQUITY	TERM IN MONTHS	CREDIT LIMIT	APPROVED BY
1/13/09	KOTTAK	956140	130,000	104,000	104,000	104,000	180	0	CFH
1/22/09	COOK	884570	330,000	122,700	122,700	122,700	180	122,700	CFH
TOTAL/AVG		**2**	**460,000**	**226,700**	**226,700**	**226,700**	**180**	**122,700**	

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

COMMENTS: NONE

INVESTMENT ACTIVITY

CD Purchases - January 2009

DATE	AMOUNT	TERM	RATE	INSTITUTION	CITY	ST	CODE
2-Jan	248,000	9	1.87%	PACIFIC TRUST BANK	CHULA VISTA	CA	2
	200,000	9	1.85%	NATIONAL BANK OF CALIFORNIA	LOS ANGELES	CA	2
5-Jan	99,000	12	2.35%	ROYAL CREDIT UNION	EAU CLAIRE	WI	2

	99,000	12	2.25%	SEATTLE SAVINGS BANK	SEATTLE	WA	2
6-Jan	149,000	6	2.07%	CHOICE FINANCIAL GROUP	GRAFTON	ND	2
	149,000	9	1.75%	MERCANTILE BANK OF MICHIGAN	GRAND RAPIDS	MI	2
7-Jan	99,000	12	2.65%	REPUBLIC BANK OF CHICAGO	CHICAGO	IL	3
	99,000	12	2.05%	MERCANTILE BANK OF MICHIGAN	GRAND RAPIDS	MI	2
	99,000	15	2.75%	JEFFERSON BANK & TRUST	EUREKA	MO	1
8-Jan	100,000	12	2.11%	GE CAPITAL FINANCIAL BANK	SALT LAKE CITY	UT	2
	99,000	12	2.10%	BISCAYNE BANK	COCUNUT GROVE	FL	3
	99,000	6	1.47%	WILSHIRE STATE BANK	LOS ANGELES	CA	1
9-Jan	99,000	12	2.45%	VIST BANK	WYOMISSING	PA	2
	99,000	12	2.35%	PBI BANK	LOUISVILLE	KY	2
12-Jan	99,000	6	1.52%	MVB BANK	FAIRMONT	WV	2
	99,000	12	2.00%	ORION BANK	NAPLES	FL	2
14-Jan	149,000	6	1.57%	VIST BANK	WYOMISSING	PA	2
	99,000	6	2.27%	CNL BANK	ORLANDO	FL	2
	99,000	6	1.37%	EAST CAROLINA BANK	ENGELHART	NC	1
	99,000	12	1.85%	GULF COAST FEDERAL CREDIT UNION	GULFPORT	MS	2
	99,000	12	2.76%	CNL BANK	ORLANDO	FL	2
	100,000	12	2.30%	DESERT HILLS BANK	PHOENIX	AZ	2
15-Jan	99,000	9	1.50%	EAST CAROLINA BANK	ENGELHARD	CA	1
16-Jan	99,000	9	1.50%	MACON BANK INC	FRANKLIN	NC	2
	100,000	18	2.25%	WORLDS FOREMOST BANK	SYDNEY	NE	2
	99,000	12	2.15%	ESL FEDERAL CREDIT UNION	ROCHESTER	NY	3
	99,000	12	2.00%	SILVERGATE BANK	LA JOLLA	CA	2
20-Jan	99,000	12	1.75%	CENTURY BANK OF GEORGIA	CARTERSVILLE	GA	2
	99,000	12	1.70%	NATIONAL PENN BANK	BOYERTOWN	PA	1
	149,000	6	1.70%	SEACOAST NATIONAL BANK	STUART	FL	2
26-Jan	99,000	12	1.95%	COMMUNITY BANK	PASADENA	CA	1
	100,000	12	1.80%	BANK OF INTERNET USA	SAN DIEGO	CA	3
	99,000	12	1.70%	BANK OF GEORGIA	PEACHTREE CITY	GA	2
	99,000	12	1.98%	WESBANCO BANK	WHEELING	WV	1
	100,000	12	2.25%	BOGOTA SAVINGS BANK	BOGOTA	NJ	2
29-Jan	99,000	12	2.00%	MONTICELLO BNKING CO.	MONTICELLO	KY	1
	99,000	12	1.90%	MONTEREY BANK	MONTEREY	CA	2
TOTAL	**4,118,000**	**11**	**2.00%**	**37**			

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**	**$841**

01-14-09 She was laid off from a 3+ year job and had satisfactory credit when the loan was made. She is drawing unemployment of $180 EOW and paying us $180 per month. 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 – 2007 for $1,909 and 2003 for $2,268. We paid the 2003 taxes when we made our loan but the member did not deliver the check to ATF but it has been cashed (she likely forged their endorsement and cashed it). There are also additional delinquent taxes and penalties due. She says when her fiancé gets his tax refund she can pay the taxes and loan current. We advised her she has 30 days to do both. The initial foreclosure letter was authorized on 01-16-09. When this was put on my desk she was behind $858 and actually paid $300 on 01-15-09 at closing time. I feel like we might as well bring it to a conclusion since we already started. You'll recall from past ones it is a long slow process. The PVA assessment is $84,360. 02-23-09. She cashed two of the checks we issued for tax payments at Fifth Third without the proper endorsements and we have asked them to reimburse us for the error. That will reduce our exposure to some degree and they can pursue her criminally in lieu of us having to do it.

Acct. #	Name	Address	Zip	Balance	Appraisal	Year	Pamt.	Due
2. 600150040	**Finger, M.**	**2529 Garland Ave**	**40211**	**$7,869**	**$29,500**	**12-07**	**$344**	**$0**

01-14-09 This loan is a 1st mortgage. The purpose was to pay 2007 delinquent taxes (which showed up in the title exam) plus our existing balance and he is paying us as agreed. We were served recently by the American Tax Fund (ATF), a company that buys delinquent taxes from municipalities. They are owed approximately $7,500 in delinquent taxes and penalties for 2000, 2004, 2005, and 2006 that were purchased from the city of Louisville at some juncture. The majority of these seem to have been an oversight by the Mapother firm. We are awaiting their response to know exactly where we stand. They acknowledge they had knew about the liens and failed to pass the information on to us. They pick up the city's rights when they purchase the tax bills which position that debt ahead of our lien. However the items did not show up in the title search we had run in January 2008 so someone other than us is on the hook for our loan. We are awaiting word from our counsel. The file was given to the commissioner 12-31-08 to set a sale date. The PVA assessment in 2006 was $67,500. I sent an email to the President of M&M. I received a call from him saying that he will take care of the taxes and penalties in question only. He says he believes we would have made the loan and I explained we would not have. I told him that his offer was not acceptable and we cannot help but wonder how many other title oversights exist in our portfolio since Lee Grace left the firm. He advised the taxes will be paid and we will get a verification of that. I further advised that they should treat their clients better than this and especially a 30 year retainer client. I spoke with Lee Grace and he believes the offer is the most resolution we will get regardless of what course of action we follow.

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 – January 2009
None

SUSPICIOUS ACTIVITY REPORTS (SARS) – January 2009
1 For $625.00

HOMEOWNER AFFORDABILITY PLAN
Summary of the plan and a fact sheet attached prepared by CUNA

DIVIDEND vs INVESTMENT INCOME GRAPHS
Attached for your review.

COMPROMISED CARD NUMBERS
An additional 85 cards were added to the list 02-23-09.

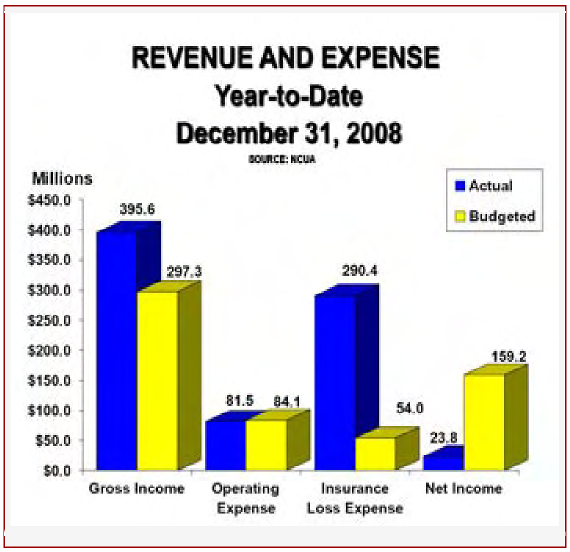
ABC NEWS STORY
CUES conference at St. Kitts – Will air at a time yet to be determined.

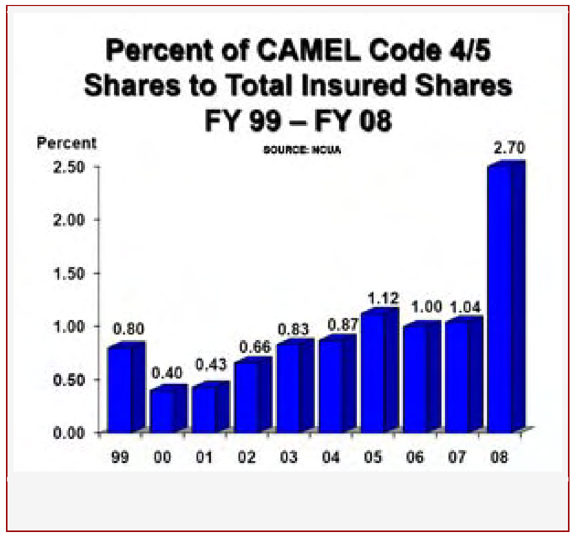
FOR YOUR INFORMATION

- ✓ **Bank of America is rebranding its Countrywide Financial mortgage unit as Bank of America Home Loans.** The Charlotte, N.C.-based bank, which acquired the struggling subprime lender in July 2008, hopes to put some distance between the tarnished name and itself through the move. BofA plans to hire about 1,000 people for the mortgage unit and shift 500 current employees to mortgage processing from home-equity processing, said Barbara Desoer, head of the mortgage unit. She said 7,500 layoffs related to the integration of the two firms still are ongoing. BofA's stock has struggled since the company received $45 billion in government bailout money. Its stock has traded between $3.77 and $43.50 a share over the past year. The bank already has taken writedowns on Countrywide's assets, said Desoer. However, Friedman, Billings, Ramsey Group analyst Paul Miller said the bank still may have to absorb $30 billion in further losses related to Countrywide (*The Wall Street Journal Online* Feb. 19).

- ✓ **First arrests made in Heartland breach frauds -** TALLAHASSEE, Fla. (2/18/09)--The first three arrests in a major theft ring have been made in connection with fraud stemming from the Heartland Payment Systems data breach announced in January. A number of credit unions throughout the nation had to reissue their members' credit and debit cards due to the what may be the largest data breach in history. Three men--Tony Acreus, Jeremy A. Frazier and Timothy Johns--were arrested Feb. 10 in Tallahassee, Fla., and charged with multiple counts of credit card fraud, police said *creditcards.com* Feb. 16 and *SCMagazine.com* Feb. 13). According to Leon County Sheriff's Office, the three allegedly used credit card information stolen from Heartland's records to electronically encode Visa gift cards. The gift cards were then used to make fraudulent purchases at local area businesses, including several Wal-Mart Stores in Tallahassee. The merchandise purchased with the fake cards was then sold for cash. The sheriff's office said total and declined fraudulent transactions were more than $100,000. However, the fraudulent charges are expected to be much higher and more arrests likely will be made in Florida and nationwide as the investigation continues. Authorities are investigating how the men obtained the data. It is not believed that they are the people responsible for the malicious software that sniffed the data from Heartland. John Maloni, a spokesman for the Princeton, N.J.-based Heartland Payment Systems, told *The Tuscaloosa News* Friday that the company won't know the number of accounts affected until it completes its forensic investigation in the next few weeks.

✓ **December '08 NCUSIF insurance loss: $113.4 million –** ALEXANDRIA, Va. (1/23/09)—The National Credit Union Share Insurance Fund (NCUSIF) projected an insurance loss for December 2008 at $113.4 million, according to its year-end report. At a National Credit Union Administration (NCUA) open board meeting Thursday, staff continued to project a 1.27% equity level for 2008. That figure precludes the possibility of an NCUSIF dividend to federally insured credit unions. The NCUSIF also posted gross income of $129.9 million in December 2008. Of that, $106 million of the gross income was from the NCUSIF's sale of longer-term U.S. Treasury Department Securities that appreciated in value. Approximately $97 million of the $113.4 million insurance loss expense went to unallocated reserves in order to move the NCUSIF's insurance loss reserves from the minimum level required to its "midpoint," according to the NCUA. Other details: NCUSIF reported there are currently 271 low-ranked CAMEL 4 and 5 credit unions, up 28% from 211 at the end of 2007. The total insurance loss expense for 2008 is estimated to be $290.4 million.





✓ **Economy begins to hit CU loan quality -**MADISON, Wis. (1/29/09)--The economic, credit and housing crisis is beginning to affect credit union loan quality, said Steve Rick, Credit Union National Association (CUNA) senior economist. **The credit union overall loan delinquency rate rose to 1.42% by December from 0.96% in July**. With the national unemployment rate expected to rise from its current level of 7.2% to 9% by year-end, the credit union delinquency rate could hit 2% this year--the highest since 1986, Rick said. **December statistics show that credit union loans outstanding increased 0.48% for the month, ending the year with a 7.6% increase, compared to increases of 0.5% and 6.5% during the same periods last year,** according to the CUNA monthly sample of credit unions. Fixed-rate first mortgages led loan growth, increasing 3.3%, followed by increases in credit card loans (3%), home equity loans (1.3%), unsecured personal loans (0.7%), and used auto loans (0.5%). Adjustable-rate mortgages decreased 3.1%. "According to CUNA's monthly survey of credit unions, credit union balance sheets increased 7.5% in 2008 despite the ongoing recession, up from 6% the year earlier," Rick said. "Fast-growing mortgage portfolios pushed up credit union loan balances by 7.6% in 2008, up from 6.5% in 2007. "The fog of uncertainty floating over banks' asset values and capital levels is restraining their willingness to extend credit for both residential and consumer loans," he added. "Credit unions are filling this void since many do not face similar capital constraints." Credit union savings balances increased 0.4% to $700 billion in December from $697 billion in November. **Overall year-to-date growth increased to 7.3% during 2008 from 5.1% in 2007**. Individual retirement accounts led savings growth, rising 2.4%, followed by increases in one-year certificates (1.1%) and money market accounts (1%). Regular shares and share drafts decreased 0.5% and 2.3%, respectively. The loans-to-savings ratio remained relatively constant, inching up to 83.7% from 83.6% in November. The liquidity ratio rose slightly, to 16% from 15.8% in November. Regarding asset quality, credit unions' 60-plus day delinquencies edged up to 1.4% from 1.3% in November. **The movement's overall capital-to-asset ratio remains at 11%,** with the total dollar amount of capital at $90 billion. "Credit unions also stretched their balance sheets in 2008 by increasing their borrowings by $14 billion, a 49% increase from December 2007," Rick said. "This dollar increase was exactly matched by a $14 billion increase in their investment portfolios, which rose 6.7% over the year. Credit unions bought more longer-term investments last year. The percent of the investment portfolio with less than a one-year maturity fell to 55% from 61%."

✓ **NCUA approves stabilization efforts for corporate -**ALEXANDRIA, Va.(1/29/09)--The National Credit Union Administration (NCUA) Wednesday took steps to "enhance and support" the corporate credit union system. The system, NCUA noted, is facing liquidity and capital strains due to extraordinary market disruptions and the current economic climate. Corporate credit unions provide investment and liquidity services to consumer-owned natural person credit unions. The agency said its three-pronged initiative will provide natural person credit unions important safeguards by drawing upon the strong, aggregate capital already within the credit union system. Under the actions approved at a special closed meeting, the NCUA will:

- Guarantee uninsured shares at all corporate credit unions through February 2009, and establish a voluntary guarantee program for uninsured shares of all corporate credit union through Dec. 31, 2010;
- Issue a $1 billion capital note to U.S. Central Corporate FCU (U.S. Central);
- Issue an Advance Notice of Public Rulemaking (ANPR) on restructuring the corporate credit union system; and
- Declare a premium assessment to restore the National Credit Union Share Insurance Fund (NCUSIF) equity ratio to 1.30 percent. The premium will be collected in 2009.

The $1 billion injection is intended to provide reserves to offset anticipated realized losses on some mortgage- and asset-based securities held by U.S. Central, known as the "corporates' corporate." U.S. Central announced it expects to report a net loss of approximately $1.1 billion for the year ended Dec. 31, 2008, when it makes public its financial results during the first week of February. U.S. Central attributed the net loss to charges for other-than-temporary impairments (OTTI) of $1.2 billion. (See related *News Now* story: "U.S. Central to release '08 financials next week.") Regarding the ANPR, the NCUA set a 60-day comment period, which will begin when the document is published in the *Federal Register*, likely within the next week or so. The NCUA said it is seeking input on "the entire range of areas" of potential reform and restructuring for the corporate system, and the ANPR specifies the following: The role of corporates in the credit union system, corporate capital, permissible investments, credit risk management, asset liability management, and corporate governance. The NCUA previously approved an action that will, in effect, change the way current outstanding loans from the Central Liquidity Facility (CLF) are booked by corporate credit unions, as well as by U.S. Central. At its monthly board meeting last week, the NCUA Board voted 2 to 1 to delegate to CLF President Owen Cole authority to sign an amendment to the Repayment, Security and Credit Reporting Agreement currently in place between U.S. Central and the CLF. Cole could also amend an Assignment Agreement between U.S. Central and the CLF. The Credit Union National Association (CUNA) recently established a Corporate CU Task Force, which is meeting in Washington, D.C. today. The task force will focus on developing CUNA's response to the ANPR, said CUNA Deputy General Counsel Mary Dunn Wednesday. CUNA's analysis of the ANPR and the NCUA's other actions regarding corporate credit unions will be available on CUNA's Regulatory Advocacy website soon.

✓ **Duke professor backs CU system -** WASHINGTON (2/23/09)— Strengthening credit unions could be an effective way of rebuilding the nation's financial system, a Duke University economics professor told a national TV audience Friday. Dan Ariely, James B. Duke Professor of Behavioral Economics at Duke in North Carolina, said credit unions have shown they do the right thing and he would support actions to back them. Ariely, formerly a professor at Massachusetts Institute of Technology, made his remarks on the Lehrer News Hour on PBS. Participating on a panel discussing the country's financial crisis, Ariely brought up the positive nature of the credit union system. Credit unions, the Duke professor said, represent an alternative banking system in the U.S., one that has done the right thing. He noted that credit unions have been "untouched by all of these problems." "I think I would personally strengthen them," Ariely said. Ariely is the author of a number of books, including the currently best-selling "Predictable Irrationality."

✓ **Bank of America is rebranding its Countrywide Financial mortgage unit as Bank of America Home Loans.** The Charlotte, N.C.-based bank, which acquired the struggling subprime lender in July 2008, hopes to put some distance between the tarnished name and itself through the move. BofA plans to hire about 1,000 people for the mortgage unit and shift 500 current employees to mortgage processing from home-equity processing, said Barbara Desoer, head of the mortgage unit. She said 7,500 layoffs related to the integration of the two firms still are ongoing. BofA's stock has struggled since the company received $45 billion in government bailout money. Its stock has traded between $3.77 and $43.50 a share over the past year. The bank already has taken writedowns on Countrywide's assets, said Desoer. However, Friedman, Billings, Ramsey Group analyst Paul Miller said the bank still may have to absorb $30 billion in further losses related to Countrywide (*The Wall Street Journal Online* Feb. 19).

BUSINESS DEVELOPMENT & MARKETING
GE will report.

Respectfully Submitted,

Carl F. Hicks
President and CEO

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												1,390,320
Deposits		73,102,429	74,221,189												1,118,760
Investment Balance		43,185,859	44,911,138												1,725,279
Cash Balance		1,272,429	844,738												(427,691)
Loan Balance		37,420,917	37,527,807												106,890
Loans Made		1,209,689	942,195												942,195
Members		13,505	13,485												(20)
Accounts		22,685	22,657												(28)
DEL - 2-5 Months		187,983	206,403												18,420
DEL - 6-11 Months		3,866	12,249												8,383
DEL - 12 Months & >		8,033	8,033												0
Delinquent Amount		199,882	226,685												26,803
Delinquent Percent	**< 1.30%**	0.53%	0.60%												0.07%
Info-Teller		15,573	14,471												14,471
Website Inquiries		39,072	36,609												36,609
Bill Payer		1,067	1,088												21
E-Statements		1,184	1,217												33
Home Branch Access		2,539	2,543												2,543
Overdrawn Accounts		41,820	21,551												21,551
Share Bal. $5,000 & <		8,909,888	9,548,838												
INC - Loans YTD		2,695,524	234,871												
INC - Investments YTD		1,524,870	110,862												
INC - Other YTD		1,121,675	82,079												
INC - Total YTD		5,342,069	427,812												
EXP - ALLL YTD		244,000	22,111												
EXP - ALLL - OD YTD		978	125												
EXP - Dividend YTD		2,043,551	140,439												
EXP - Operating YTD		2,500,742	205,842												
EXP -(G)/L on Invest. YTD		(2,538)	0												-
EXP - Total YTD - $		4,786,733	368,517												
INC- NET- YTD		555,336	59,295												
Operating Exp. YTD - %	**< 5.00%**	2.91%	2.84%												
Net Interest Margin / AA	**> 3.00%**	2.53%	2.83%												
Return on Average Assets	**0.70%**	0.65%	0.82%												
Net Worth - $		12,883,162	12,914,457												
Total Resv. / Curr. Assets	**> 9.00%**	14.92%	14.72%												
Average Assets - $		85,989,400	87,061,886												
Net Charge Off - $		220,359	0												0
Net Charge Off / AA - %	**< .45%**	0.26%	0.00%												0.00%
Long Term Assets - $		21,264,716	20,603,600												
Net Long Term Asset /A - %	**< 35.00%**	24.62%	23.48%												
Total Loans / Assets - %	**< 90.00%**	43.33%	42.76%												
Share Growth - %	**7.00%**	13.28%	1.53%												
Loan Growth - %	**4.00%**	8.14%	0.29%												
CD Deposits - $		24,655,037	24,179,789												
Share Deposits - $		48,447,392	50,041,400												
Loan To Total Share - %		77.24%	74.99%												
Loan To Total Deposit - %		51.19%	50.56%												
Fixed Assets - $		1,641,838	1,635,009												
Fixed Assets - %	**< 5.00%**	1.90%	1.86%												

January STATISTICAL REPORT **2009**

CATEGORY	Year End 2008	Prior Month	Current Month	Difference	Year-To-Date
Deposits	73,102,429	73,102,429	74,221,189	1,118,760	1,118,760
Regular CDs	20,987,276	20,987,276	20,624,754	(362,522)	(362,522)
IRA Cds	3,667,761	3,667,761	3,555,035	(112,726)	(112,726)
Total CDs	24,655,037	24,655,037	24,179,789	(475,248)	(475,248)
Loan Balance	37,420,917	37,420,917	37,527,807	106,890	106,890
Loans Made	15,292,094	1,209,688	942,195	(267,493)	942,195
Members	13,505	13,505	13,485	(20)	(20)
Accounts	22,685	22,685	22,657	(28)	(28)
Delinquent Percent	0.53%	0.53%	0.60%	0.07%	0.07%
E-Statements	1184	1184	1217	33	33
Bill Payer	1067	1067	1088	21	21
Info-Teller Inquiries	187,027	15,573	14,471	(1,102)	14,471
Website Inquiries	418,620	39,072	36,609	(2,463)	36,609
HB -Members Used	2,539	2,539	2,543	4	4
Overdrawn Accounts	41,820	41,820	21,551	(20,269)	(20,269)
CIA - #	879	879	884	5	5
CIA - $	22,552,171	22,552,171	23,068,298	516,127	516,127
CCIA - #	41	41	41	0	0
CCIA - $	1,965,519	1,965,519	2,157,832	192,313	192,313
Rewards - #	174	174	179	5	5
Rewards - $	1,183,310	1,183,310	1,234,530	51,220	51,220
Rewards - Surcharge Ref.	854	130	135	5	135
Rewards - Cost	24,626	3,607	3,927	320	3,927
Regular Checking - #	4,629	4,629	4,612	(17)	(17)
Regular Checking - $	4,442,852	4,442,852	4,929,112	486,260	486,260
TOTAL CHECKING - #	5,723	5,723	5,716	(7)	(7)
TOTAL CHECKING - $	30,143,852	30,143,852	31,389,772	1,245,920	1,245,920
Trans - MO	4,634	4,634	4,279	(355)	4,279
Trans - HV	3,462	3,462	3,101	(361)	3,101
Trans - DT	2,492	2,492	2,292	(200)	2,292
Trans - UR	2,338	2,338	2,182	(156)	2,182
Trans - IN	3,789	3,789	3,043	(746)	3,043
Trans - INFO	1,141	1,141	913	(228)	913
Trans - HB	7,779	7,779	6,749	(1,030)	6,749
Trans - SB	4,209	4,209	3,786	(423)	3,786
Trans - Total YTD	29,844	29,844	26,345	(3,499)	26,345

DELINQUENCY	**Number**	**Balance**
2 - 5 Months	26	206,403
6 -11 Months	2	12,249
12 Months & Over	1	8,033
Total	**29**	**226,685**

	Year	Count	Balance	Monthly Installments	Amount to Reprice In 3 Years
Tecumseh		2	65,254.46		65,254.46
Variable Rate		23	532,165.06		532,165.06
Maturities of 3 Years & Less	2009-2012	39	372,965.95		372,965.95
Maturities of 4 Years	2013	24	497,740.31		497,740.31
Maturities of 5 Years	2014	25	477,924.24		477,924.24
Maturities of 6 Years	2015	23	994,214.25		994,214.25
Maturities of 7 Years	2016	25	705,860.67		705,860.67
Maturities of 8 Years	2017	23	852,978.39	11,283.31	203,099.58
Maturities of 9 Years	2018	55	2,549,279.52	30,800.27	554,404.86
Maturities of 10 Years	2019	18	861,929.37	9,496.67	170,940.06
Maturities of 11Years	2020	30	1,798,493.91	19,583.64	352,505.52
Maturities of 12Years	2021	54	2,970,085.43	29,162.12	524,918.16
Maturities of 13Years	2022	58	3,868,345.80	35,809.31	644,567.58
Maturities of 14Years	2023	74	6,368,101.74	54,899.21	988,185.78
Maturities of 15Years	2024	9	602,151.80	5,219.56	93,952.08
Maturities of 16-19 Years	2025	0	0.00	0.00	0.00
Maturities of > Than 20 Years					0.00
		482	**23,517,490.90**		**7,178,698.56**

Net Long Term Loans	**16,338,792.34**
Fixed Assets	**1,635,009.36**
NCUSIF Deposit	**668,001.16**
LLC	**500.00**
Deferred Compensation	**1,800,000.00**
CUSO Investments	**161,297.00**
Total Long Term Assets	**20,603,599.86**

LOAN OFFICERS REPORT 2009
JEFFERSON COUNTY FEDERAL CREDIT UNION

January , 2009

Loans Approved	*174*	*$931,254.66*
Credit Limits Approved ** includes updates & increases*	*6*	*$187,700.00*
Loans Disbursed	*179*	*$935,303.03*
Indirect Lending	*19*	*$271,131.43*
Equity Checks	*6*	*$5,855.00*
Tecumseh Mortgages	*0*	*$0.00*
Universal Approved Loans (100% Real Estate Loans)	*1*	*$23,189.00*
Requests Denied	*34*	*$388,458.76*

Preparer

February 3, 2009
Date

RECOMMENDED LOAN CHARGE OFF
FIRST QUARTER 2009

ACCOUNT NUMBER	MEMBER NAME	CURRENT BALANCE	LOAN SUFFIX	LOAN TYPE	MDR	AUDR	DATE PAID	DATE DUE	MEMBER GROUP	LOAN OFF.	Comments	REASON
649600	Michael Roll	$2,097.70	6	Auto	26%	21%	10/27/08	11/05/08	Misc	GSE	Def Balance - Not Reafirming	CH-7 Bankruptcy
711440	Mark Yates	$4,390.90	5	Open End	26%	27%	09/29/08	09/05/08	Bluegrass Auto	GSE	Mailed to ABL For Suit	Refuses To Pay
725040	Cary Griss	$2,283.43	5	Open End	44%	40%	10/06/08	10/05/08	Regional Airport	GSE	Mailed to ABL For Suit	Refuses To Pay
728940	Brittany Brown	$4,564.47	5	Open End	17%	25%	09/12/08	10/05/08	Place Of Residence	GSE	Mailed to ABL For Suit	Refuses To Pay - Filing BK
740920	Michelle Payne	$3,780.16	5	Open End	34%	34%	10/09/08	08/05/08	ISA	GSE	Mailed to ABL For Suit	Refuses To Pay
828460	Bruce Crosby	$3,413.82	1	Note	24%	27%	09/10/08	10/05/08	Lou Metro Gov	TW	Mailed to ABL For Suit	Refuses to pay
829200	Sheritha Crowe	$3,362.11	1	Auto	31%	40%	07/14/08	06/05/08	Sibling	KL	Mailed to ABL For Suit	Repoed - Def Balance
882850	Andrew Remines	$6,561.15	1	Auto	35%	43%	N/A	10/05/08	Place Of Residence	KL	Mailed to ABL For Suit	Repoed - Def Balance
3112775	David Rader	$4,182.68	5	Open End	39%	40%	11/05/08	12/05/08	Dayton Walther	KL	Mailed to ABL For Suit	Refuses To Pay - Filing BK
700972330	Alisa Pinotti	$1,604.38	2	Note	21%	23%	10/08/08	11/05/08	Census Bureau	GSE	Unsecured Paying In Plan	CH-13 Bankruptcy
TOTALS	**For January**	**$36,240.80**	10									
631160	Eunice Stout	$1,774.09	5	Open End	33%	33%	10/30/08	12/05/08	Housing Authority	CH	Mailed to ABL For Suit	Refuses To Pay
651870	Rhonda Brown	$4,685.85	5	Open End	24%	37%	08/01/08	08/05/08	Former Employee	KL	No Icome	Off Work Medical Reason
679440	Linda Sheperd	$3,003.38	5	Open End	17%	19%	01/05/09	01/05/09	Metro Government	KL	Unsecured & Uncollectable	Coverted CH-13 To CH-7
696170	Dana Hodson	$439.98	3	Auto	1%	13%	01/13/09	11/05/08	Carlson Wagonlit	KL	Mailed to ABL For Suit	Repoed Def Balance
707590	Francis Bender	$1,787.80	8	Note	47%	48%	12/05/08	01/05/09	Retired	KL	Uncollectable	Deceased (Died 12-26-08)
765300	Valerie Powell	$1,532.91	4	Note	35%	37%	01/02/09	09/05/08	Star Ford	KL	Def Balance-Mailed to ABL	RTP-Auto From L-3 Repoed
TOTAL	**For February**	**$13,224.01**	6									
TOTAL	**For March**	**$0.00**	0									
TOTAL	**ACCOUNTS**		16									
TOTAL	**FOR QUARTER**	**$49,464.81**										

SAR

January
2009

Suspicious Activity Report

DATE FILED	DATE(S) OF ACTIVITY			REASON FILED	DOLLAR AMOUNT
01/30/09	01/07/09	THRU	01/08/09	Check Fraud	$ 625.00

Total Activities =		**1**
Total Dollar Amount =	**$**	**625.00**

By:	RH
Date:	1/30/2009

JANUARY 2009 OPERATING ACCOUNT GL #733000 PAYOUTS

ACH Amount	Payable To:	Reason
1,321.57	AT&T	Phones - Main Office & Highview
3,119.30	Louisville Gas & Electric - MO	Office Occupancy
1,193.65	Louisville Gas & Electric - HV	Office Occupancy
2,000.00	Postage	Postage
140.24	AT&T	Internet - Indiana
957.50	Mid-America	Memberships/Dues
Total 8,732.26		

JANUARY 2009 OPERATING ACCOUNT GL #733000 PAYOUTS

Check	Amount	Date	Payable To:	Reason
7931	515.00	1/2/2009	COOK & REEVES	INDIRECT LENDING
7932	1,916.27	1/2/2009	UNIVERSAL ASSURORS	100% R E LOANS
7933	852.00	1/2/2009	ALLIED SOLUTIONS LLC	GAP INSURANCE
7934	5,556.79	1/2/2009	MINNESOTA MUTUAL	INSURANCE
7935	725.75	1/5/2009	DIRECT RESPONSE	INSURANCE
7936	164.26	1/5/2009	PROFESSIONAL INSURANCE CO	INSURANCE
7937	70.22	1/7/2009	FIRST SERVICE GROUP	INSURANCE
7938	73.54	1/7/2009	WASHINGTON NATIONAL LIFE	INSURANCE
7939	73.54	1/7/2009	WASHINGTON NATIONAL LIFE	INSURANCE
7940	2,206.69	1/7/2009	ALLIED SOLUTIONS LLC	CPI INSURANCE
7941	1,090.00	1/8/2009	CU CONFERENCES	OUT OF TOWN TRAVEL
7942	287.00	1/8/2009	GREENTREE TOYOTA	INDIRECT LENDING
7943	52.00	1/8/2009	BYERLY FORD NISSAN	INDIRECT LENDING
7944	54,123.58	1/9/2009	PATRICIA STONECIPHER	DECEASED ACCOUNT
7945	35.03	1/9/2009	REBECCA BARDOLF	DECEASED ACCOUNT
7946	350.00	1/12/2009	COYLE DODGE	INDIRECT LENDING
7947	201.00	1/12/2009	DOWNTOWN FORD	INDIRECT LENDING
7948	195.00	1/12/2009	BALES MOTORS	INDIRECT LENDING
7949	117.00	1/12/2009	CHAMPION CHEVROLET	INDIRECT LENDING
7950	170.00	1/14/2009	CAPITAL FUNDING	INDIRECT LENDING
7951	180.00	1/14/2009	COYLE DODGE	INDIRECT LENDING
7952	206.00	1/14/2009	SATURN OF LOUISVILLE	INDIRECT LENDING
7953	0.00	1/15/2009	VOID	VOID
7954	275.00	1/15/2009	AUTO-BACK RECOVERY	REPO EXPENSE
7955	1,866.00	1/15/2009	COURTESY CLEANING SERVICE	OFFICE OCCUPANCY
7956	237.38	1/15/2009	ADT SECURITY SERVICES	OFFICE OCCUPANCY
7957	111.06	1/15/2009	INDUSTRIAL DISPOSAL	OFFICE OCCUPANCY
7958	5.60	1/15/2009	QSI, INC.	MAINTENANCE
7959	357.00	1/15/2009	AAA SYSTEMS	MAINTENANCE
7960	50.27	1/15/2009	DUPLICATOR SALES AND SERVICE	MAINTENANCE
7961	583.90	1/15/2009	NEOPOST	EQUIPMENT MAINTENANCE
7962	124.75	1/15/2009	LABOR LAW CENTER	STATIONERY/SUPPLIES
7963	5,229.00	1/15/2009	FORTRESS NETWORK SECURITY	COMPUTER
7964	7,658.10	1/15/2009	SHARE ONE	COMPUTER
7965	829.31	1/15/2009	TRANS UNION LLC	LOAN SERVICING
7966	7.00	1/15/2009	ROUTEONE	LOAN SERVICING
7967	255.00	1/15/2009	CREDIT UNION CONNECTION	LOAN SERVICING
7968	21.00	1/15/2009	E-OSCAR-WEB	LOAN SERVICING
7969	1,321.66	1/15/2009	MERRICK PRINTING	PROFESSIONAL/OUTSIDE
7970	685.00	1/15/2009	GARDA CL CENTRAL	PROFESSIONAL/OUTSIDE
7971	319.80	1/15/2009	DIGITALMAILER	PROFESSIONAL/OUTSIDE
7972	50.00	1/15/2009	SHRED-IT	PROFESSIONAL/OUTSIDE
7973	759.44	1/15/2009	ZIP EXPRESS COURIER SERVICE	PROFESSIONAL/OUTSIDE
7974	541.66	1/15/2009	CNBS	PROFESSIONAL/OUTSIDE
7975	1,041.60	1/15/2009	PRINTING SERVICES II	PROFESSIONAL/OUTSIDE
7976	928.00	1/15/2009	MAPOTHER & MAPOTHER	PROFESSIONAL/OUTSIDE
7977	200.00	1/15/2009	DAVID WATERMAN	PROFESSIONAL/OUTSIDE
7978	2,700.00	1/15/2009	MAPOTHER & MAPOTHER	PROFESSIONAL/OUTSIDE
7979	208.00	1/15/2009	POSTMASTER	POSTAGE
7980	446.10	1/15/2009	GARDA CL CENTRAL	PROFESSIONAL/OUTSIDE
7981	250.00	1/15/2009	FALSE ALARM REDUCTION PROGRAM	MISCELLANEOUS
7982	499.00	1/15/2009	HILL, WARD & HENDERSON, P.A.	PROFESSIONAL/OUTSIDE
7983	863.00	1/15/2009	ARROW ELECTRIC	FIXED ASSETS

Check #		Date	Payable To:	Reason
7984	18,233.51	1/15/2009	KENTUCKY CREDIT UNION LEAGUE	DUES/SUBSCRIPTIONS
7985	452.00	1/15/2009	ARROW ELECTRIC	FIXED ASSETS
7986	9,825.00	1/15/2009	ADMAN MARKETING	EDUCATION
7987	418.65	1/15/2009	TELEDATA COMMUNICATIONS INC	LOAN SERVICING
7988	25.00	1/15/2009	OLDHAM COUNTY CLERK	REPO EXPENSE
7989	164.00	1/15/2009	BACHMAN CHEVROLET	INDIRECT LENDING
7990	115.00	1/15/2009	JOSEPH W CREED FOWLER	INDIRECT LENDING
7991	265.00	1/15/2009	CRAIG & LANDRETH	INDIRECT LENDING
7992	75.00	1/16/2009	AUTO-BACK RECOVERYY	REPO EXPENSE
7993	144.00	1/16/2009	CRAIG & LANDRETH	INDIRECT LENDING
7994	24.00	1/20/2009	OLDHAM COUNTY CLERK	REPO EXPENSE
7995	22.00	1/20/2009	BULLITT COUNTY CLERK	ONE LEIN RECORDING
7996	416.00	1/21/2009	DIRECT RESPONSE	INSURANCE
7997	1,412.26	1/21/2009	AMERICAN HERITAGE	INSURANCE
7998	138.46	1/21/2009	ALLIED SOLUTIONS CPI	INSURANCE
7999	25.00	1/21/2009	JORENE J. LOGAN	DECEASED ACCOUNT
8000	336.00	1/22/2009	ISC KENTUCKY	COMPUTER
8001	59.62	1/22/2009	BILLIE MUDD & CARLOS MUDD	DECEASED ACCOUNT
8002	1,395.93	1/23/2009	AMERICAN HERITAGE	INSURANCE
8003	90.00	1/23/2009	SATURN OF LOUISVILLE	INDIRECT LENDING
8004	275.00	1/26/2009	AUTOBACK RECOVERY	REPO EXPENSE
8005	25.00	1/26/1900	TRIMBLE COUNTY CLERK	REPO EXPENSE
8006	430.21	1/26/2009	GENERAL SERVICES ADMINISTRATION	OFFICE OCCUPANCY
8007	134.00	1/27/2009	DOWNTOWN FORD	INDIRECT LENDING
8008	78.00	1/27/2009	CLAPP VOLKSWAGEN OLDSMOBILE	INDIRECT LENDING
8009	115.00	1/27/2009	JAMIE WILCOXSON	INDIRECT LENDING
8010	40.00	1/29/2009	CLARK COUNTY LICENSE BRANCH	REPO EXPENSE
8011	78.00	1/29/2009	CROSS MOTORS	INDIRECT LENDING
8012	40.00	1/29/2009	COYLE DODGE	INDIRECT LENDING
8013	620.53	1/30/2009	CARL HICKS	EXPENSE REIMBURSMENT JAN 2009
8014	15.00	1/30/2009	OKOLONA PEST CONTROL	OFFICE OCCUPANCY
8015	14.99	1/30/2009	BALBOA INSURANCE COMPANY	INSURANCE
8016	214.00	1/30/2009	ARROW ELECTRIC COMPANY	EQUIPMENT MAINTENANCE
8017	1,383.75	1/30/2009	QSI	EQUIPMENT MAINTENANCE
8018	639.85	1/30/2009	BLUEGRASS.NET	COMPUTER
8019	184.00	1/30/2009	THE GALT HOUSE HOTELS	EDUCATION
8020	313.80	1/30/2009	TELEDATE COMMUNICATIONS	LOAN SERVICING
8021	60.00	1/30/2009	PCI SERVICES	LOAN SERVICING
8022	45.50	1/30/2009	ROUTE ONE	LOAN SERVICING
8023	1,525.00	1/30/2009	WEBER & ROSE	PROFESSIONAL/OUTSIDE
8024	6,224.47	1/30/2009	PERSONIX BCD - INDIANAPOLIS	PROFESSIONAL/OUTSIDE
8025	20.00	1/30/2009	MAPOTHER & MAPOTHER	PROFESSIONAL/OUTSIDE
8026	593.70	1/30/2009	CHEXSYSTEMS	PROFESSIONAL/OUTSIDE
8027	500.00	1/30/2009	DAVID WATERMAN	PROFESSIONAL/OUTSIDE
8028	505.25	1/30/2009	THE LINCOLN NATIONAL LIFE INS CO	INSURANCE
8029	13,568.29	1/30/2009	LOUISVILLE METRO HUMAN RESOURCES	INSURANCE
8030	2,120.26	1/30/2009	STAPLES CREDIT PLAN	STATIONERY/SUPPLIES
8031	190.00	1/30/2009	PARC	PARKING FOR DT EMPLOYEES
8032	37.70	1/30/2009	CATHY PENNELL	LOCAL TRAVEL JANUARY 2009
8033	46.40	1/30/2009	DON FRITTS	LOCAL TRAVEL JANUARY 2009
8034	89.06	1/30/2009	VISA	SEE ATTACHED
8035	982.38	1/30/2009	MASTERCARD	SEE ATTACHED
Total	162,329.87		105	

<u>Homeowner Affordability and Stability Plan</u>
Fact Sheet

The deep contraction in the economy and in the housing market has created devastating consequences for homeowners and communities throughout the country. Millions of responsible families who make their monthly payments and fulfill their obligations have seen their property values fall, and are now unable to refinance to lower mortgage rates. Meanwhile, millions of workers have lost their jobs or had their hours cut, and are now struggling to stay current on their mortgage payments. As a result, as many as 6 million families are expected to face foreclosure in the next several years, with millions more struggling to stay current on their payments.

The present crisis is real, but temporary. As home prices fall, demand for housing will increase, and conditions will ultimately find a new balance. Yet in the absence of decisive action, we risk an intensifying spiral in which lenders foreclose, pushing home prices still lower, reducing the value of household savings, and making it harder for all families to refinance. In some studies, foreclosure on a home has been found to reduce the prices of nearby homes by as much as 9 percent – creating the potential that even borrowers who make every payment suffer from an increase in foreclosures in their community.

The Obama Administration's Homeowner Affordability and Stability Plan ***will offer assistance to as many as 7 to 9 million homeowners*** making a good-faith effort to stay current on their mortgage payments, while attempting to prevent the destructive impact of foreclosures on families and communities. It will not provide money to speculators, and it will target support to the working homeowners who have made every possible effort to stay current on their mortgage payments. Just as the American Recovery and Reinvestment Act works to save or create several million new jobs and the Financial Stability Plan works to get credit flowing, the Homeowner Affordability and Stability Plan will support a recovery in the housing market and ensure that these workers can continue paying off their mortgages.

By supporting low mortgage rates by strengthening confidence in Fannie Mae and Freddie Mac, providing up to 4 to 5 million homeowners with new access to refinancing and enacting a comprehensive stability initiative to offer reduced monthly payments for up to 3 to 4 million at-risk homeowners, this plan – which draws off the best ideas developed within the Administration, as well as from Congressional housing leaders and Federal Deposit Insurance Corporation Chair Sheila Bair – brings together the government, lenders and borrowers to share responsibility towards ensuring working Americans can afford to stay in their homes.

<u>Homeowner Affordability and Stability Plan</u>

1. **Refinancing for Responsible Homeowners Suffering From Falling Home Prices**
2. **A Comprehensive $75 Billion Homeowner Stability Initiative**
    - A Loan Modification Plan To Reach 3 to 4 Million Homeowners
        - Shared Effort with Lenders to Reduce Interest Payments
        - Incentives to Servicers and Borrowers
    - Clear and Consistent Guidelines for Loan Modifications
    - Required Participation By Financial Stability Plan Participants
    - Modifications of Home Mortgages During Bankruptcy
    - Strengthen Hope for Homeowners and Other FHA Loan Programs
    - Support Local Communities and Help Displaced Renters
3. **Support Low Mortgage Rates by Strengthening Confidence in Fannie Mae and Freddie Mac**

1. **<u>Provide Access to Low-Cost Refinancing for Responsible Homeowners Suffering From Falling Home Prices:</u>**

   - ***Provide the Opportunity for Up to 4 to 5 Million Responsible Homeowners Expected to Refinance:*** Mortgage rates are currently at historically low levels, providing homeowners with the opportunity to reduce their monthly payments by refinancing. But under current rules, most families who owe more than 80 percent of the value of their homes have a difficult time securing refinancing. (For example, if a borrower's home was worth $200,000, he or she would have limited refinancing options if he or she owed more than $160,000.) Yet millions of responsible homeowners who put money down and made their mortgage payments on time have – through no fault of their own – seen the value of their homes drop low enough to make them unable to access these lower rates. As a result, the Obama Administration is announcing <u>a new program that will provide the opportunity for 4 to 5 million responsible homeowners who took out conforming loans owned or guaranteed by Freddie Mac and Fannie Mae to refinance through the two institutions over time.</u>

   - ***Reducing Monthly Payments:*** For many families, a low-cost refinancing could reduce mortgage payments by thousands of dollars per year. For example, consider a family that took a 30-year fixed rate mortgage of $207,000 with an interest rate of 6.50% on a house worth $260,000 at the time. Today, that family has $200,000 remaining on their mortgage, but the value of that home has fallen 15 percent to $221,000 – making them ineligible for today's low interest rates that generally require the borrower to have 20 percent home equity. Under this refinancing plan, that family could refinance to a rate near 5.16% – reducing their annual payments by over $2,300.

2. **<u>A $75 Billion Homeowner Stability Initiative to Prevent Foreclosures and Help Responsible Families Stay in Their Homes:</u>** The Treasury Department, working with the GSEs, FHA, the FDIC and other federal agencies, will undertake a comprehensive multi-part strategy to prevent millions of foreclosures and help families stay in their homes. This strategy includes the following five features:

   - ***A Homeowner Stability Initiative to Reach Up to 3 to 4 Million At-Risk Homeowners***

   - ***Clear and Consistent Guidelines for Loan Modifications***

   - ***Requiring That Financial Stability Plan Recipients Use Guidance for Loan Modifications***

   - ***Allowing Judicial Modifications of Home Mortgages During Bankruptcy When A Borrower Has No Other Options***

   - ***Require Strong Oversight, Reporting and Quarterly Meetings with Treasury, the FDIC, the Federal Reserve and HUD to Monitor Performance***

   - ***Strengthening FHA Programs and Providing Support for Local Communities***

A. ***A Homeowner Stability Initiative to Reach Up to 3 to 4 Million At-Risk Homeowners:*** This initiative is intended to reach millions of responsible homeowners who are struggling to afford their mortgage payments because of the current recession, yet cannot sell their homes because prices have fallen so significantly. In the current economy, in which 3.6 million jobs have been lost over the past 14 months, millions of hard-working families have seen their mortgage payments rise to 40 or even 50 percent of their monthly income – particularly if they received subprime and exotic loans with exploding terms and hidden fees. The Homeowner Stability Initiative operates through a shared partnership to temporarily help those who commit to make reasonable monthly mortgage payments to stay in their homes, providing families with security and neighborhoods with stability. This plan will also help to stabilize home prices for homeowners in neighborhoods hardest hit by foreclosures. Based on estimates concerning the relationship between foreclosures and home prices, with the average house in the U.S. valued around $200,000, **the average homeowner could see his or her home value stabilized against declines in price by as much as $6,000** relative to what it would otherwise be absent the Homeowner Stability Initiative.

Who the Program Reaches:

- ***Focusing on Homeowners At Risk:*** Anyone with high combined mortgage debt compared to income or who is "underwater" (with a combined mortgage balance higher than the current market value of his house) may be eligible for a loan modification. This initiative will also include borrowers who show other indications of being at risk of default. Eligibility for the program will sunset at the end of three years.

- ***Reaching Homeowners Who Have Not Missed Payments:*** Delinquency will not be a requirement for eligibility. Rather, because loan modifications are more likely to succeed if they are made before a borrower misses a payment, the plan will include households at risk of imminent default despite being current on their mortgage payments.

- ***Common Sense Restrictions:*** Only owner-occupied homes qualify; no home mortgages larger than the Freddie/Fannie conforming limits will be eligible. *This initiative will go solely to supporting responsible homeowners willing to make payments to stay in their home – it will not aid speculators or house flippers.*

- ***Special Provisions for Families with High Total Debt Levels:*** Borrowers with high total debt qualify, but only if they agree to enter HUD-certified consumer debt counseling. Specifically, homeowners with total "back end" debt (which includes not only housing debt, but other debt including car loans and credit card debt) equal to 55% or more of their income will be required to agree to enter a counseling program as a condition for a modification.

How the Program Works

- The Homeowner Stability Initiative has a simple goal: reduce the amount homeowners owe per month to sustainable levels. This program will bring together lenders, servicers, borrowers, and the government, so that **all stakeholders share in**

the cost of ensuring that responsible homeowners can afford their monthly mortgage payments – helping to reach up to 3 to 4 million at-risk borrowers in all segments of the mortgage market, reducing foreclosures, and helping to avoid further downward pressures on overall home prices. The program has several key components:

i. ***Shared Effort to Reduce Monthly Payments:*** Treasury will partner with financial institutions to reduce homeowners' monthly mortgage payments.

- The lender will have to first reduce interest rates on mortgages to a specified affordability level (specifically, bring down rates so that the borrower's monthly mortgage payment is no greater than 38% of his or her income).

- Next, the initiative will match further reductions in interest payments dollar-for-dollar with the lender, down to a 31% debt-to-income ratio for the borrower.

- To ensure long-term affordability, lenders will keep the modified payments in place for five years. After that point, the interest rate can be gradually stepped-up to the conforming loan rate in place at the time of the modification. *Note: Lenders can also bring down monthly payments to these affordability targets through reducing the amount of mortgage principal. The initiative will provide a partial share of the costs of this principal reduction, up to the amount the lender would have received for an interest rate reduction.*

ii. ***"Pay for Success" Incentives to Servicers*****:** Servicers will receive an up-front fee of $1,000 for each eligible modification meeting guidelines established under this initiative. Servicers will also receive "pay for success" fees – awarded monthly as long as the borrower stays current on the loan – of up to $1,000 each year for three years.

iii. ***Responsible Modification Incentives:*** Because loan modifications are more likely to succeed if they are made before a borrower misses a payment, the plan will include an incentive payment of $1,500 to mortgage holders and $500 for servicers for modifications made while a borrower at risk of imminent default is still current.

iv. ***Incentives to Help Borrowers Stay Current*****:** To provide an extra incentive for borrowers to keep paying on time under the modified loan, the initiative will provide a monthly balance reduction payment that goes straight towards reducing the principal balance on the mortgage loan. As long as the borrower stays current on his or her payments, he or she can get up to $1,000 each year for five years.

v. ***Home Price Decline Reserve Payments:*** To encourage lenders to modify more mortgages and enable more families to keep their homes, the Administration **--** together with the FDIC **--** has developed an innovative partial guarantee initiative. The insurance fund – to be created by the Treasury Department at a size of up to $10 billion – will be designed to discourage lenders from opting to foreclose on mortgages that could be viable now out of fear that home prices will fall even further later on. This initiative provides lenders with the security to undertake more mortgage modifications by assuring that if home price declines are worse than expected, they have reserves to fall back on. Holders of mortgages modified under the program would be provided with an additional insurance payment on each modified loan, linked to declines in the home price index. These payments could be set aside as reserves, providing a partial guarantee in the event that home price declines – and therefore losses in cases of default – are higher than expected.

<u>*How It Will Be Effective*</u>

- ***Protecting Taxpayers:*** To protect taxpayers, the Homeowner Stability Initiative will focus on sound modifications. If the total expected cost of a modification for a lender taking into account the government payments is expected to be higher than the direct costs of putting the homeowner through foreclosure, that borrower will not be eligible. For those borrowers unable to maintain homeownership, even under the affordable terms offered, the plan will provide incentives to encourage families and lenders to avoid the costly foreclosure process and minimize the damage that foreclosure imposes on lenders, borrowers and communities alike. Moreover, Treasury will not provide subsidies to reduce interest rates on modified loans to levels below 2%.

- ***Counseling and Outreach to Maximize Participation:*** Under the plan, the Department of Housing and Urban Development will also make available funding for non-profit counseling agencies to improve outreach and communications, especially to disadvantaged communities and those hardest-hit by foreclosures and vacancies.

- ***Creating Proper Oversight and Tracking Data to Ensure Program Success:*** Fannie Mae and Freddie Mac will be responsible – subject to Treasury's oversight and the Federal Housing Finance Agency's conservatorship – for monitoring compliance by servicers with the program. Every servicer participating in the program will be required to report standardized loan-level data on modifications, borrower and property characteristics, and outcomes. The data will be pooled so the government and private sector can measure success and make changes where needed. Treasury will meet quarterly with the FDIC, the Federal Reserve, the Department of Housing and Urban Development and the Federal Housing Finance Agency to ensure that the program is on track to meeting its goals.

- ***Limiting the Impact of Foreclosure When Modification Doesn't Work:*** Lenders will receive <u>incentives to take alternatives to foreclosures</u>, like short sales or taking of deeds in lieu of foreclosure. Treasury will also work with the GSEs to provide data on foreclosed properties to streamline the process of selling or redeveloping them, thereby ensuring that they do not remain vacant and unsold.

B. <u>***Clear and Consistent Guidelines for Loan Modifications:***</u> A lack of common standards has limited loan modifications, even when they are likely to both reduce the chance of foreclosure and raise the value of the securities owned by investors. Mortgage servicers – who should have an interest in instituting common-sense loan modifications – often refrain from doing so because they fear lawsuits. Clear and consistent guidelines for modifications are a key component of foreclosure prevention.

- ***Developing Clear and Consistent Guidelines for Loan Modifications:*** Working with the FDIC, other federal banking and credit union regulators, the FHA and the Federal Housing Finance Agency, the Administration is in process of developing guidelines for sustainable mortgage modifications for all federal agencies and the private sector – bringing order and consistency to foreclosure mitigation. The guidelines will include detailed protocols for loss mitigation as well for identifying borrowers at risk of default; the Administration expects to announce these guidelines by Wednesday, March 4th

- ***Applying Guidelines Across Government and the Private Sector:*** Treasury will develop uniform guidance for loan modifications across the mortgage industry by working closely with the FDIC and other bank agencies and building on the FDIC's pioneering role in developing a systematic loan modification process last year. The Guidelines – to be posted online – will be used for the Administration's new foreclosure prevention plan. Moreover, all financial institutions receiving Financial Stability Plan financial assistance going forward will be required to implement loan modification plans consistent with Treasury guidance. Fannie Mae and Freddie Mac will use these guidelines for loans that they own or guarantee, and the Administration will work with regulators and other federal and state agencies to implement these guidelines across the entire mortgage market. The agencies will seek to apply these guidelines when permissible and appropriate to all loans owned or guaranteed by the federal government, including those owned or guaranteed by Ginnie Mae, the Federal Housing Administration, Treasury, the Federal Reserve, the FDIC, Veterans' Affairs and the Department of Agriculture. In addition, these guidelines will apply to loans owned or serviced by insured financial institutions supervised by the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Federal Reserve, the Federal Deposit Insurance Corporation and the National Credit Union Administration.

C. ***Requiring All Financial Stability Plan Recipients to Use Guidance for Loan Modifications:*** As announced last week, the Treasury Department will require all Financial Stability Plan recipients going forward to participate in foreclosure mitigation plans consistent with Treasury's loan modification guidelines.

D. ***Allowing Judicial Modifications of Home Mortgages During Bankruptcy for Borrowers Who Have Run Out of Options:*** The Obama administration will seek careful changes to personal bankruptcy provisions so that bankruptcy judges can modify mortgages written in the past few years when families run out of other options.

- ***How Judicial Modification Works:*** When an individual enters personal bankruptcy proceedings, his mortgage loans in excess of the current value of his property will now be treated as unsecured. This will allow a bankruptcy judge to develop an affordable plan for the homeowner to continue making payments. To receive judicial modifications in bankruptcy, homeowners must first ask their servicers/lenders for a modification and certify that they have complied with reasonable requests from the servicer to provide essential information. *This provision will apply only to existing mortgages under Fannie Mae and Freddie Mac conforming loan limits, so that millionaire homes don't clog the bankruptcy courts.*

- ***Bolster FHA and VA Authority to Protect Investors and Ensure Loan Modifications Occur:*** Legislation will provide the FHA and VA with the authority they need to provide partial claims in the event of bankruptcy or voluntary modification so that holders of loans guaranteed by the FHA and VA are not disadvantaged.

E. ***Strengthening FHA Programs and Providing Support for Local Communities***

- ***Ease Restrictions in Federal Housing Administration Programs, Including Hope for Homeowners:*** The Hope for Homeowners program offers one avenue for struggling borrowers to refinance their mortgages. In order to ensure that more homeowners participate, the FHA will reduce fees paid by borrowers, increase flexibility for lenders to modify troubled loans, permit borrowers with higher debt loads to qualify, and allow payments to servicers of the existing loans.

- ***Strengthening Communities Hardest Hit by the Financial and Housing Crises:*** As part of the recovery plan signed by the President, the Department of Housing and Urban Development will award $2 billion in competitive Neighborhood Stabilization Program grants for innovative programs that reduce foreclosure. Additionally, the recovery plan includes an additional $1.5 billion to provide renter assistance, reducing homelessness and avoiding entry into shelters

3. Support Low Mortgage Rates By Strengthening Confidence in Fannie Mae and Freddie Mac:

- ***Ensuring Strength and Security of the Mortgage Market:*** Today, using funds already authorized in 2008 by Congress for this purpose, the Treasury Department is increasing its funding commitment to Fannie Mae and Freddie Mac to ensure the strength and security of the mortgage market and to help maintain mortgage affordability.

    - ***Provide Forward-Looking Confidence:*** The increased funding will enable Fannie Mae and Freddie Mac to carry out ambitious efforts to ensure mortgage affordability for responsible homeowners, and provide forward-looking confidence in the mortgage market.

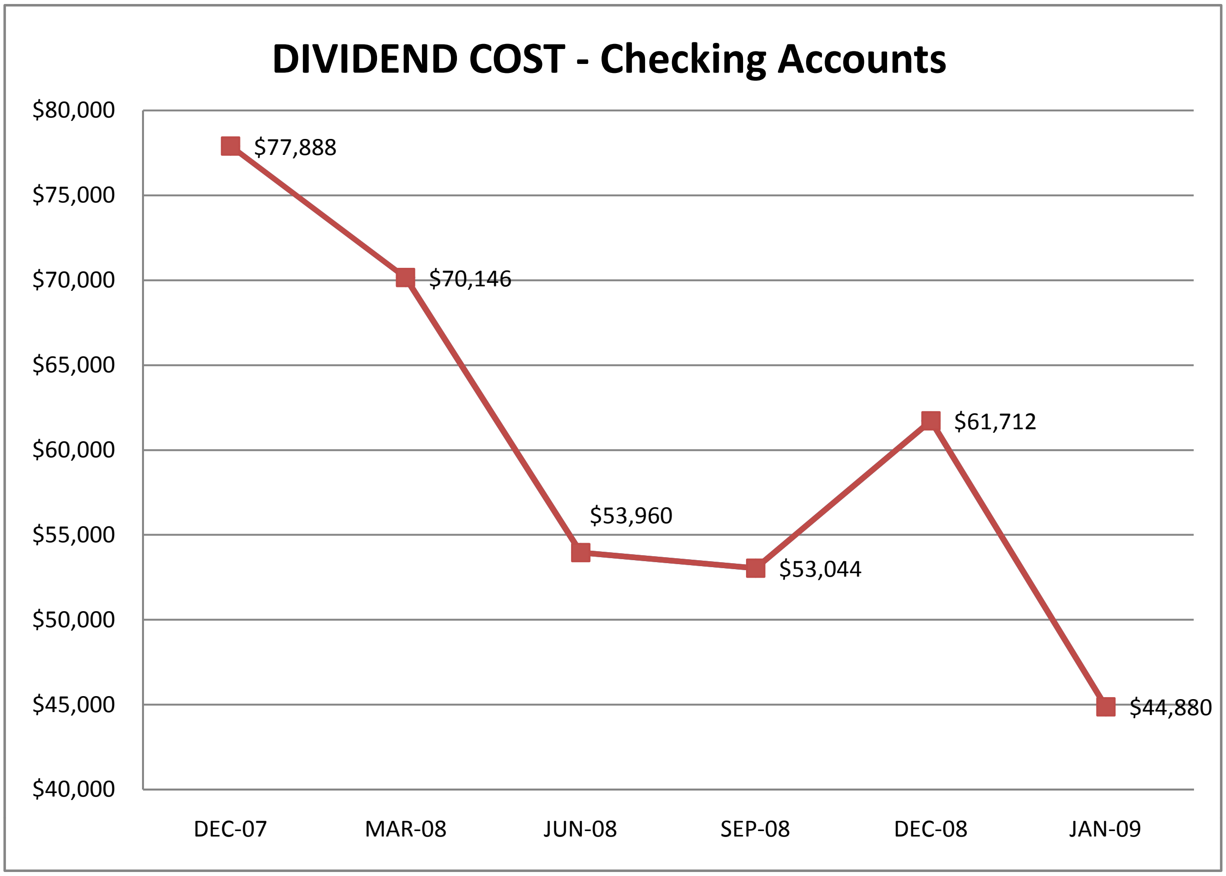
    - Treasury is increasing its Preferred Stock Purchase Agreements to $200 billion each from their original level of $100 billion each.

- ***Promoting Stability and Liquidity:*** In addition, the Treasury Department will continue to purchase Fannie Mae and Freddie Mac mortgage-backed securities to promote stability and liquidity in the marketplace.

- ***Increasing The Size of Mortgage Portfolios:*** To ensure that Fannie Mae and Freddie Mac can continue to provide assistance in addressing problems in the housing market, Treasury will also be increasing the size of the GSEs' retained mortgage portfolios allowed under the agreements – by $50 billion to $900 billion – along with corresponding increases in the allowable debt outstanding.

- ***Support State Housing Finance Agencies:*** The Administration will work with Fannie Mae and Freddie Mac to support state housing finance agencies in serving homebuyers.

- ***No EESA or Financial Stability Plan Money:*** The $200 billion in funding commitments are being made under the Housing and Economic Recovery Act and **do not use any money from the Financial Stability Plan or Emergency Economic Stabilization Act/TARP.**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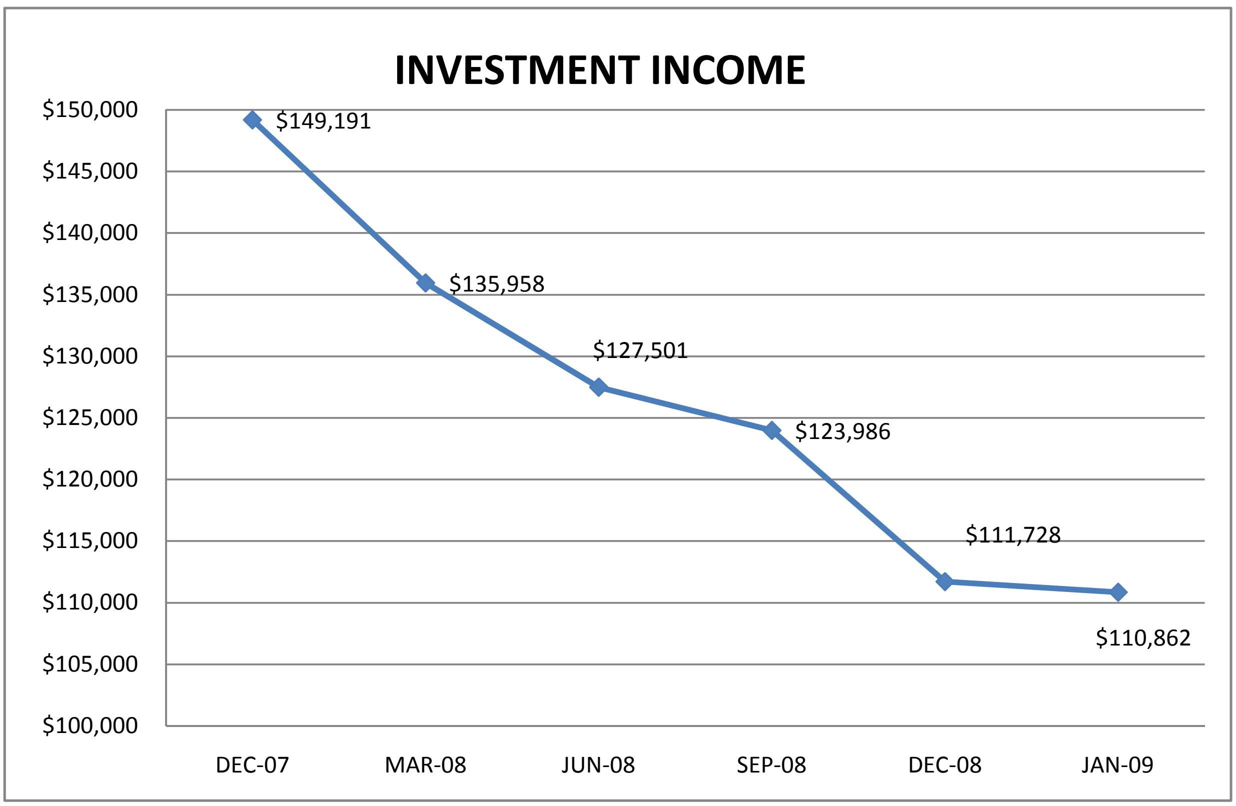
JUN-08
SEP-08
DEC-08
JAN-09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DEC-07
MAR-08
JUN-08
SEP-08
DEC-08
JAN-09

CU SIP Senior Guaranteed Term Obligation Confirmation

Date of Confirmation: February 13, 2009

To: Jefferson County Federal Credit Union

Charter No. 19853 ABA No. 283079094

Re: **NCUSIF Guarantee on CU SIP Senior Guaranteed Term Obligation**

The terms of the National Credit Union Share Insurance Fund (NCUSIF)'s Temporary Corporate Credit Union Liquidity Guarantee Program (TCCULGP), adopted by the National Credit Union Administration (NCUA) Board on October 16, 2008, allow for guarantees of various types of unsecured debt obligations, transacted between October 16, 2008 and June 30, 2009. 12 U.S.C. §§1766(i)(2), 1783(a), 1788(a)(1), and 1789(a)(7).

This confirms the issuance to you of the CU SIP Senior Guaranteed Term Obligation (CU SIP GTO), a senior unsecured debt obligation of the issuer, on the date specified above pursuant to the written CU SIP Offering Circular dated December 19, 2008 (Circular) on the following terms:

Principal Amount:	$25,000,000.00
Securities:	CU SIP GTO, a nontransferable uncertificated book-entry debt obligation of the Issuer, ranking *pari passu* with the Issuer's other unsubordinated and unsecured indebtedness. The Issuing and Paying Agent, will record, by appropriate entries on its book-entry registration and transfer system, issuance of the CU SIP GTO evidenced by this confirmation.
Issuer:	One of the corporate credit unions identified as a "Participating Issuer" in the Circular, reflected on the book-entry maintained by the Issuing and Paying Agent.
Issuing/ Paying Agent:	U.S. Central Federal Credit Union (U.S. Central), as agent for the Issuer
Issued on:	The CU SIP GTO evidenced by this confirmation is issued on February 13, 2009.
Maturity:	February 12, 2010. (one year from date of Issue)
Interest:	The interest rate payable is 0.9560% calculated on an actual 365-day basis and payable semi-annually on 08/12/2009 and 02/12/2010.
Redemption:	CU SIP GTOs may not be redeemed prior to maturity nor subject to voluntary prepayment.
Settlement:	Same day basis in immediately available funds, unless otherwise indicated by the Issuing and Paying Agent.
Guarantor:	National Credit Union Share Insurance Fund

Exemption: All CU SIP GTOs are issued in reliance upon exemptions from registration under the Securities Act pursuant to Section 3(a)(2) and Section 3(a)(5), and cannot be resold unless registered or an exemption from registration is available.

Assignment: The CU SIP GTO evidenced by this confirmation is not negotiable and may **not** be transferred or assigned, except that the GTO is pledged, upon issuance to an agent member of the NCU Central Liquidity Facility (CLF) and may subsequently be pledged to the CLF (Pledge).

Default By Issuer: In the event of a default in payment of interest or return of principal by the Issuer, the Issuing and Paying Agent will promptly notify the NCUSIF of the default and the identity of, and respective defaulted amounts on, the CU SIP GTO owned by Purchaser. Upon receipt of the guaranteed interest payment amount from the NCUSIF, the Issuing and Paying Agent will promptly transfer such amount to the relevant agent corporate credit union for credit to the Purchaser's account. Upon payment by the NCUSIF for any principal payment default, the Issuing and Paying Agent will transfer the defaulted CU SIP GTO to the NCUSIF and will transfer such payment amount to the CLF in full satisfaction of the Pledge.

Governing Law: The Obligations will be governed by, and construed in accordance with, the laws of the State of Kansas.

This further confirms that the CU SIP GTO described above will be guaranteed as to timely payment of principal and interest by the NCUSIF in accordance with the terms and conditions as described in the respective Agreement between the issuer and NCUA.

cc: NCUA Office of Corporate Credit Unions

Month	January 2009																																		
Stations / Spots	WAVE-TV 3 (A - 15) WHAS-TV 11 (B - 17) WLKY-TV 32 (C - 52)																																		
Date	Dec 28	29	30	31	Jan 01	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
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														B																					
1:00 - 1:59												B																							
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3:00 - 3:59													C	C		C	C		C		C		C	C	C	C			C						
4:00 - 4:59													C	C	C				C				C	C	C										
5:00 - 5:59													CC																						
6:00 - 6:59												B		B				CC	A		C		A		CC					B	B				B
7:00 - 7:59												B	B	BC	BB CC													C				B	B		B
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Total Spots = 84