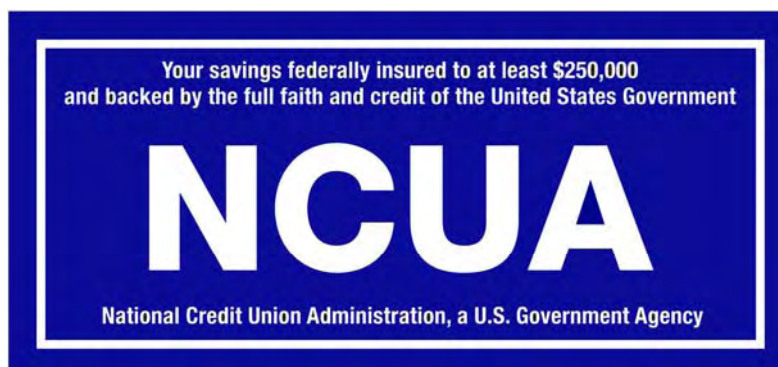




# **JEFFERSON COUNTY FEDERAL CREDIT UNION**

**A COMMUNITY CREDIT UNION**

## **Board Packet**



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**JEFFERSON COUNTY FEDERAL CREDIT UNION  
BOARD OF DIRECTORS MEETING  
AGENDA**

April 22, 2009

1. Approval of Minutes
  - a. March 25, 2009 - Board \*
  - b. April 8, 2009 - Board \*
  - c. March 25, 2009 – Supv. Comm. \*
2. Correspondence
  - a. NCUA
    - i. Update on Corporate Stabilization \*
    - ii. 09- CU 03 \* Call Report Modifications
    - iii. 09- CU 04 \* Mortgage Loan Refinancing
    - iv. 09- CU 05 \* Financial Trends 2008
    - v. 09- CU 06 \* Conservatorship of USC & WesCorp
    - vi. 09- CU 07 \* Remote Deposit Capture
    - vii. 09- CU 08 \* Mortgage Loan Fraud
    - viii. 09- RA 04 \* CTR Educational Pamphlet
    - ix. 09- 02 \* Accounting Bulletin – Write Down
    - x. Media Release & Letter To CU Members \*
  - b. U.S. Central Conservatorship \*
  - c. WesCorp Conservatorship \*
  - d. Kentucky Corporate FCU Conservatorship, PIC and MC\*
3. Treasurer's Report
  - a. Financial Statement \*
  - b. P & L Statement Compared to Budget Monthly & Year-To-Date \*
4. President's Report \*
5. Senior Vice President Report – Marketing \*
6. Report of Committees
  - a. Annual Meeting
  - b. Employee Grievance
  - c. Executive
  - d. Facilities
  - e. Investment and Asset Liability Management - (In President's Report)
  - f. Marketing
  - g. Membership
  - h. Nominating/Bylaws
  - i. Personnel & Policy
  - j. Planning
  - k. Policy
  - l. Risk Management
  - m. Supervisory
7. Unfinished Business
  - a.
8. New Business
  - a. Loan Officer Approval \*
  - b. Investment Report Approval \*
9. Adjournment

**\* Indicates Documentation Attached**

# JEFFERSON COUNTY FEDERAL CREDIT UNION

## MINUTES - BOARD OF DIRECTORS MEETING

DATE: March 25, 2009  
TIME: 8:30 A.M.  
LOCATION: Board Room – Main Office

### Roll Call

William Eskridge - Chairman	(WE)	Present
Steve Schweitzer - Vice-Chairman	(SS)	Present
Wendell Wright – Treasurer	(WW)	Present
Ed Davis - Secretary	(ED)	Present
Larry Dodson - Director	(LD)	Present
Marilynn Hettich - Director	(MH)	Excused
Barbara Hays - Director	(BH)	Present
Susan Clifton – Supv. Comm.	(SC)	Present
Stan Robinson – Supv. Comm.	(SR)	Present
Joshua Jackson – Supv. Comm.	(JJ)	Excused
Gary Fischer – Supv. Comm.	(GF)	Present
Richard Koch – Supv. Comm.	(RK)	Present
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 LD and duly seconded by WW to approve the minutes of 02-25-09 and 03-18-09. Vote Taken – Motion Carried.

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

### TREASURER'S REPORT

WW reported our ROA is .51% which is less than our target goal for the year due to the CU SIP Program February earnings being off budget. Net worth is a very comfortable 11.23% mostly due to the CU SIP Program when compared to our minimum comfort level of 9.00% and regulatory minimum preference of 7.00% (6.00% If participating in the CU SIP Program. There was an increase in deposits from the previous month of \$2,443,000 and an increase of \$3,562,000 year to date. Loan volume for the month showed an increase of \$225,000 and net loans showed a decrease of \$717,000 for the month and a decrease of \$610,000 year to date. We had one \$500K RE loan and a few smaller ones payoff. We will continue to closely monitor the competition and the overall operation for additional adjustments to dividend and income to benefit the members. A motion was made by SS and duly seconded by LD to approve the report as printed and presented. Vote Taken - Motion Carried.

### PRESIDENT'S REPORT

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

1. An update was given regarding the write down by US Central relative to mortgage back loans. The PIMCO findings stated the total loss will increase from \$4.7B to \$5.9B. This will increase our amount from 51 bp to 69 bp to be done this month. At this time we can accrue for the 30 bp premium increase due in September and that is projected to be about \$26,000 per month in addition to all other expenses already budgeted for. This topic will be discussed with greater detail after the NCUA issues the 5300 report instructions for first quarter and the amount is finalized and projected losses calculated. NCUA took US Central into conservatorship last Friday and is now running it. The CEO and board were dismissed and replaced with NCUA staff for the Board and NCUA's choice as the CEO. Additionally

WesCorp FCU was taken into conservatorship. That Board and CEO were also replaced. The NCUA's action relative to US Central could possibly have a negative impact on our membership capital and paid in capital at KCFCU and could see an additional write down on the horizon. This potentially involves an amount of up to \$773,000. Talking points and other information was distributed to assist the Board. A motion was made by WW and duly seconded by LD 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 97 TV commercials on three stations. Our ad is for a new business development person at KCUL and the unemployment office did not get any results. We paid a one-time annual fee to try an on line service. We have several resumes that he will begin reviewing. Richard Brooks is not working much. A motion was made by WW and duly seconded by LD to approve as printed and discussed. Vote Taken - Motion Carried.

#### ANNUAL MEETING COMMITTEE

Items continue to be reviewed for the door and 40<sup>th</sup> anniversary gifts. Additionally WW suggested that we address the impaired capital write down with the members in person in the form of a handout and asking Wendell Lyons of KCUL to address our members and explain from a non (JCFCU) official capacity that this was not our fault and that it is a CU system wide problem and cure. All agreed it was better to report this now than waiting until May of 2010.

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

SC reported the fourth quarter 2008 audit was received and all was found to be in order. Copies were distributed to the Board.

UNFINISHED BUSINESS - None

#### NEW BUSINESS

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

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

A motion was made by ED and duly seconded by WW to approve the transfer to Asset in Process of Liquidation for 1 loan in the amount of \$26,764.085. Vote Taken - Motion Carried.

A motion was made by WW and duly seconded by BH to approve the loan charge off exception of 1 loan for \$7,307.44. Vote Taken - Motion Carried.

A motion was made by SS and duly seconded by LD to approve the loan charge off of 20 loans for \$67,555.68. Vote Taken - Motion Carried.

A motion was made by ED and duly seconded by LD to reduce the budgeted transfer amount from March's income For ALLL to \$14,800.00. Vote Taken - Motion Carried.

A motion was made by WW and duly seconded by LD to forego the budgeted \$125.00 transfer from March's income for allowance for loan overdraft loans and transfer \$1,318.00 of that account back to income. Vote Taken - Motion Carried.

A motion was made by SS and duly seconded by WW to approve the dividend rates as enumerated in the President's report for the first quarter 2009 and the CIA and CCIA rates effective 04-01-09. Vote Taken - Motion Carried.

Judie Harper, New Accounts Manger was recognized with a plaque and gift card for completing ten years of service 02-22-09.

A motion was made by SS and duly seconded by LD to adjourn at 9:20 AM. Vote Taken - Motion Carried.

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Chairman

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Secretary

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

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

Roll Call

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

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

1. **Financials** – A brief discussion and update was given on last month's financial picture. Overdraft income was about \$27,000 under budget. Net income for the month and YTD would have been \$47,248 and \$133,546 respectively without the required NCUA write down (assessment). The packet will contain our normal spread sheet with all current activity reflected and a version without the write down and SIP activity to truly measure where our operation is compared to prior years.
2. **Deposit Rates** – Still very competitive in all areas even though they have been reduced. The top three tiers of CIA & CCIA were reduced effective 04-01-09. A motion was made by SS and duly seconded by ED to make the following adjustments on Rewards +Plus+ Checking. The rewards rate is being reduced 05-01-09 to 3.92% and the minimum rate will be 0.25%. The rewards rate will be paid on balances of \$25,000 or less. Vote Taken – Motion Carried.
3. **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.
4. **Finger RE Loan** – We await the Mapother firm's compliance.
5. **Townsend RE Loan** – We await the Mapother firm's reply relative to the checks that were mishandled by Fifth Third and the overall status of the foreclosure.
6. **SHAREONE STOCKHOLDER MEETING** – Their actual income for the year was about ½ of what they had budgeted but they seem stable and continue to bring in new business.
7. **NCUA/US CENTRAL Write down** – The write down amount was calculated as follows. Using our insured share amount from 06-30-08 per NCUA's instructions the 69% came to \$460,920.80. Using our insured share amount from 12-31-08 per NCUA's instructions the 30% came to \$196,958.41. Ken Kling says we can begin to accrue for that upcoming loss on a ten month basis or \$19,695.84 per month and it will be expensed by 12-31-09. If a more favorable methodology (longer term) is approved by NCUA we will modify our plan to comply with that. The next area of potential loss deals with our membership and paid in capital at KCFCU (\$456,200 = MCS and \$317,300 = PIC). KCFCU has a similar amount (per each member CU) with US Central as MCS & PIC. NCUA has said that amount on KCFCU's balance sheet is also impaired. KCFCU has enough reserves to write it down and is taking the position that future earnings will first go to restore those values. Ken Kling says that stance by KCFCU leaves us in a position to put those amounts on a watch list and we will not be required to write it down on our balance sheet per GAAP. If anything changes in this area I will report back to you. Quarterly updates will be given on KCFCU's status as long as the amounts in question remain on our watch list. A discussion ensued as to whether we want to not discuss in detail via Wendell Lyons at the annual meeting. The inclination was that there probably will not be that much made of it considering we've heard nothing from members to this point. The possibility of putting the NCUA letter of explanation on the website will be considered.
8. **KCFCU BOARD RESOLUTION** – A motion was made by SS and duly seconded by ED to authorize CH to seek re-election for the seat he is currently occupying. Vote Taken – Motion Carried.

9. **NCCS** – We received a letter from NCCS (PNC Bank) yesterday advising they are not going to renew our marketing agreement 08-01-09. NCCS indicated they may have renewed the contract but PNC opted not to. This means that they will phase out the JCFCU cards and replace them with a National City or PNC. If our members do want that card they can pay the account off and then close it.
10. **SCAM** – The attached scams were discussed.

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.

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Chairman

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Secretary



**JEFFERSON COUNTY FEDERAL CREDIT UNION**  
**MINUTES - SUPERVISORY COMMITTEE MEETING**

DATE: March 25, 2009  
TIME: 8:00 A.M.  
LOCATION: Board of Directors Conference Room - Main Office

Members Present

Susan Clifton	(SC) – Chair
Stan Robinson	(SR)
Gary Fischer	(GF)
Richard Koch	(RK)

SC advised that the fourth quarter audit report was received from Kling. It was thoroughly reviewed and all areas reviewed were found to be in order.

The expense disbursements for the last two months were reviewed. All were found to be in order.

The new and closed accounts were reviewed for the past few months and some closed accounts selected for verification.

There being no further business SC adjourned the meeting at 8:30 AM.

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Susan Clifton – Chair

# NCUA LETTER TO FEDERAL CREDIT UNIONS

March 21, 2009

## NCUA Update on Corporate Stabilization Plan

The National Credit Union Administration will host a webcast on Monday, March 23, 2009 to provide the credit union community with an update on the corporate credit union stabilization program. This webcast will include a discussion of recent events as well as provide an update on the NCUSIF reserve liability. The speakers for the webcast include NCUA Executive Director David Marquis and E & I Director Melinda Love.

### Details

**Date:** Monday, March 23, 2009  
**Time:** 2 PM EST  
**Duration:** 2 hours

### How to Register

Participants can register for the webcast until 1:45 PM EST on Monday, March 23<sup>rd</sup>. To register for the webcast, click on the following link:

<http://event.on24.com/r.htm?e=135750&s=1&k=952D61AF86486F16EE74FF144CBB336E>

Participants will be asked to enter their first name, last name, organization, and email address. Once registered, participants will use this same link to access the webcast. Prior to the start of the webcast, participants should:

- Make sure their volume is turned on,
- Permit pop-ups from the website, and
- Make sure their screen resolution is set to 1024 x 768.

NCUA will archive this webcast and make it available on our website at [www.NCUA.gov](http://www.NCUA.gov) for future viewing. This archive should be available within the next two weeks.

### Submitting Questions

Participants will be able to submit questions throughout the webcast via the Internet. Instructions will be provided at the beginning of the webcast. The presenters will address as many of the questions as possible.

The National Credit Union Administration charters and supervises federal credit unions. NCUA, with the backing of the full faith and credit of the U.S. government, operates and manages the National Credit Union Share Insurance Fund, insuring the accounts of 89 million account holders in all federal credit unions and the majority of state-chartered credit unions. NCUA is funded by credit unions, not federal tax dollars.

# NCUA LETTER TO FEDERAL CREDIT UNIONS

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

**DATE:** March 2009 **LETTER NO.:** 09-CU-03  
**TO:** Federally Insured Credit Unions  
**SUBJ:** Call Report Modifications  
**ENCL: (1)** Changes to the NCUA 5300 Call Report Effective March 2009

Dear Manager and Board of Directors:

The March 31, 2009 Call Report will include new fields and data that will assist with the analysis and evaluation of credit unions, further enhancing NCUA's ability to effectively monitor and supervise the risk to the National Credit Union Share Insurance Fund (NCUSIF).

One of the most significant changes is the separate presentation of the expense resulting from the recent corporate credit union stabilization action. The change will show the expense related to the stabilization action as a separate line item on the Income Statement within the Call Report. It will also show net income before and after the expense item. The two new accounts added are NCUSIF Stabilization Expense, Account 311 and Net Income (Loss) before NCUSIF Stabilization Expense, Account 660A. This will allow Call Report users to quickly ascertain the impact of the stabilization expense on the operating position of each credit union.

For the Call Report reporting cycle effective September 30, 2009, NCUA plans to release an online version of the Call Report that will replace the existing software. We will provide periodic updates outlining the impact of the actual changes as we progress through system development. NCUA posted a Frequently Asked Questions document on our website under Credit Union Data at the following link: <http://www.ncua.gov/OnlineFAQ.pdf>.

One of the changes when the new Call Report online system is implemented is the requirement to submit the Call Report electronically. All credit unions with internet access will file electronically when the system is released. In preparation for this change, NCUA recommends all credit unions with internet access use the eSend feature in the current software to submit the Call Report. Benefits of using eSend include a direct, secure transfer of the data to NCUA, which is the most protected, efficient way to submit confidential information and prevent compromise. Our Help Desk is available to answer any hardware or software questions and assist credit unions with their eSend password at 1-800-827-3255.

In the interim, NCUA continues to update and enhance the current software and process. In addition to the stabilization expense report presentation noted, there are several other important changes for the March 2009 cycle outlined in this Letter and in the Enclosure that you should reference when completing the Call Report. A complete list of all Call Report changes is included on NCUA's website at: <http://www.ncua.gov/data/5300/09March/March2009CallReportFormAndInstructions.pdf>.

We appreciate your cooperation in helping us improve the efficiency of our data collection program.

Michael E. Fryzel - Chairman

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## **NCUA LETTER TO FEDERAL CREDIT UNIONS**

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

**DATE: March 2009**

**LETTER NO.: 09-CU-04**

**SUBJ: Making Home Affordable: A Program for Mortgage  
Loan Refinancing and Modifications**

Dear Board of Directors:

President Barack Obama recently announced his administration's plan to help reduce the destructive consequences of home foreclosures. The Making Home Affordable program includes two components in the effort to assist homeowners who may not otherwise be able to refinance their mortgage loan or are struggling to make their monthly mortgage payment. The first component involves advantageous refinancing terms for loans currently owned or guaranteed by Fannie Mae or Freddie Mac where the member has a solid payment history but could encounter obstacles to refinancing due to a high loan to value ratio.

The second component involves modifying existing mortgage loans. The program is available to most lenders and servicers and applies to qualified mortgage loans. This aspect of the Making Home Affordable program has the greatest potential applicability to credit unions and their members. Mortgage loans and at-risk members that meet specified criteria are eligible for modification, which can result in reduced payments for the member as well as other financial incentives for the member and for the lender/servicer.

The U.S. Treasury Department issued detailed loan modification guidelines on March 4, 2009, which are the result of the collaboration between the Treasury Department, federal bank and thrift regulators, NCUA, and other government agencies. The details of the program, including modification guidelines, can be found at [www.FinancialStability.gov](http://www.FinancialStability.gov). The website also includes self-assessment tools to determine which component of the program may work best for the homeowner as well as common questions and answers.

#### **Working with Residential Mortgage Borrowers:**

NCUA remains committed to supporting your efforts in working with members who could benefit from loan refinancing and modifications. Reducing the level of foreclosures and making it possible for members who are struggling financially to maintain ownership of their home has many benefits. Credit unions are encouraged to work through such situations in the best interest of all parties involved. Loan refinancing and modifications can be effective tools in working through these difficult times. By using the program loan modification guidelines, in conjunction with each credit union's own lending process, the effort to keep members in their homes can and should be done in a safe in sound manner.

#### **Data Collection and Reporting:**

Participants in either the refinancing or modification programs, under Making Home Affordable, will be required to report loan data. The primary purpose of the data will be for tracking program activity and performance. Details regarding what information to report, who to report to, and the format for reporting such information will be issued by the Treasury Department in the coming weeks.

Credit unions will need to continue to report any loan modifications, including those made under this program, on NCUA 5300 reports. Whether a modification should be defined as a Troubled Debt Restructuring according to Financial Accounting Standard 15 will need to be determined on a loan-by-loan basis, and reported accordingly on the 5300 report.

If you have questions regarding this Letter to Credit Unions, please contact your district examiner, regional office, or state supervisory authority.

Michael E. Fryzel - Chairman

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## **NCUA LETTER TO FEDERAL CREDIT UNIONS**

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

**DATE: March 2009**

**LETTER NO.: 09-CU-05**

**SUBJ: State of the Credit Union Industry as of December 31, 2008**

**ENCL: Financial Trends in Federally Insured Credit Unions**  
**January 1 – December 31, 2008**

#### **Dear Board of Directors:**

Enclosed is a report highlighting credit union financial trends for 2008. The analysis is based on data compiled from the quarterly call reports submitted by all federally insured credit unions.

Overall, the financial condition of the credit union industry remains sound as indicated by high net worth levels and continued net worth growth. However, the current financial environment and adverse economic conditions are having an impact on credit union trends. Delinquency and net charge-offs continue to increase, especially in the real estate sector, indicating elevated concerns in the credit quality of loan portfolios.

Consistent with the last several years, the majority of loan growth in 2008 came from the real estate sector with the primary funding sources being higher cost share accounts and borrowed funds. This could result in elevated interest

rate, liquidity, and credit risk within individual credit unions. Credit unions with higher levels of liquidity or interest rate risk must maintain diligent risk management procedures.

Given the current issues within the mortgage and credit markets, credit unions originating real estate loans are encouraged to remain vigilant and enforce sound underwriting practices. Management is not only accountable to ensure the loans they make meet the needs of their member but also to ensure proper risk management practices are followed to mitigate future losses.

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

Michael E. Fryzel - Chairman

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## **NCUA LETTER TO FEDERAL CREDIT UNIONS**

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

**DATE:** March 2009 **LETTER NO.:** 09-CU-06

**TO:** Federally Insured Credit Unions

**SUBJ:** Corporate Stabilization Program – Conservatorship of U.S. Central FCU and Western Corporate FCU

### **Dear Board of Directors:**

On March 19, 2009, the NCUA Board took additional actions to further stabilize the corporate credit union system and bring the credit union community closer to resolution of the issues facing the system. The first step in the stabilization program was to increase liquidity throughout the entire credit union system, especially within the corporate credit unions. The actions discussed in this letter are the next step in the stabilization program. Since the initial actions approved by the NCUA Board on January 28, 2009, as outlined in NCUA Letter to Credit Unions 09-CU-02, NCUA staff completed a detailed review and contracted with a third party to provide independent confirmation of NCUA's analysis and stress testing of the mortgage and asset backed securities held by corporate credit unions. NCUA has determined that further actions were necessary.

### **Control of U.S. Central FCU and WesCorp FCU**

NCUA's analysis of individual corporate credit union portfolios demonstrates the incidence of expected credit losses greater than total capital is concentrated primarily in two corporate credit unions. As a result, the NCUA Board has taken control of both institutions: U.S. Central FCU and Western Corporate (WesCorp) FCU, and placed them into conservatorship. Operation of both corporate credit unions will continue uninterrupted. The remaining 26 corporate credit unions show a level of portfolio risk that NCUA considers manageable from the standpoint of capital adequacy. With the National Credit Union Share Insurance Fund's (NCUSIF) full share guarantee in effect in both institutions through December 31, 2010, members can continue to invest in both institutions without risk of loss.

### **Revised NCUSIF Liability Estimate**

The continuing analysis of the securities provided more detailed information that helped NCUA refine the assumptions used in determining the NCUSIF's required reserve for potential loss. The revised assumptions show the overall reserve level increased to \$5.9 billion from the \$4.7 billion estimated on January 28, 2009. The computation and impact of the revised reserve level will be discussed later in this letter.

### **Maintenance of Liquidity**

As discussed by NCUA in various public forums surrounding the corporate stabilization effort, the key short-term objective has been, and remains, to increase liquidity in corporate credit unions. The increased liquidity reduces the likelihood of having to sell the securities at adverse prices in the current non-functioning market. This avoids the scenario of absorbing significantly higher losses now, versus the cost of holding the securities to maturity.

Recent trends indicate that liquidity in the entire corporate credit union system is improving and external borrowings are being repaid. Since the first phase of the stabilization action, liquidity in the corporate credit unions holding the majority of the distressed securities has improved with deposits increasing from \$59.1 billion to \$71.3 billion. At the same time, credit unions are utilizing the Credit Union System Investment Program (CU SIP) to provide funding to corporate credit unions. As a result, a significant portion of the corporate credit union system's external borrowings has been paid, which was one of the early objectives of the stabilization plan. Since January 28, external borrowings in the same corporate credit unions have declined from \$11.8 billion to \$2.1 billion. This is a direct reflection of the cooperative spirit of the credit union system. Despite this increase, the foundational stresses on liquidity in the system remain and seasonal trends could result in liquidity becoming short in the near term. NCUA urges the credit union community to continue placing excess liquidity in corporate credit unions so the positive momentum continues. This remains a critical piece to the success of the stabilization and resolution effort while minimizing the cost to natural person credit unions.

### **Analysis Performed and Impact on the Reserve and Cost to Credit Unions**

NCUA continues to perform its own analysis of the securities and has contracted with a third party to provide independent confirmation and refinement of the results of NCUA's assessment. The results confirm NCUA's analysis that potential credit losses on all securities could approach upwards of \$16 billion, with a most reasonable estimate in the current environment of \$10.8 billion. NCUA modeled the impact on each corporate credit union. The modeling shows the losses at U.S. Central and WesCorp present immediate capital concerns to a level necessitating the action by NCUA to assume control of the two institutions.

The additional analysis provides a higher degree of confidence in key assumptions and estimates NCUA used to determine the amount of the liability the NCUSIF must record as part of the stabilization action. The key assumptions impacted are the amount of potential credit loss on the securities and the likelihood of having to perform on the NCUSIF share guarantee. The model NCUA is using to determine the liability remains unchanged, but the assumptions have been adjusted using this more definitive information.

The revised total liability for the NCUSIF increases from \$4.7 billion to \$5.9 billion using the updated assumptions. This increased reserve comes at an additional cost to all credit unions. The results will translate into an additional charge per credit union of 10 basis points of earnings and 9 basis points of net worth on average.

If your credit union has already reflected the stabilization expense on the financial statements, the accounts will need to be adjusted for the increase in the NCUSIF's recorded liability estimate. The individual expense for the stabilization action should be calculated based on insured shares of \$100,000 in two parts:

- 1) Multiply insured shares as of December 31, 2008, by 0.30% to arrive at the projected **premium** expense.
- 2) Multiply insured shares as of December 31, 2008, by 1% to arrive at the NCUSIF Deposit. Multiply the NCUSIF Deposit by 69% percent to arrive at the revised **impairment** expense. Previously, this was estimated at 51% of the deposit.

Refer to Accounting Bulletin 09-1 issued in February 2009 for more details.

### **Next Steps**

As discussed earlier, the risk of loss to the NCUSIF is primarily concentrated in U.S. Central and WesCorp. To protect the interests of the NCUSIF and all credit unions, NCUA has conserved both institutions. This provides NCUA with full control of the current and future operation of both entities. Services offered by both corporate credit unions will continue uninterrupted.

During the coming weeks and months, NCUA will continue to take whatever action is necessary to minimize the adverse impact of the U.S. financial and economic turmoil on credit unions. In relation to the corporate credit union system, NCUA plans the following:

- A. Seek ways to reduce the cost impact on the credit union community from the stabilization action;
- B. Determine the least cost alternative to absorb the losses within the system;
- C. Explore alternate methods to manage the distressed assets held by the corporate credit unions; and
- D. Restructure the existing corporate system based on input from stakeholders and future safety and soundness considerations.

### **Conclusion**

NCUA believes the plans established and the actions taken present the least cost alternative to the credit union community under the current legal authority and requirements. NCUA's primary goal is to minimize the adverse impact on natural person credit unions and their members so credit unions remain a vibrant and healthy sector of the U.S. financial system. The current plan NCUA has in place provides the framework for minimizing the financial impact on credit unions and allows the credit union industry control of several of the variables, including the level of liquidity in the system.

The NCUA Board remains committed to working with the credit union community to find alternatives to minimize the impact on credit unions. The Board is open to any alternative that is legal, responsible, and reasonable. Under the current legal authority and system structure, NCUA remains firm in its belief the actions taken represent the least cost alternative and least disruption to the overall credit union and U.S. financial system.

Michael E. Fryzel - Chairman

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## **NCUA LETTER TO FEDERAL CREDIT UNIONS**

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

**DATE:** March 2009 **LETTER NO.:** 09-CU-07

**TO:** Federally Insured Credit Unions

**SUBJ:** Evaluating Risk Management of Remote Deposit Capture Questionnaire

**ENCL:** Remote Deposit Capture Questionnaire

**REF:** Risk Management of Remote Deposit Capture (LTCU 09-CU-01)

Dear Board of Directors:

The purpose of this Letter is to provide Federally Insured Credit Unions with the enclosed questionnaire NCUA field staff will use to complete the evaluation of the Remote Deposit Capture system (RDC).

NCUA issued Letter to Credit Unions 09-CU-01, Risk Management of Remote Deposit Capture, in January 2009. This Letter provides credit unions with the FFIEC guidance on Risk Management of RDC. The guidance discusses the key risk issues associated with RDC and addresses the elements of risk management practices. This new questionnaire focuses on the three components of risk management practices applicable to the RDC technologies and business processes as discussed in the guidance:

- Risk Assessment and Strategic Planning;
- Risk Mitigations and Controls; and
- Risk Measurement and Monitoring.

Examiners will evaluate the related types and levels of risk exposure, the adequacy of management, and technology and process controls based on the size, complexity, and risk profile of the credit union and the relative scale of RDC implementation. Credit unions offering the RDC service may use the questionnaire to help analyze their associated risks and control practices. This analysis can assist in the establishment of a risk assessment process and the implementation of controls and monitoring systems as specified in the guidance.

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

Michael E. Fryzel - Chairman

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## **NCUA LETTER TO FEDERAL CREDIT UNIONS**

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

**DATE:** March 2009

**LETTER NO.:** 09-CU-08

**TO:** Federally Insured Credit Unions

**SUBJ:** Filing Trends in Mortgage Loan Fraud

Dear Board of Directors,

The Financial Crimes Enforcement Network (FinCEN) recently released the report, *Filing Trends in Mortgage Loan Fraud*. This report updates FinCEN's earlier mortgage fraud reports by describing trends in Suspicious Activity Report (SAR) filings for the period of July 1, 2007 to June 30, 2008.

During this period, financial institutions filed 62,084 SARs reporting mortgage fraud. This figure constituted nine percent of all SAR submissions for the period and a 44 percent increase over the preceding year. Credit unions filed 541 SARs reporting mortgage loan fraud during this period, a 167 percent increase over the prior year.

A complete copy of FinCEN's report, *Filing Trends in Mortgage Loan Fraud* is located at:  
[http://www.fincen.gov/news\\_room/nr/html/20090225.html](http://www.fincen.gov/news_room/nr/html/20090225.html).

This report builds upon FinCEN's earlier mortgage loan fraud reports which detailed vulnerabilities to fraud, examined different types of fraudulent activity and identified "red flag" indicators of possible fraud across the financial industry as a whole. This information can assist credit unions in detecting potential illegal activity before it occurs. If you have any questions, please contact your regional director or state supervisory authority.

Michael E. Fryzel - Chairman

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**REGULATORY ALERT**

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

**DATE:** March 2009

**NO:** 09-RA-04

**TO:** Federally Insured Credit Unions

**SUBJ:** Currency Transaction Reporting (CTR) Requirement Educational Pamphlet

Dear Board of Directors,

The Financial Crimes Enforcement Network (FinCEN) recently released an educational pamphlet, "*Notice to Customers: A CTR Reference Guide*." This pamphlet explains the CTR reporting requirement to members who may not be familiar with the credit union's obligations under the Bank Secrecy Act (BSA).

This pamphlet does not alter a credit union's BSA reporting requirements. The pamphlet explains that large currency transactions are not illegal, and that credit unions are required to obtain information from their members when conducting such transactions. The pamphlet also explains what constitutes structuring and explains that if a member attempts to structure transactions there are potential civil and criminal consequences.

Credit unions are not required to use the pamphlet, but may find the pamphlet useful when addressing member questions regarding particular currency transactions. Credit unions may print the pamphlet from FinCEN's website at <http://www.fincen.gov/whatsnew/pdf/CTRPamphletBW.pdf>. FinCEN is exploring the possibility of printing a supply of these pamphlets so credit unions can order them from FinCEN in the future.



Additional information regarding these pamphlets may be obtained on FinCEN's website at <http://www.fincen.gov/whatsnew/pdf/20090224.pdf>.

If you have any questions regarding this educational pamphlet, please contact your district examiner, regional office, or state supervisory authority.

Michael E. Fryzel - Chairman

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## NCUA Media Release

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### NCUA Provides Informational Letter for Credit Union Members

**March 16, 2009, Alexandria, Va.** -- The National Credit Union Administration is providing the attached letter explaining details of recent actions taken to stabilize the corporate credit union system. The communication, intended for use by credit unions with their members, also explains how stabilization efforts may affect federally insured credit unions.

Credit unions are encouraged to post the letter in lobbies, on websites and regular or electronic mail in order to ensure the broadest and most effective distribution.

The letter to members is available online at  
<http://www.ncua.gov/CorporateStabilizationProgram.html>

The National Credit Union Administration is the independent federal agency that regulates, charters and supervises federal credit unions. NCUA, with the backing of the full faith and credit of the U.S. government, also operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of nearly 89 million account holders in all federal credit unions and the majority of state-chartered credit unions.

-NCUA-



**To: Members of Jefferson County Federal Credit Union**

**From: The National Credit Union Administration Board**

**Subj: Credit Union Stabilization**

On January 28, 2009, the Board of the National Credit Union Administration (NCUA) acted to stabilize a part of the credit union system that is under stress due to the dislocations in the mortgage market. These actions resulted in all federally insured credit unions being required to write-off a portion of their deposit in the National Credit Union Share Insurance Fund (NCUSIF), and the assessment of a premium in order to maintain a robust and strong federal insurance fund for credit union members.

NCUA is committed to protecting your funds in a federally insured credit union, and will continue to take all steps necessary to preserve a safe and sound credit union industry.

These difficult economic times are affecting all financial institutions, including credit unions, particularly in the area of earnings. Your credit union has information available that will clearly detail the impact that the insurance assessment may have had on your credit union's earnings. It will enable you, as a member-owner, to get a better picture of the financial condition of your credit union.

It is important to remember that your funds in a NCUSIF-insured credit union are backed by the full faith and credit of the United States Government, up to at least \$250,000 per account.

If you have questions, please talk to your credit union or visit the NCUA website at [www.ncua.gov](http://www.ncua.gov).



**To:           Members of Jefferson County Federal Credit Union**  
**From:       The National Credit Union Administration Board**  
**Subject:     Credit Union Stabilization**

On January 28, 2009, the Board of the National Credit Union Administration (NCUA) acted to stabilize a part of the credit union system that is under stress due to the dislocations in the mortgage market. These actions resulted in all federally insured credit unions being required to write-off a portion of their deposit in the National Credit Union Share Insurance Fund (NCUSIF), and the assessment of a premium in order to maintain a robust and strong federal insurance fund for credit union members.

This assessment was levied on all credit unions in the country. While Jefferson County's financial status, reserves and net worth remain extremely healthy and very robust, the assessment will have an adverse affect on the bottom line and Return on Assets for the operating year of 2009. It is anticipated that the Jefferson County Federal Credit Union share of this assessment will be in the range of \$650-700,000.

NCUA is committed to protecting your funds in a federally insured credit union, and will continue to take all steps necessary to preserve a safe and sound credit union industry.

These difficult economic times are affecting all financial institutions, including credit unions, particularly in the area of earnings. Your credit union has information available that will clearly detail the impact that the insurance assessment may have had on your credit union's earnings. It will enable you, as a member-owner, to get a better picture of the financial condition of your credit union.

It is important to remember that your funds in a NCUSIF-insured credit union are backed by the full faith and credit of the United States Government, up to at least \$250,000 per account.

If you have questions, please talk to your credit union or visit the NCUA website at [www.ncua.gov](http://www.ncua.gov).



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[WWW.USCENTRAL.COOP](http://WWW.USCENTRAL.COOP)

March 20, 2009

Dear Member:

The National Credit Union Administration (NCUA) Board placed U.S. Central Federal Credit Union (U.S. Central) under Federal Conservatorship (conservatorship). This action results in NCUA taking control of the corporate's operations to protect U.S. Central's assets, the interests of the members, and the National Credit Union Administration Share Insurance Fund.

First and foremost, be assured that your deposits are insured to \$250,000 and are also guaranteed in full under the NCUA Corporate Share Guarantee Program established in January 2009, which remains in place through December 31, 2010.

U.S. Central operations will continue uninterrupted and members will not experience any disruption in services. NCUA has appointed me as the Chief Executive Officer effective Monday, March 23, 2009. With the exception of the CEO, all other U.S. Central staff remain in place and are here to serve you. Our goal remains to offer you the best products and services available to meet your needs.

NCUA will host a Webinar on Monday, March 23, 2009, at 2pm (EST) to continue the dialogue on the agency's corporate stabilization efforts, including the most recent actions. To participate, please visit either the U.S. Central or NCUA website for the participation link.

If you or your officials have any questions for which you need further clarification, please contact a U.S. Central manager or NCUA official.

On behalf of all U.S. Central employees, we sincerely appreciate your business and look forward to your continued support as we meet the challenges and grasp the opportunities present in these extraordinary times.

Sincerely,

Jim Nance  
Chief Executive Officer  
U.S. Central Corporate Federal Credit Union



March 20, 2009

Dear Member:

Today, the National Credit Union Administration (NCUA) Board placed Western Corporate Federal Credit Union (WesCorp) under Federal Conservatorship (conservatorship). This action results in NCUA taking control of the WesCorp's operations in order to protect WesCorp's assets, the interest of the members, and the National Credit Union Administration Share Insurance Fund.

First and foremost, be assured that your deposits are both insured to \$250,000 and guaranteed in full under the NCUA Corporate Share Guarantee Program established in January 2009. This program remains in place through December 31, 2010.

WesCorp operations will continue uninterrupted and members will not experience any disruption of services. NCUA has appointed me as the Chief Executive Officer. My goal remains to offer you the best products and services available to meet your needs.

In the coming days, there will be additional information provided that will include the following:

- NCUA will conduct a Webinar on Monday, March 23, 2009, at 2 p.m. (EDT). To participate, please visit either the WesCorp or NCUA web site for the participation link; and
- WesCorp will conduct conference calls next week with times and dates communicated to the membership via e-mail and in the Member Center.

Additional information relating to WesCorp operations or this action by the NCUA will be made available in the WAVE (Member Center) in the coming days and weeks. If you or your officials have any questions or issues that need further clarification, please ask our member service representative to forward your call to a WesCorp manager.

On behalf of all WesCorp employees, I sincerely appreciate your continued business and look forward to your continued support as we navigate these unprecedented times and challenges.

Sincerely,

Philip Perkins  
Chief Executive Officer  
Western Corporate Federal Credit Union



April 4, 2009

To: President/CEO's of credit unions that are members of Kentucky Corporate Federal Credit Union

From: Jim Thompson, President/CEO of Kentucky Corporate Federal Credit Union

Re: UPDATE: US Central Federal Credit Union Conservatorship Action and Impact on Kentucky Corporate Federal Credit Union

As you are aware, on March 20, 2009, NCUA conserved U.S. Central Federal Credit Union (USC) and Western Corporate Federal Credit Union (WESCORP). According to NCUA, both corporates will continue to operate in a "business-as-usual" manner, and all non-capital deposits are guaranteed through December 31, 2010.

It is NCUA's position that all members' capital deposits at U.S. Central and WESCORP have been impaired as a result of this action. Based on this position, Kentucky Corporate could have to write off its Paid in Capital (PIC) at U.S. Central and some, if not all, of its Membership Capital Shares (MCS) in U.S. Central. The U.S. Central impairments are currently being reviewed with our external independent public accounting firm, Deming, Malone, Livesay & Ostroff (DMLLO). The final impairment amount may not be known until the CPA audit of U.S. Central is completed in the next few weeks. The total impairment of PIC and MCS held at U.S. Central could reach \$26.7 million for Kentucky Corporate. The following chart shows a "worst-case" scenario whereby Kentucky Corporate is advised to write down all of our capital investments at U.S. Central.

### Kentucky Corporate Capital Position

Figures based on March 2009 data (prior to month-end closing)

#### Kentucky Corporate Capital Accounts

Membership Capital Shares (MCS)	\$	17,717,760.00
Paid in Capital (PIC)	\$	6,059,750.00
Reserves and Undivided Earnings (RUDE)	\$	14,666,704.09
<u>Less Capital at U.S. Central (USC)</u>		
PIC II - U.S. Central Investment	\$	(3,929,460.00)
PIC I - U.S. Central Investment	\$	(4,613,000.00)
MCS - U.S. Central Investment	\$	<u>(18,161,686.56)</u>
<b>Total Capital after USC MCS &amp; PIC Impairment</b>	<b>\$</b>	<b>11,740,067.53</b>

Your capital with Kentucky Corporate is considered an “at risk” investment. At Kentucky Corporate, capital is contributed through your MCS, and voluntarily by some members through PIC. In the event of a loss greater than Kentucky Corporate’s RUDE, then your PIC and MCS would be impacted in that order. The potential impact on your Kentucky Corporate PIC and MCS and its presentation on your financial statements should be discussed with your auditor. An important element in any consideration is that the Corporate has no current plans to eliminate PIC or MCS dividends.

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

On March 31, Kentucky Corporate was notified of NCUA/U.S. Central’s intent to NOT pay quarterly dividends on these PIC and MCS accounts because of the potential impairments. U.S. Central previously had reported PIC and MCS accrued dividends for January and February 2009 totaling \$29,000, which will be lost income for Kentucky Corporate. Kentucky Corporate plans to pay our members’ PIC and MCS dividends for the first quarter. Future PIC and MCS dividends amounts could be limited in the future to amounts in excess of the required reserve transfers per NCUA Regulation 704.

It is Kentucky Corporate’s goal and responsibility to return our member’s PIC and MCS accounts back to par value. We maintain that any impairment of member’s PIC and MCS accounts is temporary.

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

You will be hearing from us as developments arise. Please let me know how I may be of assistance in the interim. Please e-mail me at [jthompson@kycorp.org](mailto:jthompson@kycorp.org) or call me at (502) 459-6110 or 1-800-333-5285, ext. 200.





# JEFFERSON COUNTY FEDERAL CREDIT UNION

## Statement of Financial Condition --March 2009

ASSETS		LIABILITIES	
LOANS	37,020,499.76	ACCOUNTS PAYABLE	10,495.97
ASSETS IN LIQUIDATION OF LOANS - RE	0.00	MONEY ORDERS	986.42
ASSETS IN LIQUIDATION OF LOANS - AU	8,473.78	TRAVELERS CHECKS	0.00
REAL ESTATE LOANS - TECUMSEH	64,773.09	AMUSEMENT PARK TICKETS	919.77
		KYCUPAC - FROM MEMBERS	54.00
		DEATH CLAIMS	66,943.31
TOTAL LOANS TO MEMBERS	37,093,746.63	EMPLOYEE 401(K) PLAN	0.00
ALLOW. FOR LOAN LOSSES	(221,423.12)	INSURANCE COMPANIES	8,289.35
ALLOW. FOR OVERDRAFT LOSSES	(1,548.93)	FLOOD DETERMINATION	72.00
		RECORDING FEES - CLERK	220.00
<b>NET LOANS</b>	<b>36,870,774.58</b>	ATTORNEY FEES	10,056.00
		APPRAISALS	(900.00)
		<b>TOTAL ACCOUNTS PAYABLE</b>	<b>97,136.82</b>
FIFTH THIRD	(36,167.41)	<b>DIVIDENDS PAYABLE</b>	<b>12,394.87</b>
VAULT CASH	392,116.16	<b>CLF CU SIP NOTE PAYABLE</b>	<b>25,000,000.00</b>
CHANGE FUND - ATM MACHINE	58,160.00		
PETTY CASH	50.00	FEDERAL TAXES	0.00
<b>CASH TOTAL</b>	<b>414,158.75</b>	KENTUCKY STATE TAXES	0.00
		FEDERAL & STATE UNEMPLOY.	0.00
KENTUCKY CORPORATE FCU	11,721,485.01	OCCUPATIONAL TAXES	0.00
FEDERAL HOME LOAN BANK OF CINCINNATI	140,095.42	TAXES HELD ON DIVIDENDS	644.50
DEPOSITS - OTHER FINANCIAL INSTITUTIONS	37,445,000.00	ACCRUED PROPERTY TAXES	4,347.31
SHARE ONE CUSO INVESTMENT	100,000.00	PENALTIES ON PREMATURE IRA DISTR.	0.00
LOAN TO CUCKY	0.00	<b>TOTAL TAXES PAYABLE</b>	<b>4,991.81</b>
CLF CU SIP INVESTMENT	25,000,000.00		
<b>TOTAL INVESTMENTS</b>	<b>74,406,580.43</b>	ACCRUED EXPENSES	376,051.47
		<b>TOTAL ACCRUED EXPENSES</b>	<b>376,051.47</b>
ACCRUED INTEREST - LOANS	172,230.41	<b>ACCRUED NCUSIF STABILIZATION EXPENSE</b>	<b>19,695.84</b>
OTHER ACCRUED INCOME	30,775.13	<b>UNAPPLIED EXCEPTIONS</b>	<b>25,690.75</b>
<b>TOTAL ACCRUED INCOME</b>	<b>203,005.54</b>	<b>TOTAL LIABILITIES</b>	<b>25,535,961.56</b>
		<b>CAPITAL</b>	
PREPAID & DEFERRED EXPENSES	72,153.85	REGULAR SHARE ACCOUNTS	17,794,096.61
<b>TOTAL PREPAID &amp; DEFERRED</b>	<b>72,153.85</b>	CLUB ACCOUNTS	715,520.87
		SHARE DRAFT ACCOUNTS	4,703,766.77
LAND - MAIN & OUTER LOOP OFFICE	448,100.00	CASH INVESTMENT ACCOUNTS	25,482,867.10
BUILDING - MAIN & OUTER LOOP OFFICE	1,547,029.32	CORPORATE CASH INVESTMENT	2,317,613.34
IMPROVEMENTS - MAIN OFFICE	4,123.71	REWARDS CHECKING	1,636,321.70
IMPROVEMENTS - BRANCH 1	1,739.81	IRA - ACCUMULATION ACCOUNTS	1,436,702.73
IMPROVEMENTS - BRANCH 2	0.00	CERTIFICATES - REGULAR	20,184,964.83
IMPROVEMENTS - BRANCH 3	0.00	CERTIFICATES - IRA	3,625,527.65
IMPROVEMENTS - BRANCH 4	0.00	CERTIFICATES - TOTAL	23,810,492.48
ACCUM. DEPR. - MAIN & OUTER LOOP OFFICE	(499,528.00)	<b>TOTAL SHARES</b>	<b>77,897,381.60</b>
FURNITURE & EQUIPMENT	85,264.38	REGULAR RESERVE	1,901,148.19
COMPUTER EQUIPMENT	28,593.64	RESERVE FOR CONTING.	0.00
<b>TOTAL FIXED ASSETS</b>	<b>1,615,322.86</b>	UNDIVIDED EARNINGS	10,957,014.11
		NET INCOME	(339,154.80)
ACCOUNTS RECEIVABLE	0.00	<b>TOTAL CAPITAL</b>	<b>90,416,389.10</b>
DEFERRED COMPENSATION	2,105,533.96		
CAPITAL DEPOSIT - CUCKY	61,297.00	<b>TOTAL CAPITAL &amp; LIABILITIES</b>	<b>115,952,350.66</b>
DEPOSIT - NCUSIF	203,523.69		
<b>TOTAL OTHER ASSETS</b>	<b>2,370,354.65</b>		
<b>TOTAL ASSETS</b>	<b>115,952,350.66</b>		

**Jefferson County Federal Credit Union**  
**BUDGET REVIEW**  
**March 31, 2009**

	ACTUAL CURRENT	BUDGETED CURRENT	ACTUAL Y-T-D	BUDGETED Y-T-D	DIFFERENCE Y-T-D	PERCENT TOT INCOME
<b>I N C O M E</b>						
INTEREST ON LOANS	230,751.22	235,141.00	674,906.74	702,792.00	(27,885.26)	54.54%
INVESTMENTS	95,215.43	112,666.00	311,135.74	336,042.00	(24,906.26)	22.51%
INTEREST ON CLF CU SIP	20,298.49	0.00	30,775.13	0.00	30,775.13	4.80%
INSURANCE REIMB.	8,296.01	3,900.00	14,935.59	11,700.00	3,235.59	1.96%
MO & CHK FEE	387.50	425.00	1,243.17	1,275.00	(31.83)	0.09%
OVERDRAFT FEE	42,503.57	69,000.00	138,898.40	207,000.00	(68,101.60)	10.05%
WIRE TRANS. & CMO	168.00	300.00	617.00	900.00	(283.00)	0.04%
LOAN LATE FEE	4,719.97	4,400.00	13,226.01	13,200.00	26.01	1.12%
ATM SURCHARGE FEES	391.50	250.00	1,023.00	750.00	273.00	0.09%
SHARE DRAFT & ATM	1,686.94	2,425.00	5,652.29	7,275.00	(1,622.71)	0.40%
MISCELLANEOUS INC.	1,293.71	1,600.00	3,630.88	4,800.00	(1,169.12)	0.31%
LOCK BOX FEE	230.00	160.00	570.00	480.00	90.00	0.05%
ATM TRANSACTION FEE	686.00	800.00	1,437.00	2,400.00	(963.00)	0.16%
LOAN APPLICATION FEE	275.00	225.00	525.00	675.00	(150.00)	0.07%
MEMBERSHIP FEE	460.00	450.00	1,385.00	1,350.00	35.00	0.11%
C-CARD INCOME	0.00	200.00	558.40	600.00	(41.60)	0.00%
D-CARD INTERCHANGE	15,693.80	14,500.00	39,095.73	43,500.00	(4,404.27)	3.71%
<b>TOTAL INCOME</b>	<b>423,057.14</b>	<b>446,442.00</b>	<b>1,239,615.08</b>	<b>1,334,739.00</b>	<b>(95,123.92)</b>	<b>100.00%</b>
<b>E X P E N S E S</b>						
SALARIES - REGULAR	74,560.91	81,559.00	226,138.36	244,347.00	(18,208.64)	17.62%
SALARIES - OVERTIME	29.76	349.00	575.68	1,045.00	(469.32)	0.01%
CONTRACT EMPLOY.	0.00	400.00	0.00	1,200.00	(1,200.00)	0.00%
401K COSTS	3,467.12	3,522.00	10,222.91	10,552.00	(329.09)	0.82%
SOCIAL SECURITY TAX	5,648.37	6,266.00	16,875.98	18,772.00	(1,896.02)	1.34%
UNEMPLOYMENT TAX	977.21	475.00	3,520.78	1,425.00	2,095.78	0.23%
STAFF INSURANCE	15,246.36	15,600.00	42,615.17	46,800.00	(4,184.83)	3.60%
LOCAL TRAVEL	318.76	925.00	1,050.12	2,775.00	(1,724.88)	0.08%
VEHICLE MAINTENANCE	233.59	500.00	678.25	1,500.00	(821.75)	0.06%
OUT OF TOWN TRAVEL	0.00	900.00	916.01	2,700.00	(1,783.99)	0.00%
BOARD MEETING EXP.	457.92	1,340.00	1,389.05	4,020.00	(2,630.95)	0.11%
ASSOC. DUES & SUBSCR	2,114.56	2,269.00	6,875.86	6,807.00	68.86	0.50%
OFFICE OCCUP. EXP.	14,746.90	14,538.00	44,259.60	44,559.00	(299.40)	3.49%
BLDG. - LAND IMPROV.	395.08	595.00	1,185.24	1,785.00	(599.76)	0.09%
TELEPHONE EXPENSE	1,551.77	1,842.00	4,627.29	5,526.00	(898.71)	0.37%
POSTAGE	5,537.67	5,700.00	16,284.39	17,100.00	(815.61)	1.31%
MAINT. OF EQUIP.	826.20	1,182.00	3,478.75	3,546.00	(67.25)	0.20%
STATIONARY & SUPP.	1,998.90	2,400.00	3,978.31	7,200.00	(3,221.69)	0.47%
INSURANCE	4,413.03	2,987.00	10,025.71	8,961.00	1,064.71	1.04%
DEPRECIATION - FURN.	3,640.16	3,970.00	10,920.48	11,910.00	(989.52)	0.86%
BANK SERVICE CHARGE	24,093.49	25,898.00	77,986.33	77,649.00	337.33	5.70%
COMPUTER EXPENSE	15,054.79	17,428.00	45,469.32	52,306.00	(6,836.68)	3.56%
EDUCATIONAL & PROM	7,235.00	9,167.00	21,584.00	27,501.00	(5,917.00)	1.71%
LOAN SERVICING EXP.	7,166.46	6,405.00	25,971.63	19,215.00	6,756.63	1.69%
PROF. & OUTSIDE EXP.	10,740.45	11,134.00	30,020.74	33,452.00	(3,431.26)	2.54%
FEDERAL SUPERVISION	1,737.74	1,596.00	4,929.74	4,788.00	141.74	0.41%
NCUSIF INS. PREM.	19,695.84	625.00	19,695.84	1,875.00	17,820.84	4.66%
NCUSIF STABILIZATION EXPENSE	453,004.35	0.00	453,004.35	0.00	453,004.35	107.08%
CASH OVER & SHORT	(4,936.35)	100.00	138.46	300.00	(161.54)	-1.17%
COST-BORROWED FUND	14,990.36	0.00	22,727.32	0.00	22,727.32	3.54%
ANNUAL MEETING EXP.	700.00	700.00	2,100.00	2,100.00	0.00	0.17%
MISCELLANEOUS EXP.	707.63	3,850.00	2,431.82	11,550.00	(9,118.18)	0.17%
<b>TOTAL OPER. EXP.</b>	<b>686,354.03</b>	<b>224,222.00</b>	<b>1,111,677.49</b>	<b>673,266.00</b>	<b>438,411.49</b>	<b>162.24%</b>
ALLOWANCE - LOAN LOSS	24,050.00	27,750.00	64,661.00	64,750.00	(89.00)	5.68%
ALLOWANCE - OVERDRAFT LOSS	(1,318.00)	125.00	(1,068.00)	375.00	(1,443.00)	-0.31%
DIVIDENDS	139,423.62	142,398.00	403,499.39	424,721.00	(21,221.61)	32.96%
(GAIN)LOSS ON INVESTMENTS	0.00	0.00	0.00	0.00	0.00	0.00%
<b>TOTAL EXPENSES</b>	<b>848,509.65</b>	<b>394,495.00</b>	<b>1,578,769.88</b>	<b>1,163,112.00</b>	<b>415,657.88</b>	<b>200.57%</b>
<b>NET INCOME (LOSS)</b>	<b>(425,452.51)</b>	<b>51,947.00</b>	<b>(339,154.80)</b>	<b>171,627.00</b>	<b>(510,781.80)</b>	<b>-100.57%</b>
<b>NET INCOME - WITHOUT NCUA ASSESSMENT</b>	<b>47,247.68</b>		<b>133,545.39</b>			

# P R E S I D E N T ' S   R E P O R T   April 22, 2009

## **MEETING SCHEDULE - 2009**

<b>MONTH</b>	<b>DATE</b>	<b>DAY</b>	<b>TIME</b>	<b>TYPE</b>	<b>LOCATION</b>
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
June	06-10-09	Wednesday	08:30 AM	Executive	Holiday Inn – Hurstbourne Lane
June	06-24-09	Wednesday	08:30 AM	Regular	Main Office
July	07-08-09	Wednesday	08:30 AM	Executive	Holiday Inn – Hurstbourne Lane
July	07-22-09	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 FOR THE MONTH**

The key ratios and other pertinent data for the most major areas impacted (before CUSIP & NCUA assessment and after) are compared below. The operation, as it was before these changes, is pretty much on target with our budget and projections with the exception of income from investments. It is lower than we could have imagined last October. Aside from that our overdraft fee income is the main area that has a noticeable shortfall. Our loan growth projection is not on target which drives that income down as well. Expenses are in line and within budget with the exception of the assessments which we obviously did not budget for. There was an increase in deposits from the previous month of \$1,232,000 and an increase of \$4,794,000 year to date. Loan volume for the month showed an increase of \$111,000 and net loans showed an increase of \$283,000 for the month and a decrease of \$327,000 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.

<b>Major Areas of Impact</b>	<b>REASON</b>	<b>BEFORE</b>	<b>AFTER</b>	<b>Difference</b>
<b>Assets</b>	<b>CU-SIP</b>	<b>90,952,351</b>	<b>115,952,351</b>	<b>25,000,000</b>
<b>Average Assets</b>	<b>CU-SIP</b>	<b>89,667,043</b>	<b>106,333,710</b>	<b>16,666,667</b>
<b>Investment Balance</b>	<b>CU-SIP</b>	<b>49,406,580</b>	<b>74,406,580</b>	<b>25,000,000</b>
<b>NET WORTH</b>	<b>CU-SIP</b>	<b>13.76%</b>	<b>10.79%</b>	<b>-2.97%</b>
<b>Long Term Assets</b>	<b>CU-SIP</b>	<b>21.79%</b>	<b>17.09%</b>	<b>-4.70%</b>
<b>Total Loans / Assets</b>	<b>CU-SIP</b>	<b>40.78%</b>	<b>31.99%</b>	<b>-8.79%</b>
<b>Fixed Assets</b>	<b>CU-SIP</b>	<b>1.78%</b>	<b>1.39%</b>	<b>-0.38%</b>
<b>INC- NET- YTD</b>	<b>NCUA</b>	<b>133,546</b>	<b>-339,155</b>	<b>-472,701</b>
<b>Return on Average Assets</b>	<b>NCUA</b>	<b>0.60%</b>	<b>-1.28%</b>	<b>-1.88%</b>

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

As of 04-15-09                      5                      19,833.59  
As of 05-15-09  
As of 06-15-09

-----  
**T O T A L                      5                      19,833.59**

## LENDING ACTIVITY

### RE LOANS - March 2009

DATE	NAME	ACCOUNT #	APPRAISAL	NEW MONEY	LOAN AMOUNT	EQUITY	TERM IN MONTHS	CREDIT LIMIT	APPROVED BY
3/10/09	Carroll	659810	175,000	130,499	130,499	140,000	180	0	CEO
3/20/09	Blake	382020	160,000	128,000	128,000	128,000	180	0	CEO
	Blake-2nd	Universal		32,000	32,000	0	180	0	CEO
3/28/09	Goodman	937470	334,000	80,000	80,000	267,200	180	0	CEO
	Goodman	937470		70,000	100,000	187,200	HELOC	100,000	CEO
<b>TOTAL/AVG</b>		<b>4</b>	<b>669,000</b>	<b>440,499</b>	<b>470,499</b>	<b>722,400</b>	<b>180</b>	<b>100,000</b>	

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

COMMENTS: Goodman Had existing LOC for \$30,000

## INVESTMENT ACTIVITY

### CD Purchases - March 2009

DATE	AMOUNT	TERM	RATE	INSTITUTION	CITY	ST	CODE
2-Mar	50,000	12	1.10%	EAST CAROLINA BANK	ENGELHARD	NC	1
	99,000	12	1.50%	EDGAR COUNTY B&T	PARIS	IL	1
	99,000	12	1.37%	CAROLINA BANK	GREENSBORO	NC	2
3-Mar	99,000	12	2.26%	BANK OF WASHINGTON	WASHINGTON	MO	1
	99,000	12	1.30%	MORRIS BANK	DUBLIN	GA	3
	99,000	12	1.30%	BANK OF TENNESSEE	COLLIERVILLE	TN	1
	99,000	18	2.05%	ALBINA COMMUNITY BANK	PORTLAND	OR	3
4-Mar	248,000	9	1.00%	METROPOLITAN NATIONAL BANK	NEW YORK	NY	3
	99,000	12	1.25%	COLLEGE SAVINGS BANK	PRINCETON	NJ	2
5-Mar	100,000	12	1.75%	HERITAGE BANK	ERLANGER	KY	1
6-Mar	149,000	9	0.85%	MONTICELLO BANKING COMPANY	MONTICELLO	KY	1
	99,000	12	1.25%	BANKWEST INC	PIERRE	SD	2
9-Mar	248,000	9	0.80%	FINANCIAL FEDERAL SAVINGS BANK	MEMPHIS	TN	2
	99,000	12	1.25%	COVENANT BANK	CLARKSDALE	MS	2
	100,000	12	1.15%	FIRST SAVINGS & LOAN	CHARLESTON	SC	2
	99,000	12	1.25%	ENTERPRISE BANK OF FLORIDA	PALM BEACH	FL	2
	99,000	12	1.50%	COMMUNITY TRUST & BANKING	OOLETEWAH	TN	2
10-Mar	100,000	18	1.40%	FIRST SOUTH BANK	SPARTANBURG	SC	2
	248,000	6	0.72%	M&T BANK	OAKFIELD	NY	3
	99,000	12	1.15%	BUSINESS BANK	CLAYTON	MO	2
	99,000	12	1.35%	WEST ONE BANK	KALLISPELL	MT	2
	300,000	12	1.14%	KCFCU			
	300,000	9	0.91%	KCFCU			
	300,000	6	0.69%	KCFCU			
	200,000	7	0.77%	KCFCU			
11-Mar	100,000	12	1.17%	KCFCU			
	100,000	18	1.54%	KCFCU			
12-Mar	99,000	12	1.35%	FARMERS BANK OF PROPHETSTOWN	PROPHETSTOWN	IL	1
13-Mar	99,000	18	1.62%	KEY BANK NATIONAL ASSOCIATION	CLEVELAND	OH	2
	100,000	10	1.09%	KCFCU			
	100,000	11	1.17%	KCFCU			
	100,000	12	1.27%	KCFCU			
	100,000	18	1.55%	KCFCU			

	99,000	12	1.30%	FIRST SOUND BANK	SEATTLE	WA	3
16-Mar	100,000	18	1.54%	KCFCU			
	100,000	12	1.27%	KCFCU			
	99,000	12	1.60%	R-G PREMIER BANK OF PUERTO RICO	SAN JUAN	PR	3
	149,000	9	1.15%	R-G PREMIER BANK OF PUERTO RICO	SAN JUAN	PR	3
17-Mar	99,000	12	1.35%	CAPITAL NATIONAL BANK	LANSING	MI	2
18-Mar	248,000	6	0.77%	USNY BANK	GENEVA	NY	2
	99,000	12	1.35%	AMERICAN METRO BANK	CHICAGO	IL	3
	200,000	9	0.98%	KCFCU			
	100,000	12	1.27%	KCFCU			
19-Mar	99,000	12	1.25%	GOLDEN EAGLE COMM. BANK	WOODSTOCK	IL	2
	100,000	12	1.27%	KCFCU			
20-Mar	100,000	12	1.34%	COMMUNITY FIRST BANK	CORYDON	IN	2
	148,000	6	0.82%	COMMUNITY FIRST BANK	CORYDON	IN	2
	350,000	18	1.75%	KCFCU - USC SPECIAL			
23-Mar	100,000	12	1.27%	KCFCU			
	99,000	6	0.72%	CAMBRIDGE STATE BANK	CAMBRIDGE	MN	2
	149,000	6	0.72%	COVENANT BANK	CLARKSDALE	MS	2
24-Mar	100,000	12	1.29%	KCFCU			
	100,000	6	0.69%	KCFCU			
	248,000	3	0.45%	FIRST NATIONAL BANK	DAMARISCOTTA	ME	2
	99,000	12	2.22%	FIRSTIER BANK	LOUISVILLE	CO	3
25-Mar	100,000	12	1.29%	KCFCU			
26-Mar	149,000	6	0.72%	NATIONAL PENN BANK	BOYERTOWN	PA	2
	100,000	12	1.29%	KCFCU			
27-Mar	200,000	12	1.28%	KCFCU			
31-Mar	100,000	6	0.66%	KCFCU			
	100,000	9	0.96%	KCFCU			
	100,000	11	1.16%	KCFCU			
	100,000	12	1.26%	KCFCU			
	100,000	7	0.76%	KCFCU			
	100,000	8	0.86%	KCFCU			
	100,000	10	1.06%	KCFCU			
<b>TOTAL</b>	<b>8,662,000</b>	<b>11</b>	<b>1.20%</b>	<b>66</b>			

### **REAL ESTATE PROBLEM LOANS**

<b>Acct. #</b>	<b>Name</b>	<b>Address</b>	<b>Zip</b>	<b>Balance</b>	<b>Appraisal</b>	<b>Year</b>	<b>Pamt.</b>	<b>Due</b>
1. 852730	Townsend, K.	1218 W. Woodlawn.	40215	\$24,142	\$84,500	05-06	\$244	\$841
01-14-09 Member was laid off from a 3+ year job and had satisfactory credit when the loan was made. She is drawing unemployment. The insurance is still in force but taxes are delinquent in the amount of \$1,098 for 2008. There are no other mortgages that we are aware of. There are other taxes showing up – totaling \$5,300 that we cut checks for as loan proceeds but she converted. We have asked 5/3 to reimburse us for their errors. That will reduce our exposure to some degree and they can pursue her criminally in lieu of us having to do it. The initial foreclosure letter was authorized on 01-16-09. The PVA assessment is \$84,360. 02-23-09.								

<b>Acct. #</b>	<b>Name</b>	<b>Address</b>	<b>Zip</b>	<b>Balance</b>	<b>Appraisal</b>	<b>Year</b>	<b>Pamt.</b>	<b>Due</b>
2. 600150040	Finger, M.	2529 Garland Ave	40211	\$7,869	\$29,500	12-07	\$344	\$0
03-13-09 Member is current with us including 2008 taxes and escrow for 2009. We continue to wait for the Mapother firm to handle their part.								

### **CHECK REGISTER & ACH DEDUCTIONS**

Attached for your review.

### **COMMENT CARDS**

Attached for your review.

### **LETTER FROM NCUA – RE: WRITEDOWN**

Attached for your review and discussion for distribution at the annual meeting.

### **LETTER TO NCUA – RE: WRITEDOWN**

Attached for your review.

### **CHANGES TO NCUA - WRITEDOWN**

Keith Steier called 04-16-09. He advised Lindsay that the NCUA accounting bulletin issued 04-03-09 was wrong (copy attached in correspondence area). We are to calculate our 69 bp. Loss on 12-31-08 insured shares not 06-30-08. Consequently we had to reopen and restate the financials, revamp all of the reports you had previously seen including the 5300 report to NCUA. If there was a bright note it reduced our loss by \$7,916.45.

### **RECONCILIATIONS**

All accounts are current and correct.

### **SAFE LANDING AND OVERDRAFT LOAN CHARGE OFF FOR – March 2009**

None

### **SUSPICIOUS ACTIVITY REPORTS (SARS) – March 2009**

2 For \$58,646.00

### **STAFF UPDATE**

Rachel Lee started Monday as our Business Development person.

### **CNBS QUARTERLY STRATEGIES**

Attached for your review.

### **FOR YOUR INFORMATION**

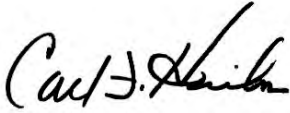
- ✓ **NCUA: Agenda for FCU Act event set** - WASHINGTON (4/17/09)--The agenda for a symposium marking the 75th anniversary of the Federal Credit Union Act is available, the National Credit Union Administration (NCUA) announced Wednesday. The event is scheduled for June 9-10 at the Hyatt Regency Washington, D.C. It aims to celebrate 75 years of federal credit union history and provide a forum to discuss federal credit unions' futures. Rep. Paul Kanjorski (D-Pa.) will give keynote address at 9 a.m. June 9. Two panels, "Is the Cooperative Financial System Still Relevant?" and "Other Financial Service Models" will follow. John Hope Bryant, founder, chairman and CEO of Operation HOPE is scheduled to give a luncheon address. Two more panels, "The Future of the Corporate Credit Union System," and "Perspectives on Supplemental Capital for Credit Unions" will follow the luncheon. On June 10, the event will offer a fifth panel, "Sustainability, Innovation, Collaboration and Growth."
- ✓ **Irish league: Many CUs may forego dividends** - DUBLIN, Ire. (4/17/09)--Although the financial health of Ireland's credit unions is "robust," a number of credit unions will not pay a dividend to members this year because of the poor performance of their investments, according to the Irish League of Credit Unions. League CEO Kieron Brennan said that typically more than half of the country's credit unions pay members a dividend. However, they would have to make substantial writedowns in the year to September 2009 on the value of investment assets, and this would effect dividends (*Business and Finance Daily News Service* April 16). Still, Brennan described the movement's financial health as "robust," and said there was no danger of credit unions suspending services. Loans by credit unions grew 6.7% to 7 billion euros (US\$5.3 billion). The number of loans in arrears rose slightly, with 6.5% of

outstanding payments more than 10 weeks late. Savings remained unchanged at 11.9 billion euros (\$9 billion) and total assets grew 0.2% to 13.9 billion euros (\$10.5 billion).

**BUSINESS DEVELOPMENT & MARKETING**

GE will report.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Carl F. Hicks". The signature is fluid and cursive, with the first name "Carl" being more prominent.

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	115,291,732	115,952,351										29,585,625
Deposits		73,102,429	74,221,189	76,665,091	77,897,382										4,794,953
Investment Balance		43,185,859	44,911,138	79,593,710	74,406,580										31,220,721
Cash Balance		1,272,429	844,738	463,448	414,159										(858,270)
Loan Balance		37,420,917	37,527,807	36,810,817	37,093,747										(327,170)
Loans Made		1,209,689	942,195	1,167,548	1,278,928										3,388,671
Members		13,505	13,485	13,489	13,499										(6)
Accounts		22,685	22,657	22,662	22,686										1
DEL - 2-5 Months		187,983	206,403	198,613	84,134										(103,849)
DEL - 6-11 Months		3,866	12,249	37,000	20,065										16,199
DEL - 12 Months & >		8,033	8,033	7,618	7,307										(726)
Delinquent Amount		199,882	226,685	243,231	111,506										(88,376)
Delinquent Percent	< 1.30%	0.53%	0.60%	0.66%	0.30%										-0.23%
Info-Teller		15,573	14,471	14,026	14,203										42,700
Website Inquiries		39,072	36,609	38,039	40,863										115,511
Bill Payer		1,067	1,088	1,106	1,124										57
E-Statements		1,184	1,217	1,242	1,260										76
Home Branch Access		2,539	2,543	2,584	2,596										2,596
Overdrawn Accounts		41,820	21,551	12,723	26,923										26,923
Share Bal. \$5,000 & <		8,909,888	9,548,838	10,195,480	9,577,336										
INC - Loans YTD		2,695,524	234,871	444,153	674,907										
INC - Investments YTD		1,524,870	110,862	226,397	311,135										
INC - Other YTD		1,121,675	82,079	146,008	253,573										
INC - Total YTD		5,342,069	427,812	816,558	1,239,615										
EXP - ALLL YTD		244,000	22,111	40,611	64,661										
EXP - ALLL - OD YTD		978	125	250	(1,068)										
EXP - Dividend YTD		2,043,551	140,439	264,076	403,499										
EXP - Operating YTD		2,500,742	205,842	425,323	1,111,678										
EXP -(G)/L on Invest. YTD		(2,538)	0	0	0										-
EXP - Total YTD - \$		4,786,733	368,517	730,260	1,578,770										
INC- NET- YTD		555,336	59,295	86,298	(339,155)										
Operating Exp. YTD - %	< 5.00%	2.91%	2.84%	2.51%	4.18%										
Net Interest Margin / AA	> 3.00%	2.53%	2.83%	2.40%	2.19%										
Return on Average Assets	0.70%	0.65%	0.82%	0.51%	-1.28%										
Net Worth - \$		12,883,162	12,914,457	12,944,460	12,511,091										
Total Resv. / Curr. Assets	> 9.00%	14.92%	14.72%	11.23%	10.79%										
Average Assets - \$		85,989,400	87,061,886	101,524,389	106,333,710										
Net Charge Off - \$		220,359	0	0	52,684										52,684
Net Charge Off / AA - %	< .45%	0.26%	0.00%	0.00%	0.05%										0.05%
Long Term Assets - \$		21,264,716	20,603,600	19,922,004	19,821,392										
Net Long Term Asset /A - %	< 35.00%	24.62%	23.48%	17.28%	17.09%										
Total Loans / Assets - %	< 90.00%	43.33%	42.76%	31.93%	31.99%										
Share Growth - %	7.00%	13.28%	1.53%	4.87%	6.56%										
Loan Growth - %	4.00%	8.14%	0.29%	-1.63%	-0.87%										
CD Deposits - \$		24,655,037	24,179,789	23,693,423	23,810,493										
Share Deposits - \$		48,447,392	50,041,400	52,971,668	54,086,889										
Loan To Total Share - %		77.24%	74.99%	69.49%	68.58%										
Loan To Total Deposit - %		51.19%	50.56%	48.02%	47.62%										
Fixed Assets - \$		1,641,838	1,635,009	1,625,166	1,615,323										
Fixed Assets - %	< 5.00%	1.90%	1.86%	1.41%	1.39%										



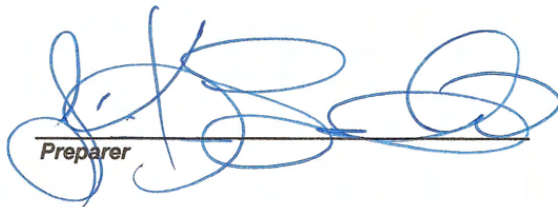
CATEGORY	Year End 2008	Prior Month	Current Month	Difference	Year-To-Date
Deposits	73,102,429	76,665,091	77,897,382	1,232,291	4,794,953
Regular CDs	20,987,276	20,109,328	20,184,965	75,637	(802,311)
IRA CDs	3,667,761	3,584,095	3,625,528	41,433	(42,233)
Total CDs	24,655,037	23,693,423	23,810,493	117,070	(844,544)
Loan Balance	37,420,917	36,810,817	37,093,947	283,130	(326,970)
Loans Made	15,292,094	1,167,548	1,278,928	111,380	3,388,671
Members	13,505	13,489	13,499	10	(6)
Accounts	22,685	22,662	22,686	24	1
Delinquent Percent	0.53%	0.66%	0.30%	-0.36%	-0.23%
E-Statements	1184	1242	1260	18	76
Bill Payer	1067	1106	1124	18	57
Info-Teller Inquiries	187,027	14,026	14,203	177	42,700
Website Inquiries	418,620	38,039	40,863	2,824	115,511
HB -Members Used	2,539	2,584	2,596	12	57
Overdrawn Accounts	41,820	12,723	26,923	14,200	(14,897)
CIA - #	879	865	872	7	(7)
CIA - \$	22,552,171	24,261,522	25,482,867	1,221,345	2,930,696
CCIA - #	41	41	41	0	0
CCIA - \$	1,965,519	2,246,657	2,317,613	70,956	352,094
Rewards - #	174	184	195	11	21
Rewards - \$	1,183,310	1,592,571	1,636,322	43,751	453,012
Rewards - Surcharge Ref.	854	113	128	15	376
Rewards - Cost	24,626	3,487	4,691	1,204	12,105
Regular Checking - #	4,629	4,631	4,607	(24)	(22)
Regular Checking - \$	4,442,852	5,582,548	4,703,767	(878,781)	260,915
<b>TOTAL CHECKING - #</b>	<b>5,723</b>	<b>5,721</b>	<b>5,715</b>	<b>(6)</b>	<b>(8)</b>
<b>TOTAL CHECKING - \$</b>	<b>30,143,852</b>	<b>33,683,298</b>	<b>34,140,569</b>	<b>457,271</b>	<b>3,996,717</b>
Trans - MO	4,634	4,132	4,279	147	12,690
Trans - HV	3,462	3,014	3,357	343	9,472
Trans - DT	2,492	2,285	2,572	287	7,149
Trans - UR	2,338	2,184	2,300	116	6,666
Trans - IN	3,789	3,030	3,326	296	9,399
Trans - INFO	1,141	833	1,075	242	2,821
Trans - HB	7,779	6,775	7,735	960	21,259
Trans - SB	4,209	3,872	4,084	212	11,742
Trans - Total YTD	29,844	26,125	28,728	2,603	81,198
<b>DELINQUENCY</b>	<b>Number</b>	<b>Balance</b>			
2 - 5 Months	8	84,134			
6 -11 Months	3	20,065			
12 Months & Over	1	7,307			
<b>Total</b>	<b>12</b>	<b>111,506</b>			

	Year	Count	Balance	Monthly Installments	Amount to Reprice In 3 Years
Tecumseh		2	64,773.09		64,773.09
Variable Rate		23	511,549.99		511,549.99
Maturities of 3 Years & Less	2009-2012	35	333,036.44		333,036.44
Maturities of 4 Years	2013	24	483,807.15		483,807.15
Maturities of 5 Years	2014	23	462,889.78		462,889.78
Maturities of 6 Years	2015	22	963,629.12		963,629.12
Maturities of 7 Years	2016	24	691,535.72		691,535.72
Maturities of 8 Years	2017	23	834,856.00	11,283.31	203,099.58
Maturities of 9 Years	2018	54	2,439,339.28	29,859.47	537,470.46
Maturities of 10 Years	2019	18	819,802.56	8,142.71	146,568.78
Maturities of 11Years	2020	28	1,626,479.05	18,095.83	325,724.94
Maturities of 12Years	2021	51	2,706,072.75	26,842.49	483,164.82
Maturities of 13Years	2022	57	3,801,047.71	35,549.31	639,887.58
Maturities of 14Years	2023	71	5,757,335.67	50,251.53	904,527.54
Maturities of 15Years	2024	20	1,534,896.92	12,817.85	230,721.30
Maturities of 16-19 Years	2025	0	0.00	0.00	0.00
Maturities of > Than 20 Years					0.00
		475	23,031,051.23		6,982,386.29
Net Long Term Loans			16,048,664.94		
Fixed Assets			1,615,322.86		
NCUSIF Deposit			195,607.24		
LLC			500.00		
Deferred Compensation			1,800,000.00		
CUSO Investments			161,297.00		
Total Long Term Assets			19,821,392.04		

**LOAN OFFICERS REPORT      2009**  
**JEFFERSON COUNTY FEDERAL CREDIT UNION**

March , 2009

<i>Loans Approved</i>	182	\$1,185,442.63
<i>Credit Limits Approved</i> <i>* includes updates &amp; increases</i>	11	\$70,500.00
<i>Loans Disbursed</i>	188	\$1,272,143.51
<i>Indirect Lending</i>	14	\$211,997.14
<i>Equity Checks</i>	4	\$7,477.00
<i>Tecumseh Mortgages</i>	0	\$0.00
<i>Universal Approved Loans</i> <i>(100% Real Estate Loans)</i>	2	\$42,069.00
<i>Requests Denied</i>	55	\$631,071.93



Preparer

April 9, 2009  
Date

**RECOMMENDED LOAN CHARGE OFF  
SECOND QUARTER 2009**

ACCOUNT NUMBER	MEMBER NAME	CURRENT BALANCE	LOAN SUFFIX	LOAN TYPE	MDR	AUDR	DATE PAID	DATE DUE	MEMBER GROUP	LOAN OFFICER	Comments	REASON
650820	Bruce Johnson	\$1,906.92	5	Open End	42%	45%	01/08/09	03/05/09	Louisville Metro	GSE	Unsecured - Not Reaffirming	CH-7 Bankruptcy
743470	Jeffery Ramey	\$4,179.19	5	Open End	26%	27%	02/09/09	03/05/09	Misc	GSE	Unsecured - Paying In Plar	CH-13 Bankruptcy
749120	Kenneth Vidl	\$3,033.60	1	Note	42%	43%	02/05/09	02/05/09	Misc	GSE	Unsecured - Not Reaffirming	CH-7 Bankruptcy
876130	Johnny Stewart	\$8,473.78	1	Auto	21%	42%	11/03/08	12/05/08	Place Of Employment	GSE	Def Bal - Unsecured In Plan	CH-13 Bankruptcy
958850	Sharon Jones	\$2,240.10	5	Open End	24%	29%	02/25/09	03/05/09	Louisville Metro	GSE	Unsecured - Paying In Plar	CH-13 Bankruptcy

<b>TOTALS</b>	<b>For April</b>	<b>\$19,833.59</b>	<b>5</b>									
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<b>TOTAL</b>	<b>For May</b>	<b>\$0.00</b>	<b>0</b>									
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<b>TOTAL</b>	<b>For June</b>	<b>\$0.00</b>	<b>0</b>									
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<b>TOTAL</b>	<b>ACCOUNTS</b>	<b>5</b>
--------------	-----------------	----------

<b>TOTAL</b>	<b>FOR QUARTER</b>	<b>\$19,833.59</b>
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CHARGE OFF BREAKDOWN	
Real Estate	
Auto	
Other	
Unsecured	
<b>TOTAL</b>	<b>\$0.00</b>

PRIOR MO. MNR TOTALS*	
Real Estate	
Auto	
Other	
Unsecured	
<b>TOTAL</b>	<b>\$0.00</b>

\*Includes Tecumseh

**March**  
**2009**

[illegible]

<b>Total Activities =</b>	<b>2</b>
<b>Total Dollar Amount =</b>	<b>\$ 58,646.00</b>

By: R. H.  
Date: 04/01/09

## MARCH 2009

## OPERATING ACCOUNT GL #733000 PAYOUTS

Check	Amount	Date	Payable To:	Reason
8169	125.00	3/2/2009	RECOVERY AMERICA-CINCINNAT	REPO EXPENSE
8170	5.00	3/2/2009	HAMILTON COUNTY CLERK	REPO EXPENSE
8171	1,829.90	3/2/2009	UNIVERSAL ASSURORS	INSURANCE
8172	1,228.00	3/2/2009	ALLIED SOLUTIONS GAP	GAP INSURANCE
8173	5,384.00	3/2/2009	MINNESOTA MUTUAL	100% R E LOANS
8174	1,913.02	3/2/2009	MARILYN SIVORI	DECEASED ACCOUNT
8175	0.30	3/3/2009	CAROLYN FICHTNER	DECEASED ACCOUNT
8176	40.00	3/4/2009	ADVANTAGE AUTO SALES	INDIRECT LENDING
8177	668.75	3/4/2009	DIRECT RESPONSE	INSURANCE
8178	2.00	3/5/2009	OLDHAM COUNTY CLERK	ONE LEIN RECORDING
8179	293.00	3/5/2009	TOYOTA OF CLARKSVILLE	INDIRECT LENDING
8180	108.00	3/5/2009	TOYOTA OF CLARKSVILLE	INDIRECT LENDING
8181	30.00	3/5/2009	BACHMAN CHEVROLET	INDIRECT LENDING
8182	90.00	3/5/2009	DOBORRAH MARCUM	INDIRECT LENDING
8183	182.00	3/5/2009	BACHMAN CHEVROLET	INDIRECT LENDING
8184	90.00	3/5/2009	JOSEPH W CREED FOWLER	INDIRECT LENDING
8185	70.22	3/6/2009	FIRST SERVICE GROUP	INSURANCE
8186	40.00	3/6/2009	BOB MONTGOMERY CHEVROLET	INDIRECT LENDING
8187	100.00	3/11/2009	TWO MEN AND A TRUCK	PROFESSIONAL/OUTSIDE
8188	160.00	3/12/2009	GRACE TITLE GROUP	PROFESSIONAL/OUTSIDE
8189	32.00	3/12/2009	GRACE TITLE GROUP	PROFESSIONAL/OUTSIDE
8190	4,220.95	3/12/2009	GEORGE MANNING	DECEASED ACCOUNT
8191	15.00	3/13/2009	OKOLONA PEST CONTROL	OFFICE OCCUPANCY
8192	1,866.00	3/13/2009	COURTESY CLEANING SERVICE	OFFICE OCCUPANCY
8193	110.20	3/13/2009	INDUSTRIAL DISPOSAL	OFFICE OCCUPANCY
8194	50.42	3/13/2009	DUPLICATOR SALES AND SERVICE	EQUIPMENT MAINTENANCE
8195	152.12	3/13/2009	SERVICE SOLUTIONS INC	EQUIPMENT MAINTENANCE
8196	300.00	3/13/2009	LINDSAY MARIE IRRIGATION	OFFICE OCCUPANCY
8197	617.97	3/13/2009	STAPLES CREDIT PLAN	STATIONERY/SUPPLIES
8198	5,229.00	3/13/2009	FORTRESS NETWORK SECURITY	COMPUTER
8199	7,674.62	3/13/2009	SHARE ONE	COMPUTER
8200	7,235.00	3/13/2009	ADMAN MARKETING	EDUCATION
8201	1,244.93	3/13/2009	TRANS UNION LLC	LOAN SERVICING
8202	521.26	3/13/2009	THE LINCOLN NATIONAL LIFE INS CO	INSURANCE
8203	2,931.34	3/13/2009	PERSONIX BCD - INDIANAPOLIS	PROFESSIONAL/OUTSIDE
8204	700.00	3/13/2009	DAVID WATERMAN	PROFESSIONAL/OUTSIDE
8205	225.00	3/13/2009	J. SCOTT WISE	PROFESSIONAL/OUTSIDE
8206	715.09	3/13/2009	GARDA CL CENTRAL	PROFESSIONAL/OUTSIDE
8207	50.00	3/13/2009	SHRED IT	PROFESSIONAL/OUTSIDE
8208	759.44	3/13/2009	ZIP EXPRESS COURIER SERVICE	PROFESSIONAL/OUTSIDE
8209	3,950.00	3/13/2009	KENNETH KLING CPA	PROFESSIONAL/OUTSIDE
8210	268.20	3/13/2009	DIGITALMAILER	PROFESSIONAL/OUTSIDE
8211	541.66	3/13/2009	CNBS	PROFESSIONAL/OUTSIDE
8212	950.00	3/13/2009	PERFORMANCE EXTERIORS	PROFESSIONAL/OUTSIDE
8213	515.00	3/13/2009	COYLE DODGE INC	INDIRECT LENDING
8214	73.50	3/17/2009	WASHINGTON NATIONAL LIFE INS	INSURANCE
8215	260.00	3/17/2009	TWO MEN AND A TRUCK	PROFESSIONAL/OUTSIDE
8216	135.00	3/17/2009	CAPITAL FUNDING	INDIRECT LENDING
8217	509.00	3/17/2009	COYLE CHEVROLET	INDIRECT LENDING
8218	2,584.76	3/17/2009	ALLIED SOLUTIONS LLC AUTO CPI	INSURANCE
8219	878.00	3/18/2009	MYCAREERNETWORK	PROFESSIONAL/OUTSIDE
8220	1,695.61	3/18/2009	LOUISE FULKERSON	DECEASED ACCOUNT
8221	19,280.81	3/18/2009	ALLIED SOLUTIONS LLC	INSURANCE
8222	210.00	3/19/2009	COYLE DODGE INC	INDIRECT LENDING
8223	65.00	3/19/2009	CLAPP VOLKSWAGEN OLDSMOBILE	INDIRECT LENDING
8224	115.00	3/19/2009	JAMIE WILCOXSON	INDIRECT LENDING
8225	164.26	3/20/2009	PROFESSIONAL INSURANCE COMPANY	INSURANCE
8226	1,329.26	3/20/2009	AMERICAN HERITAGE	INSURANCE
8227	375.25	3/20/2009	DIRECT RESPONSE	INSURANCE

Check #		Date	Payable To:	Reason
8228	104.00	3/20/2009	TOYOTA OF CLARKSVILLE	INDIRECT LENDING
8229	31.52	3/24/2009	MINNESOTA MUTUAL	INSURANCE
8230	430.21	3/24/2009	GENERAL SERVICES ADMINISTRATION	OFFICE OCCUPANCY
8231	150.25	3/24/2009	KROGER CATERING	BOARD MEETING
8232	231.00	3/25/2009	CAPITAL FUNDING	INDIRECT LENDING
8233	26.00	3/25/2009	SPENCER COUNTY CLERK	TWO LEIN RECORDINGS
8234	65.00	3/25/2009	JEFFERSON COUNTY CLERK	FIVE LEIN RECORDINGS
8235	22.00	3/25/2009	OLDHAM COUNTY CLERK	ONE LEIN RECORDING
8236	22.00	3/25/2009	HARDIN COUNTY CLERK	ONE LEIN RECORDING
8237	292.80	3/25/2009	CARL HICKS	EXPENSE REIMBURSEMENT MARCH 09
8238	135.00	3/26/2009	GRACE TITLE GROUP	PROFESSIONAL/OUTSIDE
8239	64.00	3/26/2009	JEFFERSON COUNTY CLERK	MORTGAGE RECORDING
8240	0.00	3/27/2009	VOID	VOID
8241	217.09	3/27/2009	WINA R. SMILEY	DECEASED ACCOUNT
8242	26.58	3/27/2009	BOBBY BLANFORD	DECEASED ACCOUNT
8243	0.00	3/27/2009	VOID	VOID
8244	15,091.92	3/27/2009	LOUISVILLE METRO HUMAN RESOURCES	STAFF INSURANCE
8245	250.00	3/30/2009	AUTOBACK RECOVERY	REPO EXPENSE
8246	135.00	3/30/2009	GRACE TITLE GROUP	TITLE EXAM
8247	23.00	3/30/2009	JEFFERSON COUNTY CLERK	ONE LEIN RECORDING
8248	2.00	3/30/2009	OLDHAM COUNTY CLERK	ONE LEIN RECORDING
8249	210,512.60	3/30/2009	CHARLES STAPP	DECEASED ACCOUNT
8250	21.52	3/30/2009	JANACE MCMONIGAL	DECEASED ACCOUNT
8251	34.80	3/31/2009	CATHY PENNELL	LOCAL TRAVEL MARCH 2009
8252	85.84	3/31/2009	DON FRITTS	LOCAL TRAVEL MARCH 2009
8253	8.12	3/31/2009	BARBARA BRIGGS	LOCAL TRAVEL MARCH 2009
8254	116.00	3/31/2009	LARRY DODSON	BOARD MEETING
8255	194.42	3/31/2009	ADT SECURITY SERVICES	OFFICE OCCUPANCY
8256	1,385.00	3/31/2009	GENERAL SERVICES COMPANY	OFFICE OCCUPANCY
8257	90.10	3/31/2009	BUSINESS FIRST	DUES/SUBSCRIPTIONS
8258	58.46	3/31/2009	LOUISVILLE/JEFF CO METRO GOVT	PHONES
8259	551.12	3/31/2009	AAA SYSTEMS	EQUIPMENT MAINTENANCE
8260	835.11	3/31/2009	ACCO	EQUIPMENT MAINTENANCE
8261	106.25	3/31/2009	SERVICE SOLUTIONS INC.	EQUIPMENT MAINTENANCE
8262	557.80	3/31/2009	STAPLES CREDIT PLAN	STATIONERY/SUPPLIES
8263	1,696.00	3/31/2009	FORTRESS NETWORK SECURITY	COMPUTER
8264	639.85	3/31/2009	BLUEGRASS.NET	COMPUTER
8265	516.90	3/31/2009	TELEDATA COMMUNITIONS INC	LOAN SERVICING
8266	115.50	3/31/2009	ROUTEONE	LOAN SERVICING
8267	650.00	3/31/2009	DAVID WATERMAN	PROFESSIONAL/OUTSIDE
8268	90.00	3/31/2009	MAPOTHER & MAPOTHER	PROFESSIONAL/OUTSIDE
8269	836.00	3/31/2009	MAPOTHER & MAPOTHER	PROFESSIONAL/OUTSIDE
8270	645.50	3/31/2009	CHEXSYSTEMS	PROFESSIONAL/OUTSIDE
8271	350.00	3/31/2009	WEBER & ROSE	LOAN SERVICING
8272	2,393.15	3/31/2009	PERSONIX BCD - INDIANAPOLIS	PROFESSIONAL/OUTSIDE
8273	157.50	3/31/2009	SHRED-IT	PROFESSIONAL/OUTSIDE
8274	1,150.00	3/31/2009	PUBLISHERS PRESS	PROFESSIONAL/OUTSIDE
8275	200.00	3/31/2009	DAVID WATERMAN	PROFESSIONAL/OUTSIDE
8276	1,133.48	3/31/2009	JEB ADVERTISING	ANNUAL MEETING
8277	190.00	3/31/2009	PARC	PARKING FOR DT EMPLOYEES
8278	295.00	3/31/2009	CREDIT UNION CONNECTION	LOAN SERVICING
8279	0.00	3/31/2009	VOID	VOID
8280	531.51	3/31/2009	THE LINCOLN NATIONAL LIFE INS CO	INSURANCE
8281	1,974.67	3/31/2009	MASTERCARD	SEE ATTACHED
8282	120.69	3/31/2009	VISA	SEE ATTACHED
8283	505.00	3/31/2009	BETTER BUSINESS BUREAU	DUES/SUBSCRIPTIONS
8284	2,190.00	3/31/2009	ISC KENTUCKY	COMPUTER
8285	72.00	3/31/2009	PCI SERVICES	LOAN SERVICING
Total	329,239.10		117	

**MARCH 2009**

**OPERATING ACCOUNT GL #733000 PAYOUTS**

<b>ACH Amount</b>	<b>Payable To:</b>	<b>Reason</b>
<b>1,333.36</b>	<b>AT&amp;T</b>	<b>Phones - Main Office &amp; Highview</b>
<b>1,624.86</b>	<b>Louisville Gas &amp; Electric - MO</b>	<b>Office Occupancy</b>
<b>774.62</b>	<b>Louisville Gas &amp; Electric - HV</b>	<b>Office Occupancy</b>
<b>2,000.00</b>	<b>Postage</b>	<b>Postage</b>
<b>283.17</b>	<b>Louisville Water Co. - HV</b>	<b>Office Occupancy</b>
<b>139.73</b>	<b>AT&amp;T</b>	<b>Internet - Indiana</b>
<b>Total</b>	<b>6,155.74</b>	





# Jefferson County Federal Credit Union

## COMMENT CARD

RECEIVED  
MAR 20 2009

The Credit Union wants to serve you to the best of our ability. We welcome your input to assist us in doing so. If there is a service we don't provide, information you need that is not available, a specific concern that you feel needs attention or you wish to pass along a compliment, please use this form to do so. Deliver or mail this to our main office to the attention of our President & CEO, Carl Hicks. All input will be evaluated and considered. Please ask a staff member for an envelope to insure your confidentiality if necessary.

Put a shredder in the lobby area for customer use. Or fix your computer system so that the printed receipts do not list the whole customer account #.

CHRIS WARD

NAME (Please Print)

908320

ACCOUNT #

*Chris Ward*

SIGNATURE

3/20/09

DATE



**To: Members of Jefferson County Federal Credit Union**  
**From: The National Credit Union Administration Board**  
**Subject: Credit Union Stabilization**

On January 28, 2009, the Board of the National Credit Union Administration (NCUA) acted to stabilize a part of the credit union system that is under stress due to the dislocations in the mortgage market. These actions resulted in all federally insured credit unions being required to write-off a portion of their deposit in the National Credit Union Share Insurance Fund (NCUSIF), and the assessment of a premium in order to maintain a robust and strong federal insurance fund for credit union members.

This assessment was levied on all credit unions in the country. While Jefferson County's financial status, reserves and net worth remain extremely healthy and very robust, the assessment will have an adverse affect on the bottom line and Return on Assets for the operating year of 2009. It is anticipated that the Jefferson County Federal Credit Union share of this assessment will be in the range of \$650-700,000.

NCUA is committed to protecting your funds in a federally insured credit union, and will continue to take all steps necessary to preserve a safe and sound credit union industry.

These difficult economic times are affecting all financial institutions, including credit unions, particularly in the area of earnings. Your credit union has information available that will clearly detail the impact that the insurance assessment may have had on your credit union's earnings. It will enable you, as a member-owner, to get a better picture of the financial condition of your credit union.

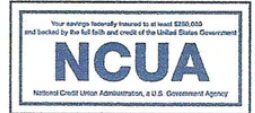
It is important to remember that your funds in a NCUSIF-insured credit union are backed by the full faith and credit of the United States Government, up to at least \$250,000 per account.

If you have questions, please talk to your credit union or visit the NCUA website at [www.ncua.gov](http://www.ncua.gov).



# JEFFERSON COUNTY FEDERAL CREDIT UNION

A COMMUNITY CREDIT UNION



April 1, 2009

Ms. Mary Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

Re: Advanced Notice of Proposed Rulemaking (ANPR) to 12 CFR Part 704

Dear Ms. Rupp:

On behalf of the members, board, management and staff of Jefferson County Federal Credit Union, I would like to take this opportunity to comment on the recently issued Advance Notice of Proposed Rulemaking (ANPR) to 12 CFR Part 704.

We commend the NCUA for allowing natural person credit unions the opportunity to express our thoughts and viewpoints as a part of this evaluative process.

Jefferson County Federal Credit Union is \$115 million in assets, has 13,500 members, and serves seven counties in Kentucky as well as two in southern Indiana. We are currently members of Kentucky Corporate FCU and have been since it was chartered in 1982. We use the following services exclusively from Kentucky Corporate. Settlement, ACH Origination, ACH Receipt, International Wires, Domestic Wires, Line of Credit, Investments, SimpliCD, Security Safekeeping, Check Collection, Coin and Currency, Bill Payment, Automated Settlement, Member Share Draft Clearing, BSA Training to mention the major ones.

Kentucky Corporate is currently and always has been our life line to the wholesale financial world. It would be extremely expensive, cumbersome and virtually impossible to replace them with a larger corporate institution, the Federal Reserve or a large bank for a comparable financial and human resource commitments.

Our members will suffer irreparable harm if this institution does not continue to exist as it does today. When those members go away because services are not available or cost considerably more the very fiber of the credit union movement will be further threatened and our ever shrinking number, particularly us small guys, will shrink more rapidly. We need our corporate and they need US Central. The mere thought of restructuring what has worked well for countless years is the most potentially dangerous conversation for credit unions that I've heard in my 32 years of service.

There has been much discussion from NCUA about restructuring the corporate network. The fact that wall street rating firms classified the mortgage back securities as "AAA" and deemed them a good investment doesn't seem to come up. The corporate problems, from my perspective, are a byproduct of those errors, bogus value assumptions and Capital Hill pushing the real estate industry to put people in home they knew they could not afford. Maybe those industries need more policing and restructuring to really fix this. I realize that is not within NCUA's scope of authority but maybe you can share that thought with the agencies that do oversee those areas.

502.429.4955  
800.288.5228

9600 Ormsby Station Road

Louisville, KY 40223

E-MAIL - mail@jcfcu.org  
WEBSITE - www.jcfcu.org



Page 2  
April 1, 2009  
Ms. Mary Rupp

If some corporates were not forth coming with NCUA relative to the amount of a particular type of security they owned that obviously needs to be addressed. Additional oversight, particularly related to the percentage and type of investments, is no doubt called for. Again, this should include all financial service industry players. If these types of securities continue to be allowable investments the rating agencies should be required to analyze in more depth and with greater accuracy the products they approve and tout. They should actually be held to a higher standard than the producers.

I recall the investment fiasco and losses with some natural person credit unions in the eighties. Restrictions of allowable investment vehicles put in place by NCUA fixed that problem without reinventing the wheel. Ed Callahan and company threw out just the bath water, not the baby!

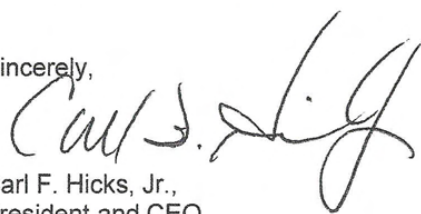
Most of us out in credit union land have no knowledge of the actual details of the problems. Limited output from NCUA leaves me no option other than to believe that you acted in haste. Your actions are giving natural person credit unions a financial black eye and raw deal picking up this tab. Picking up the tab was bad enough but the methodology employed to do so is horrendous. Our members do not have much to feel good about anywhere in the financial arena. Now they obviously have less. FASB changes could have offered some relief but that shipped sailed when the conservatorship was initiated. Rules could have been suspended allowing a direct charge to the reserves we built over the years. Please don't make another ill conceived, improper, hasty and unnecessary decision on the corporate system.

The vast majority of natural person credit unions, most corporates and US Central seem to have gone about the business of serving their respective members and doing it the right way. It seems you now want the corporates restructured, which again harms the natural person credit unions and their members. The natural person credit unions have to pay the freight to fix what's wrong in the world that they had absolutely no part in breaking. Please take a step back and look at the big picture. Please don't deprive the people and natural person credit unions that need corporate credit union services by fixing what is not really broken. Please don't penalize the little guys for what the big wall street guys did.

In closing, we appreciate the opportunity to comment regarding the future of the corporate system and understand that sound and prudent judgment dictates that NCUA and the industry carefully review the role and structure of the corporate system going forward.

We encourage the agency to keep our views and needs in mind regarding any new regulation as we feel a healthy and strong corporate system is essential to assist us in serving our members.

Sincerely,



Carl F. Hicks, Jr.,  
President and CEO

CFH/bb

CC: Chairman Fryzel  
Vice Chairman Hood  
Board Member Hyland

Month	March 2009																																			
Stations / Spots	WAVE-TV 3 ( A - 14 )														WHAS-TV 11 ( B - 15 )							WLKY-TV 32 ( C - 47 )														
Date	Feb 22	23	24	25	26	27	28	Mar 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	
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																																				
1:00 - 1:59								B																												
2:00 - 2:59		C														C		C																		
3:00 - 3:59			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																																				
6:00 - 6:59		A			C	C	C			A	B	BC		B	B		AC C							C	A										BB	
7:00 - 7:59			A				A	B						B	BC C	A					C							A								
8:00 - 8:59								B	A	B			B	A												A										
9:00 - 9:59																																				
10:00 - 10:59																																				
11:00 - 11:59																																				
PM																																				
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5:00 - 5:59			CC							CC							CC																			
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8:00 - 8:59																																				
9:00 - 9:59																																				
10:00 - 10:59																																				
11:00 - 11:59																																				

Total Spots = 76