# JEFFERSON COUNTY

# FEDERAL CREDIT UNION

A COMMUNITY CREDIT UNION

# Board Packet

Your savings federally insured to at least $250,000
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NCUA

National Credit Union Administration, a U.S. Government Agency

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September 22, 2010

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*** Indicates Documentation Attached**

# JEFFERSON COUNTY FEDERAL CREDIT UNION

## MINUTES - BOARD OF DIRECTORS MEETING

DATE: August 25, 2010
TIME: 8:30 AM
LOCATION: Board Room – Main Office

Roll Call

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

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

A motion was made by LD and duly seconded by MH to approve the minutes of 07-27-10 and 08-11-10. Vote Taken – Motion Carried.

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

TREASURER'S REPORT
WW reported the following. There was an increase in deposits from the previous month of $1,350,000 leaving an increase of $5,072,000 year to date. Loan volume for the month showed an increase of $428,000 and net loans showed an increase of $3,800 leaving a decrease of $163,000 year to date. We will continue to closely monitor the competition and the overall operation for additional adjustments to dividend and income to benefit the members. Our bottom line was $16,063 which was under the projected budget. Our ROA was .23%. We would be at .33% without the NCUA/KCFCU mandated write off in March. Also bear in mind we are accruing $26,759 out of our bottom line monthly ($187,313 YTD) for the NCUSIF stabilization amount paid this month and the additional premium payable in September. He further commented that staff had been doing a good job of holding operational costs down without reducing the level of service to our 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. The deposit rates may well be reduced again unless NCUA reduces the September stabilization expense we are budgeting for.
2. A discussion ensued regarding our branch statistics. WW commented that with the pending administration change and further reduction in the Metro Government workforce additional new and better office space may become available. A lot of the people have been relocated to the '444 Building' on Fifth St. We will thoroughly review DT as of 09-30-10 to see how the trends are holding there. If we do reduce staff there 4Q and new space becomes available in 2011 we can always ramp it back up when new business dictates.
3. All Board members were reminded that the September Executive meeting will be held at IHOP on Hurstbourne Lane.

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

SENIOR VICE PRESIDENT'S REPORT
CH reported due to GE's absence. We had 95 TV and 32 radio commercials on three stations. Our business development person has been working on outside marketing and is doing more on site enrollments. She also

solicited two real estate loans that came to fruition. A motion was made by LD and duly seconded by MH to approve as printed and discussed. Vote Taken - Motion Carried.

ANNUAL MEETING COMMITTEE - No Report

EMPLOYEE GRIEVANCE COMMITTEE - No Report

EXECUTIVE COMMITTEE – No Report

FACILITIES COMMITTEE – No Report

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

MARKETING COMMITTEE - Contained in President's report.

NOMINATING/BYLAWS COMMITTEE – No Report

PERSONNEL & POLICY COMMITTEE – No Report

PLANNING COMMITTEE – No Report

POLICY COMMITTEE – No Report

RISK MANAGEMENT COMMITTEE - No Report

SUPERVISORY COMMITTEE
SC reported that the second quarter audits were about wrapped up and they were awaiting the final report.

UNFINISHED BUSINESS - None

NEW BUSINESS

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

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

SS reported that an insurance company form Detroit was working with all of the local FOPs selling insurance. They want to run it through a CU and he volunteered JCFCU. We await further information.

A motion was made by LD and duly seconded by WW to adjourn at 9:35 AM. Vote Taken - Motion Carried.

______________________________ ______________________________
Chairman Secretary

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

DATE: September 8, 2010
TIME: 8:30 A.M
LOCATION: IHOP – Hurstbourne Lane

<u>Roll Call</u>

| | | |
|---|---|---|
| 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) | 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 –** Financials statistics were discussed. The actual financials were not available due to the meeting being so early in the month.

2. **Deposit & Loan Rates** – Still very competitive in all areas. Since we have had no word from NCUA on our NCUSIF liability being reduced it was recommended we reduce the CIA and CCIA rates effective 10-01-10 per the attached. Based on August balances we should save about $6,700 per month. A motion was made by LD and duly seconded by MH to reduce the rates as outlined on the attached report effective 10-01-10. Vote Taken - Motion Carried.

3. **2010 Remaining Meeting Location** - The October meeting will be held at IHOP 10-13. The November meeting will be held at IHOP 11-09. This meeting was moved to Tuesday so it did not interfere with the KCFCU Economics Conference on the 10th. SS, ED and CH will attend that function. Until further notice all future second week meetings will be at IHOP.

4. **Shareone Meeting –** Gary and I will be at this conference the week of 09-27-10.

5. **KCUL Annual Meeting** -10-21, 22, 23 at the Galthouse in Louisville. ED will attend. A motion was made by SS and duly seconded by ED to appoint CH as the voting delegate and ED as the alternate.

6. **Digitizing Loan Documents** – Laptops were received and raining is underway at the MO to start this service. Once loan documents are complete we will work on other items like share agreements, disclosures etc.

7. **Staff Lunch 10-11-10 or 11-11-10 –** It was agreed that CH will set the date and find a place to replace our normal outing at Tony Romas.

8. **Planning Session –** MH reported that Del Friscos was reserved for this function at 6:00 PM.

9. **Phone System MO –** CH advised we are still awaiting the bill that reflects the cost of our phone system being hacked last month. We can apply for a credit once we get the bill.

10. **CO-OP Network –** We have been negotiating with CO-OP for access to 28,000 surcharge free ATMs nationwide as well as true mobile access for our members. Full details will be presented at the next meeting.

11. **7201 Outer Loop –** CH was made aware that the Louisville Police CU is trying to occupy our former branch location in the government center as a branch for their CU.

There being no further business WE declared the meeting adjourned at 9:30 A.M.

Chairman                                        Secretary

# NCUA LETTER TO CREDIT UNIONS

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

| | | |
|---|---|---|
| **DATE:** | **August 2010** | **LETTER NO.: 10-CU-16** |
| **TO:** | **Federally Insured Credit Unions** | |
| **SUBJ:** | **Reverse Mortgages** | |
| **ENCL:** | **Interagency Guidance Entitled *"Reverse Mortgage Products: Guidance for Managing Compliance and Reputation Risks"*** | |

Dear Board of Directors:
As the U.S. population ages, more homeowners are becoming eligible for highly complex loan products known as "reverse mortgages." The enclosed guidance describes potential benefits and risks to credit unions and consumers.

**What Are Reverse Mortgages?**
Reverse mortgages generally allow elderly home owners to receive regular cash payments from lenders in exchange for pieces of their home equity. This can enable elderly residents to remain in their homes while tapping their home equity to pay for their health care and other living expenses. Unlike home equity loans, consumers are not obligated to repay lenders during the life of their loans. Instead, consumers typically agree to give up a portion of their home equity to their lenders. If underwritten prudently and used appropriately, reverse mortgages have the potential to become an increasingly important product for meeting certain needs of elderly consumers. However, reverse mortgages can be highly complex – so it is particularly important to provide clear information, counseling, and other consumer protections.

**What Are the Risks?**
For lenders, reverse mortgage products may present compliance risks, credit risks, interest rate risks, liquidity risks, and reputation risks. The enclosed guidance focuses on consumer protection concerns that raise compliance and reputation risks. The complex nature of reverse mortgages presents risks that consumers will not understand the costs, terms, and consequences of the products.

**Where is the Guidance?**
Guidance entitled *"Reverse Mortgage Products: Guidance for Managing Compliance and Reputation Risks"* was recently released by the Federal Financial Institutions Examination Council. **(The FFIEC consists of the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), and the State Liaison Committee.)** We are enclosing this guidance so you are aware of the consumer protection issues reverse mortgages could raise depending on how the products are structured and administered. The guidance addresses the general features of reverse mortgage products and provides an overview of relevant legal requirements. The guidance also focuses on the need for financial institutions to provide clear and balanced information to consumers about the risks and benefits of reverse mortgage products. In addition, the guidance addresses related policies, procedures, internal controls, and third-party risk management issues you should consider when offering reverse mortgages. If your credit union offers reverse mortgages, your members should receive relevant information while they are making decisions about whether to engage in a reverse mortgage transaction. Your policies should address the specific matters listed in the guidance, including informing members of available alternatives to reverse mortgages. Furthermore, management should take steps to avoid any appearance of a conflict of interest and require members to receive qualified independent counseling.

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

Sincerely – Deborah Matz, Chairman

# E N C L O S U R E - Letter 16

**DEPARTMENT OF THE TREASURY**
**Office of the Comptroller of the Currency**
**[Docket ID OCC–2010–0015]**

**FEDERAL RESERVE SYSTEM**

**FEDERAL DEPOSIT INSURANCE CORPORATION**

**DEPARTMENT OF THE TREASURY**
**Office of Thrift Supervision**
**[Docket ID OTS–2010–24]**

**NATIONAL CREDIT UNION ADMINISTRATION**

**Reverse Mortgage Products: Guidance for Managing Compliance and Reputation Risks**

**AGENCIES:** Office of the Comptroller of the Currency, Treasury (OCC); Board of Governors of the Federal Reserve System (FRB); Federal Deposit Insurance Corporation (FDIC); Office of Thrift Supervision, Treasury (OTS); and National Credit Union Administration (NCUA).

**ACTION:** Final Guidance.

**SUMMARY:** The OCC, FRB, FDIC, OTS, and NCUA (the Agencies) are issuing this final guidance entitled, "Reverse Mortgage Products: Guidance for Managing Compliance and Reputation Risks" (guidance). The Agencies developed this guidance, in conjunction with the State Liaison Committee of the Federal Financial Institutions Examination Council (FFIEC), to address compliance and reputation risks associated with reverse mortgages, which are complex loan products typically offered to elderly consumers. Institutions are expected to use the guidance in their efforts to ensure that their risk management and consumer protection practices adequately address the compliance and reputation risks raised by reverse mortgage lending.

**DATES:** This final guidance is effective on [INSERT DATE 60 DAYS FROM DATE OF PUBLICATION IN FEDERAL REGISTER]. Comments on the Paperwork Reduction Act burden estimates only may be submitted on or before [INSERT DATE 30 DAYS FROM DATE OF PUBLICATION IN FEDERAL REGISTER].

**FOR FURTHER INFORMATION CONTACT:**

OCC: Karen Tucker, National Bank Examiner and Senior Compliance Specialist, or Jesse Butler, Bank Examiner and Compliance Specialist, Compliance Policy, (202) 874- 4428; Stephen Van Meter, Assistant Director, or Nancy Worth, Counsel, Community and Consumer Law Division, (202) 874-5750, Office of the Comptroller of the Currency, 250 E Street S.W., Washington, DC 20219.

FRB: Kathleen Conley, Senior Supervisory Consumer Financial Services Analyst, (202) 452-2389; Brent Lattin, Senior Attorney, (202) 452-3667, Board of Governors of the Federal Reserve System, 20th and C Streets N.W., Washington, DC 20551. For users of Telecommunications Device for the Deaf (TDD) only, contact (202) 263-4869.

FDIC: Michael R. Evans, Fair Lending Specialist, Compliance Policy Section, Division of Supervision and Consumer Protection, (202) 898-6611; or Richard M. Schwartz, Counsel, (202) 898-7424, Legal Division, Federal Deposit Insurance Corporation, 550 17th Street N.W., Washington, DC 20429.

OTS: David Adkins, Fair Lending Specialist, (202) 906-6716, or Richard Bennett, Senior Compliance Counsel, (202) 906-7409, Office of Thrift Supervision, 1700 G Street N.W., Washington, DC 20552.

NCUA: Robert C. Leonard, Program Officer, 703-518-6396, Office of Examination & Insurance, National Credit Union Administration, 1775 Duke Street, Alexandria, VA 22314.

**SUPPLEMENTARY INFORMATION**:

**I. Background Information**

Institutions under the Agencies' supervision currently provide two basic types of reverse mortgage products: lenders' own proprietary reverse mortgage products and reverse mortgages offered under the Home Equity Conversion Mortgage (HECM) program.[1] Both HECMs and proprietary products are subject to various laws governing mortgage lending including the Truth in Lending Act (TILA), the Real Estate Settlement Procedures Act (RESPA), the Federal Trade Commission Act (FTC Act), and the fair lending laws. HECMs are also subject to an extensive regulatory regime established by HUD, including provisions for FHA insurance of HECM loans that protect both lenders and reverse mortgage borrowers.

[1] A HECM is a reverse mortgage product insured by the Federal Housing Administration (FHA), which is part of the U.S. Department of Housing and Urban Development (HUD), and subject to a range of federal consumer protection and other requirements. See 12 U.S.C. 1715z-20; 24 CFR Part 206.

Reverse mortgages enable eligible borrowers to remain in their homes while accessing their home equity in order to meet emergency needs, supplement their incomes, or, in some cases, purchase a new home — without subjecting borrowers to ongoing repayment obligations during the life of the loan. The use of reverse mortgages could expand significantly in coming years as the U.S. population ages and more homeowners become eligible for reverse mortgage products. If prudently underwritten and used appropriately, these products have the potential to become an increasingly important credit product for addressing certain credit needs of an aging population.

However, reverse mortgages can be highly complex loan products, and it is particularly important to provide adequate information and other consumer protections. Typically, elderly borrowers are securing a reverse mortgage with their primary asset – their home. Thus, borrowers may depend on the reverse mortgage proceeds for the cash flow needed to pay for health care and other living expenses.

For these reasons, it is critical that institutions and other entities subject to the Agencies' supervision (hereafter "institutions") manage the compliance and reputation risks associated with reverse mortgages. To assist institutions in their efforts to manage these risks, the Agencies published for comment Reverse Mortgage Products: Guidance for Managing Compliance and Reputation Risks (proposed guidance), 74 FR 66652 (December 16, 2009). The proposed guidance discussed the general features of, certain legal provisions applicable to, and consumer protection concerns raised by reverse mortgage products. In addition, it focused on the need to provide adequate information to consumers about reverse mortgage products; to provide qualified independent counseling to consumers considering these products; and to avoid potential conflicts of interest. The proposed guidance also addressed related policies, procedures, and internal controls and third party risk management.

The Agencies received 18 comments on the proposed guidance. Comments were received from financial institutions (institutions); industry-related trade associations (industry groups); counselors, consumer and community organizations (consumer organizations); government officials; and members of the public.

**II. Overview of Public Comments**

The commenters were generally supportive of the proposed guidance. In general, institution and industry groups sought additional clarity and flexibility in implementing the guidance, while consumer organizations and government commenters sought to adopt stronger standards, particularly with respect to policies designed to avoid conflicts of interest.

A majority of institutions and industry groups sought more clarity on the extent to which HUD rules (such as those relating to fees) should be applied to proprietary reverse mortgages. They also sought additional clarity or flexibility regarding particular recommendations in the proposed guidance, including with respect to the information that should be provided to reverse mortgage borrowers in promotional materials, the conduct of counseling by telephone, and the restrictions on cross-selling. Institution and industry group commenters generally sought clarification that implementation of the guidance would be consistent with forthcoming changes to the HECM counseling protocols and the FRB's Regulation Z, the regulation that implements TILA.

Consumer organizations and a government commenter generally supported the provision of balanced information about reverse mortgage alternatives, and avoidance of deceptive marketing by loan originators or brokers. Among the recommendations made by these commenters were to establish a suitability standard, engage in consumer testing of any new disclosures, strengthen the requirement for in-person counseling, and adopt stronger policies to avoid conflicts of interests. Several commenters made suggestions for additional topics that were not included in the proposed guidance; these related to data collection on the volume of reverse mortgages, anti-fraud provisions, test design for the HECM counseling roster, and other HECM program rules.

**III. Revisions to Address Public Comments on the Guidance**

The Agencies made a number of changes to the proposal to respond to commenters' concerns and to provide additional clarity. Significant comments on the specific provisions of the proposed guidance, the Agencies' responses, and changes to the guidance are discussed below.

<u>Communications with Consumers</u>

Commenters generally asked for a number of clarifications with respect to the proposed guidance on communications between institutions and potential reverse mortgage borrowers. Consumer organizations and a government commenter generally supported the provision of balanced information about reverse mortgages and alternatives, and avoidance of deceptive marketing by loan originators and brokers. One government commenter suggested consumer testing of new disclosures, if any, to improve communications.

Some consumer organization and government commenters urged a strong role for lenders in determining the suitability of the loan for the borrower. In particular, these commenters suggested that it should be the duty of any lender or broker to articulate and match the consumer's needs, objectives, and circumstances to the terms of the loan and to reveal any interest that the lender or broker has in arranging the loan.

This reverse mortgage guidance does not, and is not intended to, impose suitability obligations on lenders. The Agencies believe, however, that the provision of clear and balanced information and qualified independent counseling in accordance with the guidance will help to ensure that reverse mortgage borrowers do not enter into transactions that are not appropriate for their financial circumstances and needs.

With regard to the commenter's recommendations for consumer testing, as noted in the preamble to the proposed guidance, the Agencies are considering whether to issue illustrations of consumer information for reverse mortgages. The Agencies will consider the commenter's consumer testing recommendations in connection with these illustrations. Before adopting any illustrations, the Agencies will issue them for notice and comment.

Institution and industry group commenters generally sought clarification that implementation of the guidance would be consistent with changes to the HECM counseling protocols and the FRB's Regulation Z. One industry commenter asked that the Agencies clarify whether Regulation Z or FTC Act standards for proper disclosures would be applied to advertisements and promotional materials for reverse mortgages. These commenters also sought clarification of specific points regarding the list of the information items that should be provided to reverse mortgage borrowers in promotional materials.

As a general matter, the Agencies believe that the guidance is consistent with the HECM protocols and Regulation Z, as now in effect. The current HECM counseling protocols require that counselors provide to borrowers the same information that is listed in the proposed guidance. The Agencies are not aware of any proposed changes to the HECM requirement that counselors provide this information.

While the FRB is reviewing Regulation Z disclosures for reverse mortgages, this project is not final. In light of this review, the Agencies are not addressing technical requirements that may be addressed in Regulation Z, and do not anticipate that the general recommendations in the guidance will conflict with any specific disclosure requirements for reverse mortgages adopted by the FRB.

In response to a commenter's inquiry concerning whether Regulation Z standards would be applied to all marketing materials, the Agencies did not intend to incorporate – in stating that information should be provided clearly and conspicuously – Regulation Z's standard for "clear and conspicuous" disclosures. Rather, the Agencies sought to convey simply that important information should be presented in a clear and prominent manner. The final guidance has been clarified accordingly. Advertisements and other marketing materials, of course, will continue to be subject to any relevant requirements under Regulation Z, the FTC Act, and other applicable laws and regulations.

In regard to the more specific issues raised by commenters, the Agencies have clarified the guidance by acknowledging that institutions may not be able to provide all of the information recommended in this guidance when advertising reverse mortgages through certain forms of media, such as radio, television, or billboards. In these circumstances, however, institutions should provide clear and balanced information about the risks of these products.[2] The Agencies also clarified the meaning of "clear and balanced information" in the final guidance; in particular, information is balanced when it fairly presents risks and costs as well as potential benefits. The Agencies clarified in the final guidance when more comprehensive information should be provided, and that promotional materials should address how disbursements from the reverse mortgage may affect the borrower's ability to obtain public benefits. Information provided in promotional materials may cross-reference other materials, and may refer borrowers to tax or financial advisors.

Qualified Independent Counseling

Commenters supported the recommendation in the guidance that consumers seeking any reverse mortgage should consult a qualified independent counselor. Commenters disagreed on the extent to which the guidance should encourage in-person counseling (as opposed to telephonic counseling). They also disagreed on certain procedures related to counseling – for example, how to inform borrowers about counselors and whether lenders should contact counselors directly.

A majority of institutions and industry groups noted the disadvantages of requiring in-person counseling, including the shortage of qualified counselors and the logistical and other challenges that may make it difficult to bring the borrower(s) and their advisors to an in-person counseling session. One counseling agency also supported telephonic counseling, and noted that telephonic counseling may be more feasible, in particular, when a multilingual counselor is needed to provide counseling in the borrower's own language. Consumer group and government commenters, however, strongly supported in-person counseling, and advocated that it be used in all but rare cases. These commenters stated that in-person counseling sessions are longer, foster greater understanding, and give counselors a better opportunity to assess the borrower's needs and understanding of the transaction.

In order for institutions to best promote consumer comprehension and manage compliance risks, the Agencies intend that the guidance reflect and be consistent with HUD's stated preference for in-person counseling whenever possible, and have modified the guidance to clarify that intention.

Industry groups and financial institutions also requested greater clarification with respect to how institutions should refer borrowers to counselors and ensure that counselors have appropriate knowledge of proprietary products. Commenters also asked whether the Agencies expected institutions to ensure that counseling covered all of the topics noted in the guidance. Several commenters also referred to the fact that HUD is expected to release new protocols for HECM counseling and that these protocols would likely cover many of the topics discussed in the guidance.

The Agencies have modified the guidance to address some of these specific concerns. In particular the guidance now indicates that lenders may provide borrowers with a list of reverse mortgage counselors, consistent with HUD guidelines for

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[2] These clarifications are consistent with other interagency guidance relating to nontraditional mortgages. Interagency Guidance on Nontraditional Mortgage Product Risks, 71 FR 58609, 58617 n.19 (Oct. 4, 2006).

HECM counseling, and may provide borrowers with a substantial array of materials—including information about proprietary products—before the borrower meets with a reverse mortgage counselor. The guidance also has been modified to clarify that institutions are not expected to supervise or monitor the activities of qualified independent counselors. The Agencies expect that counselors' activities would conform to new HUD protocols when they are released.

Avoidance of Potential Conflicts

Generally, consumer organizations and one regulatory agency supported the guidance's view that institutions should take all reasonably necessary steps to avoid any appearance of a conflict of interest, though some consumer organizations urged the adoption of stricter standards than proposed. Institution and industry groups sought additional clarifications to this portion of the proposed guidance.

The proposed guidance recommended that policies prohibit the reverse mortgage from being conditioned on the purchase of "any other financial or other product" from the lender ("anti-tying provision"). Consumer organizations urged stricter standards, including the adoption of further restrictions prohibiting yield spread premiums (YSPs) and limiting sales of other products by lenders or their affiliates. Industry commenters noted that this provision, as stated, was broader than applicable federal anti-tying rules, and would prohibit, for example, restricting the availability of reverse mortgages to consumers having a deposit relationship with the institution.

In response to these comments, the Agencies are clarifying the anti-tying and conflict avoidance provisions so that they more clearly address applicable federal rules, including the anti-tying rules contained in the Bank Holding Company Act Amendments of 1970 and the Home Owners' Loan Act; the rules relating to insurance sales adopted by the OCC, FRB, FDIC, and OTS; and the provisions applicable to HECMs. The Agencies provide, as an example, that an institution may risk violations, depending on the specific law that applies, if it requires consumers to obtain annuity products— or any other product that is not a traditional banking product— in order to obtain a reverse mortgage or varies the price of the reverse mortgage based on a condition that the borrower purchase such other product from the institution or affiliate. The Agencies believe that this example will help prevent violations of rules, as applicable.

The guidance also clarifies the Agencies' expectation that institutions' policies and procedures will be designed to ensure that brokers with whom they do business as agents also will not condition or vary the price of the loan on the consumer's obtaining some additional product or service (other than a traditional banking product). The Agencies also have added a related recommendation that institutions' policies and procedures will be designed to ensure that neither lenders nor brokers require the borrower to obtain any insurance, annuity, or similar product (other than appropriate title, flood, or hazard insurance as permitted or required by applicable law). This recommendation reflects insurance sales restrictions currently applicable to HECMs.

The proposed guidance also contained recommendations to guard against inappropriate incentives for the origination of reverse mortgages or the sale of other products. Several commenters sought clarification on the extent to which they could offer or refer consumers to other products, particularly where those products are provided by third parties or are typically required in connection with mortgage settlements.

The Agencies believe that the clarifications described above help to address these commenters' concerns. The final guidance stresses that institutions must comply with relevant anti-tying rules, and, further, should consider other appropriate measures necessary to guard against improper incentives or potential conflicts of interest. The Agencies also removed an example included in the proposed guidance to address commenters' concerns that it exceeded the scope of the anti-tying rules by implying that the Agencies wished to ban the offering of any other products or any referral to providers of other products in connection with a reverse mortgage. In addition, the Agencies emphasized in the final guidance that policies relating to cross-selling—offering or referring consumers to other products—should be designed to ensure that the activities are clearly consistent with FTC Act standards.

Other Issues

*Fees*. An industry commenter requested clarification on what limitations the Agencies intended by recommending in the proposed guidance that institutions adopt relevant HECM requirements for proprietary mortgages, including requirements with respect to "affordable origination fees." The Agencies note that HECM origination fees are expressly limited by statute. In response to this comment, the Agencies have deleted the specific reference to affordable origination fees. The Agencies do not intend to set fee limits in this guidance. However, the Agencies expect institutions offering proprietary reverse mortgages to reasonably price such products, including with respect to origination fees, consistent with safe and sound banking practices, and with appropriate consideration of costs, risks, and returns. Consistent with safe and sound banking practices in setting interest rates, fees, and other charges, an institution should consider, among other factors, the costs incurred in originating the loan and the risks associated with the loan. While HECM origination fees are expressly limited by statute, the costs and risks of proprietary loans may be different from those of HECMs. For example, the lack of FHA insurance on proprietary loans will mean that the institution (and not HUD) bears the risk that the borrower lives longer than expected, that the interest rates are higher than expected, or that the collateral value does not increase as rapidly as projected. The Agencies also note that HECMs may carry substantial other costs – principally insurance premiums – that proprietary reverse mortgages may lack. In addition to considering safe and sound banking practices in setting fees, institutions should comply with any applicable law or regulation, and follow guidance governing fees.

*Taxes and Insurance.* Financial institutions and industry group commenters requested clarification regarding the Agencies' expressed concern about ensuring borrowers' ability to pay taxes and insurance. These commenters were concerned that this requirement would require them to set traditional credit underwriting standards for reverse mortgages and deny loans to consumers if these standards were not met. The Agencies are not imposing a credit underwriting standard in this guidance. There are a number of other ways that institutions can take appropriate steps to determine or ensure that a consumer has the ability to pay taxes and insurance. These include escrows, in compliance with applicable laws,[3] and set-aside arrangements.

*Third Party Risk Management.* One consumer organization commenter urged that loan originators should ensure that brokers do not advertise reverse mortgages as "government benefits." In this regard, the Agencies note that lender due diligence and monitoring activities should include a review of promotional materials used by third parties to ensure compliance with TILA, the FTC Act, and other laws, as applicable. The guidance has been modified to clarify this position.

*Other.* One consumer organization recommended that the Agencies collect data on reverse mortgages. Later in 2010, the Agencies will begin collecting data on reverse mortgages on the Call Report and Thrift Financial Report.[4] Several commenters requested that HUD change certain requirements relating to the HECM counseling roster or the origination or termination of HECMs. These matters relate to HUD's operation of the HECM program and it would not be appropriate for the Agencies to address these issues in the guidance.

**IV. Paperwork Reduction Act**

In accordance with section 3512 of the Paperwork Reduction Act of 1995, 44 U.S.C. 3501-3521 (PRA), the Agencies may not conduct or sponsor, and the respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. To implement this information collection contained in this guidance, the OCC, FDIC, OTS, and NCUA will seek OMB approval. The FRB has approved this information collection under its delegated authority from OMB.

On December 16, 2009,[5] the agencies sought comment on the burden estimates for this information collection. No comments were received regarding the burden estimates.

Comments continue to be invited on:

(a) Whether the collection of information is necessary for the proper performance of the Federal banking agencies' functions, including whether the information has practical utility;

(b) The accuracy of the estimates of the burden of the information collection, including the validity of the methodology and assumptions used;

(c) Ways to enhance the quality, utility, and clarity of the information to be collected;

(d) Ways to minimize the burden of the information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and

(e) Estimates of capital or start up costs and costs of operation, maintenance, and purchase of services to provide information.

Comments on these questions should be directed to:

<u>OCC</u>: Communications Division, Office of the Comptroller of the Currency, Mailstop 2-3, Attention 1557-NEW, 250 E Street, SW., Washington, DC 20219. In addition comments may be sent by fax to (202) 874-5274, or by electronic mail to regs.comments@occ.treas.gov. You may personally inspect and photocopy comments at the OCC, 250 E Street, SW., Washington, DC. For security reasons, the OCC requires that visitors make an appointment to inspect comments. You may do so by calling (202) 874-4700. Upon arrival, visitors will be required to present valid government-issued photo identification and to submit to security screening in order to inspect and photocopy comments.

<u>FRB</u>: You may submit comments, identified by Docket No. OP-1362, by any of the following methods:

- Agency Web Site: http://www.federalreserve.gov. Follow the instructions for submitting comments at http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm.
- Federal eRulemaking Portal: http://www.regulations.gov. Follow the instructions for submitting comments.
- E-mail: regs.comments@federalreserve.gov. Include the docket number in the subject line of the message.
- FAX: (202) 452-3819 or (202) 452-3102.
- Mail: Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW, Washington, DC 20551.

All public comments are available from the FRB's Web site at www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed in electronic or paper form in Room MP-500 of the FRB's Martin Building (20th and C Streets, NW) between 9 a.m. and 5 p.m. on weekdays.

[3] *See* 24 CFR 206.205(e)(1) and 24 CFR 3500.17.

[4] *See* 74 FR 68314 (Dec. 23, 2009) and 74 FR 68326 (Dec. 23, 2009).

[5] 74 FR 66652.

FDIC: Interested parties are invited to submit written comments. All comments should refer to the name of the collection, "Reverse Mortgage Products Guidance." Comments may be submitted by any of the following methods:

- *http://www.FDIC.gov/regulations/laws/federal/propose.html*.
- *E-mail*: comments@fdic.gov. Include the name and number of the collection in the subject line of the message.
- *Mail*: Leneta G. Gregorie (202) 898.3719, Counsel, Federal Deposit Insurance Corporation, PA1730-3000, 550 17th Street, NW., Washington, DC 20429.
- *Hand Delivery*: Comments may be hand-delivered to the guard station at the rear of the 550 17th Street Building (located on F Street), on business days between 7:00 a.m. and 5:00 p.m.

OTS: Send comments, referring to the collection by title of the proposal or by OMB approval number, to OMB and OTS at these addresses: Office of Information and Regulatory Affairs, Attention: Desk Officer for OTS, U.S. Office of Management and Budget, 725 – 17th Street, NW., Room 10235, Washington, DC 20503, or by fax to (202) 395-6974; and Information Collection Comments, Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552, by fax to (202) 906-6518, or by e-mail to infocollection.comments@ots.treas.gov. OTS will post comments and the related index on the OTS Internet Site at www.ots.treas.gov. In addition, interested persons may inspect comments at the Public Reading Room, 1700 G Street, NW, by appointment. To make an appointment, call (202) 906-5922, send an e-mail to public.info@ots.treas.gov, or send a facsimile transmission to (202) 906-7755.

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

- Federal eRulemaking Portal: http://www.regulations.gov. Follow the instructions for submitting comments.
- NCUA Web Site:

http://www.ncua.gov/Resources/RegulationsOpinionsLaws/ProposedRegulations.aspx Follow the instructions for submitting comments.

- E-mail: Address to regcomments@ncua.gov. Include "[Your name] Comments on Reverse Mortgage Products: Guidance for Managing Compliance and Reputation Risks," in the e-mail subject line.
- Fax: (703) 518-6319. Use the subject line described above for e-mail.
- Mail: Address to Mary F. Rupp, Secretary of the Board, National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314-3428.
- Hand Delivery/Courier: Same as mail address.

Public inspection: All public comments are available on the agency's website at http://www.ncua.gov/Resources/RegulationsOpinionsLaws/ProposedRegulations.aspx as submitted, except as may not be possible for technical reasons. Public comments will not be edited to remove any identifying or contact information. Paper copies of comments may be inspected in NCUA's law library, at 1775 Duke Street, Alexandria, Virginia 22314, by appointment weekdays between 9:00 a.m. and 3:00 p.m. To make an appointment, call (703) 518-6546 or send an e-mail to OGC Mail @ncua.gov.

You should send a copy of your comments to the OMB Desk Officer for the agencies, by mail to U.S. Office of Management and Budget, 725 17th Street, NW, #10235, Washington, DC 20503, or by fax to (202) 395-6974.

Title of Information Collection: Reverse Mortgage Products.

OMB Control Numbers: New collection; to be assigned by OMB.

Abstract: The Agencies previously determined that certain provisions of the guidance contain information collections. However, a number of the guidance provisions are currently standard business practice for proprietary and HECM reverse mortgages and, therefore, under the "usual and customary" standard, PRA clearance is not warranted. There are also requirements currently covered under approved TILA-related information collections for proprietary and HECM reverse mortgages, and an approved HUD information collection for HECM reverse mortgages.

Proprietary reverse mortgage products, however, are not subject to the consumer protection provisions of the HECM program, so these guidance provisions would normally be submitted for approval under PRA. However, recent research has shown that, despite the significant growth in reverse mortgages since inception of the HECM program in 1989, currently the market for proprietary reverse mortgages has dissipated to the point that, industry-wide, there are fewer than 10 lenders offering such products.[6] This is likely due to the recent decline in housing values, resulting in decreased equity in homes.

Given the minimal number of lenders currently offering proprietary reverse mortgages, the agencies are not now seeking OMB approval for the consumer protection provisions in the guidance applicable to proprietary reverse mortgages. The agencies will, however, seek PRA approval once this sector of the market recovers.

Lastly, there are provisions in the guidance that apply to both proprietary and HECM reverse mortgages that do not meet the "usual and customary" standard, are not covered by already approved information collections and, therefore, require PRA clearance.

[6] *See* the FRB's Divisions of Research & Statistics and Monetary Affairs Finance and Economics Discussion Series paper "Reversing the Trend: The Recent Expansion of the Reverse Mortgage Market," http://www.federalreserve.gov/pubs/feds/2009/200942/200942pap.pdf.

Proprietary Reverse Mortgages

Institutions offering proprietary reverse mortgages are encouraged under the guidance to follow or adopt relevant HECM requirements for mandatory counseling, disclosures, restrictions on cross-selling of ancillary products, and reliable appraisals.

Proprietary and HECM Reverse Mortgages

Institutions offering either HECMs or proprietary reverse mortgages are encouraged to develop clear and balanced product descriptions and make them available to consumers shopping for a mortgage. They should set forth a description of how disbursements can be received and include timely information to supplement the TILA and other disclosures. Promotional materials and product descriptions should include information about the costs, terms, features, and risks of reverse mortgage products.

Institutions should adopt policies and procedures that prohibit directing a consumer to a particular counseling agency or contacting a counselor on the consumer's behalf. They should adopt clear written policies and establish internal controls specifying that neither the lender nor any broker will require the borrower to purchase any other product from the lender in order to obtain the mortgage. Policies should be clear so that originators do not have an inappropriate incentive to sell other products that appear linked to the granting of a mortgage. Legal and compliance reviews should include oversight of compensation programs so that lending personnel are not improperly encouraged to direct consumers to particular products.

Institutions making, purchasing, or servicing reverse mortgages through a third party should conduct due diligence and establish criteria for third party relationships and compensation. They should set requirements for agreements and establish systems to monitor compliance with the agreement and applicable laws and regulations. They should also take corrective action if a third party fails to comply. Third party relationships should be structured in a way that does not conflict with RESPA.

Affected Public:

OCC: National banks, their subsidiaries, and federal branches or agencies of foreign banks.

FRB: Bank holding companies, state member banks, branches and agencies of foreign banks (other than federal branches, federal agencies, and insured state branches of foreign banks), commercial lending companies owned or controlled by foreign banks, and organizations operating under section 25 or 25A of the Federal Reserve Act.

FDIC: Insured state nonmember banks.

OTS: Savings associations and savings and loan holding companies.

NCUA: Federally-insured credit unions.

Type of Review: Regular.

Estimated Burden:

OCC: Number of respondents: 77.

Burden per respondent: 40 hours to implement policies and procedures and to provide training; 8 hours annually to maintain program.

Total estimated annual burden: 3,696 hours. FRB: Number of respondents: 18.

Burden per respondent: 40 hours to implement policies and procedures and to provide training; 8 hours annually to maintain program.

Total estimated annual burden: 864 hours. FDIC: Number of respondents: 48.

Burden per respondent: 40 hours to implement policies and procedures and to provide training; 8 hours annually to maintain program.

Total estimated annual burden: 2,304 hours. OTS: Number of respondents: 20.

Burden per respondent: 40 hours to implement policies and procedures and to provide training; 8 hours annually to maintain program.

Total estimated annual burden: 960. NCUA: Number of respondents: 85.

Burden per respondent: 40 hours to implement policies and procedures and to provide training; 8 hours annually to maintain program.

Total estimated annual burden: 4,080 hours.**The text of the final guidance follows:**

**V. Guidance**

**Reverse Mortgage Products:**

**Guidance for Managing Compliance and Reputation Risks**

Introduction

The Office of the Comptroller of the Currency (OCC), Office of Thrift Supervision (OTS), Board of Governors of the Federal Reserve System (FRB), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA) (the Agencies) are issuing this guidance to assist their regulated financial institutions[7] in managing risks presented by

[7] This guidance applies to all banks and their subsidiaries, bank holding companies (other than foreign banks) and their nonbank subsidiaries, savings associations and their subsidiaries, savings and loan holding companies and their subsidiaries,

reverse mortgage products. Reverse mortgages are home-secured loans, typically offered to elderly consumers, which present consumer protection issues that raise compliance and reputation risks for the institutions offering them.

Expected increases in the elderly population of the United States and other factors suggest that the use of reverse mortgages could expand significantly in coming years as more homeowners become eligible for reverse mortgage products. These loan products enable eligible borrowers to access the equity in their homes in order to meet emergency needs, to supplement their incomes, or to purchase a new home.[8] Reverse mortgages can meet these objectives without subjecting borrowers to ongoing repayment obligations during the life of the loan, while enabling borrowers to remain in their homes. As a result, the Agencies believe that reverse mortgages, offered appropriately, could become an increasingly important mechanism for institutions to address credit needs of an aging population.

Nevertheless, reverse mortgages are complex loan products that present a wide range of complicated options to borrowers. Moreover, the need to provide adequate information about reverse mortgages and to ensure appropriate consumer protections is particularly high. This is because reverse mortgages are typically secured by the borrower's primary asset – his or her home. Consequently, a reverse mortgage may provide the only funds available to a consumer to pay for health care needs and other living expenses.[9]

For these and other reasons, reverse mortgages present substantial risks both to institutions and to consumers, and, as with any type of loan that is secured by a consumer's home, it is crucial that consumers understand the terms of the product and the nature of their obligations. While this guidance addresses consumer protection concerns that raise compliance and reputation risks, the Agencies recognize that reverse mortgage products may present other risks to lenders, too, such as credit, interest rate, and liquidity risks,[10] especially for proprietary reverse mortgage products lacking the insurance offered under the federal Home Equity Conversion Mortgage (HECM) program.[11]

As explained in further detail below, the complex nature of reverse mortgages presents the risk that consumers will not understand the costs, terms, and consequences of the products. Consumers also may be harmed by any conflicts of interest or abusive or fraudulent practices related to the sale of ancillary products or services. In contrast to HECM reverse mortgages, proprietary reverse mortgages also present the risk that lenders will be unable to meet their obligations to make payments due to consumers.[12]

As with other lending products, institutions should manage the compliance and reputation risks associated with reverse mortgages. This guidance is intended to assist institutions in their efforts to manage these risks. This guidance focuses on ways an institution may provide adequate information about reverse mortgage products and qualified independent counseling to consumers and on ways to avoid potential conflicts of interest. The guidance also addresses related policies, procedures, internal controls, and third party risk management for institutions.

This guidance may be particularly useful for institutions that offer proprietary reverse mortgage products that are not subject to the regulatory requirements applicable to reverse mortgages offered under the HECM program. Depending on how they are structured, proprietary reverse mortgage products may contain a higher degree of risk than HECMs. Therefore, to address these risks effectively, proprietary products may warrant careful scrutiny under the principles, considerations, and risks discussed in this guidance.

The Agencies expect institutions to use this guidance to ensure that risk management practices adequately address compliance and reputation risks associated with reverse mortgages. Failure to address the risks discussed in this guidance could significantly affect the overall effectiveness of an institution's compliance and risk management efforts with respect to reverse mortgages. The Agencies will review risk management processes in this area during examinations of regulated institutions and will request remedial actions if institutions do not adequately manage these risks.

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credit unions, U.S. branches and agencies of foreign banks engaged in reverse mortgage transactions, and any other entity supervised by those adopting the guidance. The guidance refers to all of those covered as "institutions."

[8] The Federal Housing Administration (FHA) has a program that enables eligible borrowers to use the proceeds of a federally-insured reverse mortgage for the purchase of a new principal residence. *See* U.S. Department of Housing and Urban Development (HUD) Mortgagee Letter 2008-23 (October 20, 2008) and HUD Mortgagee Letter 2009-11 (March 27, 2009).

[9] In 2007, the typical reverse mortgage borrower was 73 years old, had a home valued at $261,500, and had financial assets of less than $33,000. AARP, *Reverse Mortgage: Niche Product or Mainstream Solution*, Dec. 2007 (available at http://assets.aarp.org/rgcenter/consume/2007_22_revmortgage.pdf).

[10] Institutions also should manage these other risks appropriately. In this regard, institutions are advised to conform their reverse mortgage lending activities to any applicable guidance from their respective supervisory agencies, and to consult with those agencies with respect to any such safety and soundness issues.

[11] A HECM is a reverse mortgage product insured by the FHA, part of HUD, and is subject to a range of consumer protection and other requirements. *See* 12 U.S.C. 1715z-20; 24 CFR 206. A lender making a HECM loan may assign it to HUD when the outstanding balance reaches 98% of the maximum claim amount. *See* 24 CFR 206.107(a)(1).

[12] Under the FHA insurance program for HECM loans, HUD will make payments to a consumer if a HECM lender fails to make a payment due to the consumer. *See* 24 CFR 206.117 and 206.121.

Background

The reverse mortgage market currently consists of two basic types of reverse mortgage products: proprietary products offered by an individual institution and FHA-insured reverse mortgages offered under the HECM program. HECM reverse mortgages have accounted for approximately 90% of all reverse mortgages.[13]

Reverse mortgages generally are non-recourse, home-secured loans that provide one or more cash advances to borrowers and require no repayments until a future time. Both HECMs and proprietary reverse mortgages generally must be repaid only when the last surviving borrower dies, all borrowers permanently move to a new principal residence, or the loan is in default. For example, repayment would be required when the borrower sells the home or has not resided in the home for a year. A borrower may be in default on a reverse mortgage when the borrower fails to pay property taxes, fails to maintain hazard insurance, or lets the property fall into unreasonable disrepair. When a reverse mortgage becomes due, the home must be sold or the borrower (or surviving heirs) must repay the full amount of the loan (including accrued interest), even if the balance is greater than the property value. If the home is sold, the borrower or estate generally would not be liable to the lender for any amounts in excess of the value of the home.[14]

To obtain a reverse mortgage, the borrower must occupy the home as a principal residence and generally be at least 62 years of age. Reverse mortgages are typically structured as first lien mortgages, and generally require that any prior mortgage be paid off either before obtaining the reverse mortgage or with the funds from the reverse mortgage. [15]

The funds from a reverse mortgage may be disbursed in several different ways:

- A single lump sum[16] that distributes up to the full amount of the principal limit[17] in one payment;
- A credit line that permits the borrower to decide the timing and amount of the loan advances;
- A monthly cash advance, either for a fixed number of years selected by the borrower or for as long as the borrower lives in the home; or
- Any combination of the above selected by the borrower.

Generally, the size of the loan will be larger when the borrower is older, the home is more valuable, or interest rates are lower. Interest rates on a reverse mortgage may be fixed or variable.

Legal Considerations

Both HECMs and proprietary reverse mortgage products are subject to laws and regulations governing mortgage lending. The following are particularly relevant to the issues addressed in this guidance:

- *Federal Trade Commission Act (FTC Act).* Section 5 of the FTC Act prohibits unfair or deceptive acts or practices.[18] The OCC, the FRB, the FDIC, and the OTS enforce this provision of the FTC Act and any applicable regulations under authority granted in the FTC Act and section 8 of the Federal Deposit Insurance Act. The NCUA enforces this provision of the FTC Act and any applicable regulations under authority granted in the FTC Act and sections 120 and 206 of the Federal Credit Union Act.[19]

  Practices may be found to be *deceptive* and thereby unlawful under section 5 of the FTC Act if: (1) there is a representation, omission, act, or practice that is likely to mislead the consumer; (2) the act or practice would be deceptive

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[13] AARP, *Reverse Mortgage: Niche Product or Mainstream Solution*, Dec. 2007, at 1 (available at http://assets.aarp.org/rgcenter/consume/2007_22_revmortgage.pdf).

[14] For a further explanation of the non-recourse features of a HECM, *see* HUD Mortgagee Letter 2008-38.

[15] HECMs must be first lien mortgages. 12 U.S.C. 1715z-20(b)(3). Only certain subordinate liens are permissible in connection with HECM loans. *See* HUD Mortgagee Letter 2009-49.

[16] While HECM payment plans do not include a separate "lump sum" option, HECMs provide an effective substitute for such an option through a line of credit that can be fully drawn at consummation.

[17] The principal limit is the maximum payment that can be made to the borrower. The principal limit depends on the age of the youngest borrower, the expected interest rate, and the "maximum claim amount." The maximum claim amount is either (1) the lower of the actual value or FHA loan limit (for HECMs) or (2) the loan-to-value ratio established by the lender (for proprietary mortgages). The maximum claim amount includes the principal limit (cash available to the borrower), accrued interest, and any set-asides for repairs or servicing fees required by the loan terms.

[18] Supervisory guidance to financial institutions has been issued concerning unfair or deceptive acts or practices. *See* OCC Advisory Letter 2002–3—*Guidance on Unfair or Deceptive Acts or Practices*, March 22, 2002; Joint FRB and FDIC Guidance on Unfair or Deceptive Acts or Practices by State-Chartered Banks, March 11, 2004; and OTS CEO Mem. # 347, "Unfair or Deceptive Acts or Practices: Examination Procedures," May 7, 2010. Federally-insured credit unions are prohibited from using any advertising or promotional material that is inaccurate, misleading, or deceptive in any way concerning its products, services, or financial condition. 12 CFR 740.2. The OTS also has a regulation that prohibits savings associations from using advertisements or other representations that are inaccurate or misrepresent the services or contracts offered. 12 CFR 563.27. This regulation supplements its authority under the FTC Act.

[19] 12 U.S.C. 1766 and 1786.

from the perspective of a reasonable consumer; and (3) the representation, omission, act, or practice is material.[20] A practice may be found to be unfair and thereby unlawful under section 5 of the FTC Act if (1) the practice causes or is likely to cause substantial consumer injury; (2) the injury is not outweighed by benefits to the consumer or to competition; and (3) the injury caused by the practice is one that consumers could not reasonably have avoided.[21]

- *Truth in Lending Act (TILA).* TILA and the FRB's implementing Regulation Z contain rules governing disclosures that institutions must provide for mortgages in advertisements, with an application, before loan consummation, and when interest rates change. Reverse mortgage borrowers must receive all disclosures that are required under TILA,[22] including notice of their right to rescind the loan, where applicable.[23]

  Reverse mortgages may be structured as open-end credit or as closed-end credit within the meaning of Regulation Z. Disclosures required by TILA relating to open-end or closed-end mortgages must be provided, as appropriate.[24] For closed-end, variable rate loans, lenders must provide the variable rate program disclosures,[25] as well as required notices of interest rate adjustments.[26]

  In addition, TILA requires that a loan cost disclosure form be provided to reverse mortgage borrowers.[27] The total annual loan cost shown on the form includes the upfront costs (e.g., origination fee, third-party closing fee, and any upfront mortgage insurance premium), interest, and ongoing charges (e.g., monthly service fee and any annual mortgage insurance premium).
- *Real Estate Settlement Procedures Act (RESPA).* RESPA and HUD's implementing Regulation X contain rules that, among other things, require disclosure of early estimated and final settlement costs and prohibit referral fees and other charges that are not for services actually performed. As a general matter, an institution may neither pay nor accept any fee or other thing of value in exchange for the referral of business related to a reverse mortgage transaction.

Institutions that offer reverse mortgage products must ensure that they do so in a manner that complies with the foregoing and all other applicable laws and regulations, including the following Federal laws:

- Equal Credit Opportunity Act;
- Fair Housing Act; and
- National Flood Insurance Act.

State laws, including laws regarding unfair or deceptive acts or practices, also may apply to reverse mortgage transactions. Currently, more than twenty states have laws or regulations governing various aspects of reverse mortgages. In addition, all state financial institution regulators have the authority to supervise the mortgage-related activities of entities subject to their respective jurisdictions, including activities related to reverse mortgages.[28]

HECM reverse mortgages also are subject to the consumer protections and other special provisions set forth in HUD regulations.[29] HECM consumer protections include information provided to consumers through qualified independent counselors. Before obtaining a HECM reverse mortgage, the borrower must receive counseling from a HUD-approved housing counseling agency.[30] The counseling agency is required to discuss with the borrower: (1) alternatives to HECMs, (2) the financial implications of entering into a HECM (including tax consequences), (3) the effect on eligibility for assistance under Federal and State programs, and (4) the impact on the estate and heirs of the homeowner.[31] HUD encourages, but does not require, that HECM counseling be conducted in person.[32] HECMs also carry particular disclosure requirements under HUD

[20] These principles are derived from the *Policy Statement on Deception*, issued by the Federal Trade Commission on October 14, 1983.
[21] 15 U.S.C. 45(n). *See also* the *Policy Statement on Unfairness*, issued by the Federal Trade Commission on December 17, 1980.
[22] *See* 12 CFR 226.33(b), 226.5b(d), 226.18, and 226.19
[23] 12 CFR 226.15 and 226.23. Requirements related to rescission rights and notices are not applicable, however, for home purchase transactions.
[24] *See* 12 CFR 226.33(b), 226.5b(d), 226.18, and 226.19.
[25] 12 CFR 226.19(b)(1).
[26] 12 CFR 226.20(c).
[27] *See* 15 U.S.C. 1648; 12 CFR 226.33(b)(2) and 226.33(c)(1) and related commentary in Supplement I to 12 CFR 226; and 12 CFR 226, Appendix K.
[28] Federal financial institution regulators also have the authority to supervise entities subject to their respective jurisdictions.
[29] HUD also provides model forms for HECMs. *See Home Equity Conversion Mortgage Handbook 4235.1* (available at http://www.hud.gov/offices/adm/hudclips/handbooks/hsgh/4235.1/index.cfm)
[30] Counselors are required to pass an examination to be included on a HUD roster before they can provide counseling on HECMs. *See* 24 CFR 206.300 *et seq*.
[31] *See* 12 U.S.C. 1715z-20.
[32] Applicable state laws, however, may have other requirements pertaining to counseling for reverse mortgages, including requirements that counseling be conducted in person.

rules, including a requirement that the lender provide copies of the mortgage, note, and loan agreement to the borrower at the time that the borrower's application is completed.

Recent statutory changes to the HECM program established additional consumer protections.[33] For example, Congress adopted consumer protections to guard against potential conflicts of interest, including: (1) special requirements for HECM lenders that are associated with any other "financial or insurance activity," (2) a prohibition on lenders' conditioning the availability of the HECM on the purchase of other financial or insurance products (with limited exceptions), and (3) a requirement that the HECM borrower receive adequate counseling from an independent third party who is not compensated by or associated with a party connected to the transaction.

Compliance and Reputation Risks

While reverse mortgages may provide a valuable source of funds for some borrowers, they are complex home-secured loans offered to borrowers who typically have limited income and few assets other than the home securing the loan.[34] Thus, lenders must institute controls to protect consumers and to minimize the compliance and reputation risks for the institutions themselves. These concerns and risks are especially pronounced with respect to proprietary products that are not subject to the core consumer protection provisions of the HECM program.

The Agencies are concerned that:

(1) consumers may enter into reverse mortgage loans without understanding the costs,[35] terms, risks, and other consequences of these products, or may be misled by marketing and advertisements promoting reverse mortgage products;

(2) counseling may not be provided to borrowers or may not be adequate to remedy any misunderstandings;

(3) appropriate steps may not be taken to determine and to assure that consumers will be able to pay required taxes and insurance; and

(4) potential conflicts of interest and abusive practices may arise in connection with reverse mortgage transactions, including with the use of loan proceeds and the sale of ancillary investment and insurance products.

*Consumer Information and Understanding* – Litigation, consumer complaints, and testimony before Congress about reverse mortgage products have provided both anecdotal evidence of misrepresentations to consumers and clear indications that borrowers do not consistently understand the terms, features, and risks of their loans.[36]

For example, consumers are not always adequately informed that reverse mortgages are loans that must be repaid (and not merely ways to access home equity). In fact, some marketing material has prominently stated that the consumer is not incurring a mortgage, even though the fine print states otherwise. Consumer misunderstanding about these matters also may be the result of advertisements declaring that reverse mortgage borrowers have no risk of losing their homes or are guaranteed to retain ownership of their homes for life. These advertisements do not clearly indicate the circumstances in which the reverse mortgage becomes immediately due and payable or in which borrowers may lose their homes. For example, advertisements that are potentially misleading include "income for life," "you'll never owe more than the value of your home," "no payments ever," and "no risk." Consumer misunderstanding also may be the result of misrepresentations that reverse mortgages constitute "government benefits" or a "government program," with no explanation that the products are loans made by private entities and that the only government program for reverse mortgages is the federally-insured HECM program.[37]

In addition, consumers may not be provided sufficient information about alternatives to reverse mortgages that may be more appropriate for their circumstances. Such alternative products include home equity lines of credit, sale-leaseback financing (under which the consumer sells the home and then leases it from the purchaser), and deferred payment loans. Consumers may not be aware that the fees for both HECMs and proprietary reverse mortgages – particularly up-front costs – may be higher than those for other types of mortgages, such as home equity lines of credit, that can be used to access a consumer's home equity.[38] Borrowers also may not receive sufficient information about other potential alternatives to reverse

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[33] Housing and Economic Recovery Act of 2008 (HERA), Pub. L. 110-289, § 2122(a)(9) (July 30, 2008).

[34] *See* note 3, *supra*.

[35] If a HECM borrower finances his or her closing costs, the closing costs are included in the outstanding balance of the loan. Costs of a HECM loan include an origination fee, third-party closing costs, a monthly servicing fee, and mortgage insurance premiums determined by an FHA formula.

[36] *See* Testimony presented at Hearings of the U.S. Senate Special Committee on Aging conducted on December 12, 2007, available on the internet at http://aging.senate.gov/hearing_detail.cfm?id=296507. *See also* AARP report reference in note 7, above.

[37] Regulation Z prohibits misrepresentations about government endorsements in advertisements for closed-end credit secured by a dwelling. 12 CFR 226.24.

[38] For example, HECMs carry upfront origination and mortgage insurance fees that may total four percent of the loan amount (in addition to other closing costs and ongoing insurance and servicing fees). In HERA, Congress required the U.S. Government Accountability Office (GAO) to study ways of reducing borrower costs and insurance premiums. *See* GAO report entitled: "Reverse Mortgages: Policy Changes Have Had Mostly Positive Effects on Lenders and Borrowers, but These Changes and Market Developments have Increased HUD's Risk" (GAO-09-836).

mortgages that may meet their financial needs, including state property tax relief programs, other public benefits, and community service programs.

The complex structure of reverse mortgages may prevent a borrower from fully understanding the products. For example, the ability to access the loan proceeds in a variety of ways may provide flexibility for a borrower. However, some payment options may adversely affect a borrower's ability to qualify for needs-based public benefits, such as Supplemental Security Income.

In addition, reverse mortgages are not typically structured with a requirement to escrow for taxes and hazard insurance (or for the lender to pay these amounts and add them to the loan balance). If the borrower does not pay taxes and insurance, the reverse mortgage itself may become due, which could result in the borrower losing the home. Without adequate analysis of the borrower's ability to make these required payments through available assets or loan proceeds, or the establishment of a set-aside or an escrow, in compliance with applicable laws,[39] both the borrower and the lender can face substantial risks. To ensure consumer understanding, institutions offering reverse mortgages should clearly advise consumers about their obligation to make direct payments for taxes and insurance if there is no provision for an escrow or set aside to pay these obligations.

*Existence and Effectiveness of Consumer Counseling* – Another risk to the consumer is that consumer counseling may not be effective. Further, while counseling is considered an integral part of the reverse mortgage process and is mandatory for HECM transactions, it may not be required for proprietary products, depending on applicable state law. Even when provided, consumer counseling may not be fully effective in helping borrowers make informed decisions about reverse mortgage products. Counseling conducted over the telephone, in particular, may not be adequate in all cases, in part because it may be more difficult for counselors to assess a borrower's understanding of the product over the telephone. More generally, counseling may not always provide all the relevant information or answer all questions and concerns raised by homeowners. For example, at least one study has suggested that a significant proportion of HECM borrowers who received counseling did not understand the costs and other features of their loans.[40]

*Conflicts of Interest and Abusive Practices* – The potential for inappropriate sales tactics and other abusive practices in connection with reverse mortgages is greater where the lender or another party involved in the transaction has conflicts of interest, or has an incentive to market other products and services. For example, when a consumer obtains funds through a reverse mortgage, the consumer could also be offered financial products, such as annuities, or non-financial products, such as home repair services. Such products and services may be inconsistent with consumers' needs, and, on occasion, have been known to be associated with fraud. The risk is especially strong where, for example: (1) the lender or its affiliate engages in cross-marketing of another financial product; (2) the other product is sold at the same time as the reverse mortgage product; (3) a significant portion of the proceeds of the reverse mortgage is used to purchase another product; or (4) in contrast to the reverse mortgage itself, the other product would not provide the consumer with funds to meet emergency needs or to pay ordinary living expenses.

<u>Guidance</u>

The consumer protection concerns discussed above raise compliance and reputation risks for institutions offering reverse mortgages. The Agencies have developed the guidance set forth below to assist institutions in managing these risks effectively. Institutions should manage the compliance and reputation risks raised by reverse mortgage lending through implementation of communication, disclosure, and counseling practices such as those discussed below and by taking actions to avoid potential conflicts of interest. The Agencies will assess whether institutions have taken adequate steps to address the risks discussed in this guidance.

Lenders offering proprietary products should be especially diligent regarding effective compliance risk management since proprietary reverse mortgages are not subject to the consumer protection requirements applicable to HECM reverse mortgages.[41] Institutions offering proprietary reverse mortgage products should follow or adopt as appropriate, relevant HECM requirements, as amended from time to time, in the general areas of mandatory counseling, disclosures, restrictions on cross-selling of other products, and reliable appraisals. In addition, the Agencies expect institutions offering proprietary reverse mortgages to reasonably price such products, including with respect to origination fees, consistent with safe and sound banking practices, and appropriate consideration of costs, risks, and returns. Taking these steps would help to ensure that institutions are addressing the full range of consumer protection concerns raised by reverse mortgages. Moreover, the Agencies expect institutions to take appropriate steps to determine or ensure that consumers will be able to pay required taxes and insurance.

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[39] *See* 24 CFR 206.205(e)(1) and 24 CFR 3500.17.

[40] *See* AARP, *Reverse Mortgage: Niche Product or Mainstream Solution*, Dec. 2007, at 72, 98 (available at http://assets.aarp.org/rgcenter/consume/2007_22_revmortgage.pdf).

[41] HECM lenders must comply with requirements of the HECM program. This guidance is intended to supplement, and not conflict with, existing guidance and rules for HECM lenders. It is also intended to provide HECM lenders guidance on managing compliance and reputation risks.

*Communications with Consumers* – Many of the consumer protection concerns regarding reverse mortgages relate to the adequacy of information provided to consumers. Institutions offering reverse mortgage products should take steps to manage compliance and reputation risks by providing consumers with information designed to help them make informed decisions when selecting financial products, including reverse mortgages and the options for receiving loan advances from them.

To promote effective risk management, institutions should review advertisements and other marketing materials to ensure that important information is disclosed clearly and prominently. For example, institutions should review the prominence of marketing claims and any related clarifying statements to ensure that potential borrowers are not misled or deceived. Institutions also are responsible for ensuring that marketing materials do not provide misleading information about product features, loan terms, or product risks, or about the borrower's obligations with respect to taxes, insurance, and home maintenance. The Agencies will evaluate potentially misleading marketing materials and take appropriate action to address any marketing that violates the FTC Act prohibition on deception or any other applicable law.

Institutions also should be attentive to the timing, content, and clarity of all information presented to consumers, from the moment a consumer begins shopping for a loan to the time a loan is closed. For example, institutions should develop clear and balanced product descriptions and make them available when a consumer is shopping for a mortgage--such as when the consumer makes an inquiry to the institution about a reverse mortgage and receives information about reverse mortgages, or when marketing materials relating to reverse mortgage are provided by the institution to the consumer--not just upon the submission of an application or at consummation.[42] Information is balanced when it fairly presents the risks and costs as well as the potential benefits of the product. The provision of timely and descriptive information would serve as an important supplement to the disclosures required by specific laws and regulations. The Agencies will review any information provided to consumers and take appropriate action to address any marketing that violates the FTC Act prohibition on deception or any other applicable law.

Accordingly, in order to assist consumers in their product selection decisions, an institution should use promotional materials and other product descriptions that provide information about the costs, terms, features, and risks of reverse mortgage products. This information would normally include but need not be limited to:

- Borrower and property eligibility;
- When marketing proprietary products, the fact that these reverse mortgages are not government insured and the resulting risks to consumers;
- Determination of principal limits, or maximum loan limits, based on home value, borrower age, expected interest rates, and program limitations;
- Lump sum and other disbursement options and their possible implications for the borrower's ability to obtain public benefits;
- The circumstances under which the loan must be repaid;
- The actions the borrower must take to prevent the loan from becoming in default and therefore due and payable, including the need to continue to pay taxes and insurance on the property and to maintain the property as required;
- Fees and charges associated with reverse mortgages;
- The requirement to make direct payments for real estate taxes and insurance if there is no provision for an escrow or a set-aside to pay these obligations;
- Alternatives to reverse mortgage products that are offered by the institution and may address the homeowner's needs; and
- The importance of reverse mortgage counseling and information about how to find a qualified independent counselor so that the borrower is informed about possible alternatives to a reverse mortgage, the potential consequences of entering into a reverse mortgage, and the potential effect on eligibility for needs-based public benefits.

The Agencies recognize that institutions may not be able to incorporate all of the practices recommended in this guidance when advertising reverse mortgages through certain forms of media, such as radio, television, or billboards. Nevertheless, institutions should seek to provide clear and balanced information about the risks and costs as well as the benefits of these products in all forms of advertising. An advertisement that says "We offer reverse mortgages to borrowers who are 62 or older. Call us for more information" is clear and balanced because it does not make any representations about the benefits or risks of the product, and is not deceptive or misleading.

*Qualified Independent Counseling* — To further promote consumer understanding and manage compliance risks, reverse mortgage lenders offering proprietary products should require that the consumer obtain counseling from qualified independent counselors before an institution processes an application for a reverse mortgage loan or charges an application fee.

[42] When developing consumer information, institutions should: (1) focus on information that is important to consumer decision making; (2) highlight key information so it will be noticed; (3) employ a user-friendly and readily navigable format for presenting the information; and (4) use plain language, with concrete and realistic examples. A consumer may benefit from comparative tables describing key features of reverse mortgages (including the different draw options).

Before counseling, institutions may provide information to consumers that both consumers and counselors may find useful in evaluating proprietary and HECM reverse mortgages. For example, the institution may explain the difference between proprietary and HECM products; discuss whether the borrower is eligible; provide information on fees; and provide a copy of a sample mortgage, note, and loan agreement. In addition, if an institution does not charge a fee to the consumer, it may use an automated valuation model to perform a preliminary assessment of the value of the consumer's property.

To ensure the independence of counselors, institutions should adopt policies that prohibit steering a consumer to any one particular counseling agency and that prohibit contacting a counselor on the consumer's behalf. For example, institutions could provide a list of counseling agencies that provide reverse mortgage counseling.[43] Similarly, an institution's policies should prohibit the institution from contacting a counselor to discuss a particular consumer, a particular transaction, or the timing or content of a counseling session unless the consumer is involved. Institutions should also strongly encourage borrowers to obtain counseling in person, whenever possible, and to attend counseling sessions with family members. Family members or other trusted individuals may be able to help explain the transaction and its consequences to the consumer.

Institutions should be aware that the purpose of the counseling session is to provide adequate time to discuss these matters in detail and to address questions and concerns raised by homeowners, and to inform the consumer about the following and other relevant matters:

- The availability of other housing, social service, health, and financial options;
- Financing options other than reverse mortgages, including other mortgage products, sale-leaseback financing, and deferred payment loans;
- The differences between HECM loans and proprietary reverse mortgages;[44]
- The financial implications and tax consequences of entering into a reverse mortgage;
- The impact of a reverse mortgage on eligibility for federal and state needs-based assistance programs, including Supplemental Security Income; and
- The impact of the reverse mortgage on the estate and heirs.

The Agencies note that the provision of such information would be consistent with HUD guidance regarding consumer counseling in connection with HECM loans.

*Avoidance of Potential Conflicts* — To manage the compliance and reputation risks associated with reverse mortgages, institutions should take all reasonably necessary steps to avoid any appearance of a conflict of interest and violation of applicable laws and rules. For example, an institution should:

- Adopt clear written policies and internal controls designed to ensure that the institution does not violate any applicable anti-tying restrictions.[45] For example, an institution risks violations if it: (1) requires the borrower to purchase any annuity, insurance or any product other than a traditional banking product in order to obtain the reverse mortgage from the institution or an affiliate, or (2) varies the price of the reverse mortgage based on a condition that the borrower purchase such other product. Further, the Agencies expect that institutions will not do either of these things indirectly through brokers acting as agents;
- Adopt clear written policies and internal controls designed to ensure that the institution complies with restrictions designed to avoid conflicts of interest.[46] For example, an institution risks violations if it requires the borrower to purchase any annuity, insurance (other than appropriate title, flood or hazard insurance), or similar financial product from the institution or third party in order to obtain the reverse mortgage from the institution or broker;
- Adopt clear policies designed to ensure that loan originators and brokers acting on behalf of an institution do not have an inappropriate incentive to sell other products that may appear to be linked to the granting of a reverse mortgage or to engage in inappropriate cross-marketing of other products. Such policies should ensure that any such cross-selling is clearly consistent with the FTC Act standards; and

[43] HECM lenders must provide a list of 10 counselors for reverse mortgages. HUD Mortgagee Letter 2009-10.

[44] Because counselors may not be knowledgeable on all proprietary products, an institution may provide relevant information about its proprietary products to a consumer before the counseling session in order to facilitate the counseling session.

[45] The anti-tying provisions of Section 106(b) of the Bank Holding Company Act of 1970 for banks and their subsidiaries, as applicable, and comparable anti-tying provisions for savings associations, savings and loan holding companies, and their affiliates prohibit these institutions from, among other things, requiring a customer to purchase certain nonbanking products or services, including insurance and annuity products, from the institution or an affiliate as a condition to obtaining or varying the price of credit. Exceptions from these anti-tying prohibitions are permitted if the required products are loans, discounts, deposits, or trust services (*i.e.*, traditional banking products). *See* 12 U.S.C. 1464(q), 1467a(n), and 1972. 12 CFR 225.7. In addition, banks and savings associations that offer insurance and annuities are specifically prohibited from engaging in practices that would cause a consumer to believe that an extension of credit is conditioned on the purchase of insurance or an annuity from the creditor. *See* 12 U.S.C. 1831x and Consumer Protection in Sales of Insurance Rules, 12 CFR 14.30, 208.83, 343.30, and 536.30. The Agencies examine institutions for compliance with these legal requirements and will take appropriate action to address any violations. Tying arrangements also remain subject to the general antitrust laws.

[46] *See* 12 U.S.C. 1715z-20(n)-(o) for anti-tying provisions related to HECMs.

- Adopt clear compensation policies to guard against other inappropriate incentives for loan officers and third parties, such as mortgage brokers and correspondents, to make a loan.

In addition, conflicts are less likely to be a concern if the borrower has received information and access to independent counseling as described above.

*Policies, Procedures, and Internal Controls* — Institutions should have policies and procedures to address the concerns expressed in this guidance, including those involving conflicts of interest and the provision of consumer information. In addition, institutions should have effective internal controls to monitor whether actual practices are consistent with their policies and operating procedures relating to reverse mortgages. To achieve these objectives, training should be designed so that relevant lending personnel are able to convey information to consumers about product terms and risks in a timely, accurate, and balanced manner. Furthermore, institutions' independent monitoring should assess how well lending personnel are following internal policies and procedures and evaluate the nature and extent of policy exceptions. Findings should be reported to relevant management. In addition, institutions' legal and compliance reviews should include oversight of compensation programs to ensure that lending personnel are not improperly encouraged to direct consumers to particular products. Finally, institutions should also review consumer complaints to identify potential compliance and reputation risks.

*Third Party Risk Management* — When making, purchasing, or servicing reverse mortgages through a third party, such as a mortgage broker or correspondent, institutions should take steps to manage the compliance and reputation risks presented by such relationships. These steps would include: (1) conducting due diligence and establishing criteria for entering into and maintaining relationships with such third parties; (2) establishing criteria for third-party compensation that are designed to avoid providing incentives for originations inconsistent with the institution's policies and procedures; (3) setting requirements for agreements with such third parties; (4) establishing internal procedures and systems to monitor ongoing compliance with applicable agreements, institution policies, and laws and regulations; and (5) implementing appropriate corrective actions in the event that the third party fails to comply with such agreements, policies, or laws and regulations. Due diligence and monitoring activities should include a review of promotional materials used by third parties to ensure compliance with the TILA, the FTC Act, and other laws, as applicable.

In addition, institutions should structure third party relationships so as not to contravene RESPA's general prohibition against paying or receiving any fee or other thing of value in exchange for the referral of business related to a reverse mortgage transaction. Fees must be paid only for the permissible services provided by the third party, consistent with the provisions of Section 8 of RESPA. Moreover, institutions should not accept fees from any third party without providing appropriate services to warrant any such fee.

**THIS SIGNATURE PAGES PERTAINS TO THE JOINT GUIDANCE ENTITLED "REVERSE MORTGAGE PRODUCTS: GUIDANCE FOR MANAGING COMPLIANCE AND REPUTATION RISKS."]**

Dated: July 26, 2010 **John C. Dugan,** *Comptroller of the Currency.*
By order of the Board of Governors of the Federal Reserve System, August 3, 2010 **Jennifer J. Johnson,** *Secretary of the Board.*
By order of the Federal Deposit Insurance Corporation. **Valerie J. Best,** *Assistant Executive Secretary.* Dated: July 21, 2010
Dated: August 11, 2010 By the Office of Thrift Supervision. **John E. Bowman,** Acting Director.
Dated: July 27, 2010 By the National Credit Union Administration **Debbie Matz,** Chairman
[FR Doc. E9–15800 Filed]

# NCUA LETTER TO CREDIT UNIONS

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

| | | |
|---|---|---|
| **DATE:** | **September 2010** | **LETTER NO: 10-CU-17** |
| **TO:** | **Federally Insured Credit Unions** | |
| **SUBJ:** | **National Credit Union Share Insurance Fund Premium** | |
| **ENCL:** | **NCUSIF Premium Analysis** | |

Dear Board of Directors:

On September 16, NCUA took a necessary action to maintain the strength and public confidence in the National Credit Union Share Insurance Fund (NCUSIF) by authorizing a premium of 0.1242 percent of insured shares. This premium is at the lower end of the projected range of 10-to-25 basis points which the NCUA Board announced at a public meeting in November 2009.

The decision to charge this premium was not taken lightly. NCUA understands that 2010 has been a challenging year for credit unions. But I can tell you unequivocally: This premium is absolutely necessary to replenish the NCUSIF to a level that will protect America's 90 million federally insured credit union members. Members who have kept their savings within the federal coverage limit have never lost a penny – and we intend to keep it that way.

This action will also protect federally insured credit unions. During these turbulent economic times, a strong and well-capitalized insurance fund will prevent reputation risk by reassuring consumers that their money is safe in credit unions.

The premium will raise the retained earnings of the NCUSIF by $933 million and provide necessary funding to cover higher losses at consumer-owned credit unions.

Please understand that the most important factor in determining the premium level is the credit union industry's financial performance. If credit union losses are lower, credit union premiums will be lower.

Throughout this year, NCUA has strived to make this process more transparent. At several public NCUA Board briefings, staff detailed all the factors that contribute to the NCUSIF premium. We posted those factors on the NCUA website and further described them in numerous public appearances and webinars. Now, those factors are attached to this letter for you to review at your convenience.

When you combine the NCUSIF premium with this year's Corporate Stabilization Fund assessment, the total of 26 basis points falls within the lower half of the range of 15-to-40 basis points which the NCUA Board projected for those two payments combined.

As you can imagine, it is very difficult to predict over a year in advance what the ultimate losses will be in both consumer credit unions and corporate credit unions. But by making this process fully transparent from the beginning, NCUA's intent was to allow credit unions to budget an appropriate amount for 2010.

NCUA will continue this open process in the future. At the public NCUA Board meeting in November of 2010, we plan to estimate a combined range for the NCUSIF premium and Corporate Stabilization Fund assessment in 2011.

NCUA will also continue to do everything in our power to minimize credit union losses. That's why federal examiners are working so diligently with credit unions to mitigate their risks. That's why NCUA is stepping up enforcement actions – to control the costs of troubled credit unions before those charges must be passed on to all credit unions. With safe management and sound supervision, credit unions will emerge from this economic cycle strong and resilient.

The rest of this letter demonstrates how you can calculate the premium payment amount for your credit union and measure its impact on the NCUSIF as well as your balance sheet.

**Payment Information for Your Credit Union**

You will receive an invoice for the premium in late October or early November. The payment will be due by November 22, 2010. If your credit union has assets of at least $50 million, your invoice will also include an amount for an adjustment in contributed capital. Credit unions using the accrual basis of accounting should calculate the amount of the premium and record the premium on the September 2010 Call Report. Report the premium as a Member Insurance expense (Call Report Account Code 310).

The following equation illustrates how to calculate your premium:

| | |
|---|---|
| $ | Insured Shares [47] |
| x 0.001242 | Premium Factor |
| $ Premium | Expense |

## Impact on the Insurance Fund

As of August 31, 2010, the NCUSIF's equity ratio is 1.176 percent, assuming a fully contributed capitalization deposit level. Because this ratio falls below the normal operating range of 1.20 to 1.30 percent, NCUA must prepare a restoration plan to Congress. The restoration plan must demonstrate how NCUA will charge premiums to restore the equity ratio within the normal operating range. This year's premium will initially increase the equity ratio near 1.30 percent. However, projections over the next year indicate that the ratio could decline back below 1.20 percent.

The equity ratio is impacted by several factors, including:

1) ***Insurance Fund Losses*** – The higher the required loss reserve for failing credit unions, the greater the downward pressure on the equity ratio. In the last two years, the number and costs of credit union failures have risen significantly. At the same time, the general loss reserve based on trends in CAMEL ratings has also increased, as far more credit unions now are rated CAMEL 3, 4 or 5.

2) ***Growth in Insured Shares*** – The higher the level of insured share growth, the more downward pressure it puts on the equity ratio. This is the same impact that asset growth has on your credit union's net worth ratio. In recent years, the flight to quality by consumers has raised the level of insured share growth, which reduces the equity ratio.

3) ***Investment Earnings*** – Net income generated by NCUA's investments partially offsets the insurance fund losses and operating expenses. In recent years, the yield on investments has been extremely low, which places downward pressure on the equity ratio.

NCUA has projected these factors forward through 2011 using various scenarios for insurance losses, share growth, and earnings levels. The following table summarizes projected equity ratios under three scenarios. The "Base" case shows current expectations:

| **Scenario** | **Equity Ratio** | | |
|---|---|---|---|
| | **12/31/2010** | **06/30/2011** | **12/31/2011** |
| Optimistic 1.28% | | 1.25% | 1.22% |
| Base 1.25% | | 1.20% | 1.17% |
| Pessimistic 1.22% | | 1.17% | 1.12% |

**Impact on All Credit Unions**

The NCUA Board is keenly aware of the impact of any additional charge on credit unions during this challenging economic period. When determining the amount of the premium, NCUA seriously considered the effect on credit union earnings and net worth.

The 2010 NCUSIF premium will reduce net worth ratios of credit unions by not more than 12 basis points and reduce the annualized return on assets by 10.4 basis points on average. Based on mid-year results, this premium would cause approximately 7.5 percent of credit unions that otherwise would have been profitable in 2010 to report negative earnings. This assumes no other mitigating action from management.

NCUA also projects 60 credit unions will experience a decline in their net worth ratio to below 7.0 percent of assets, making them subject to the statutory earnings retention requirement of Prompt Corrective Action (PCA). Another

[47] Use insured shares (Call Report Account Code 069A) reported as of June 30, 2010 for credit unions with assets of $50 million or greater; or insured shares reported as of December 31, 2009 for credit unions with assets less than $50 million as of June 30, 2010.

19 credit unions will need to prepare a Net Worth Restoration Plan (NWRP) due to net worth declining below 6.0 percent of assets.

As I emphasized in the June assessment letter, **NCUA examiners are instructed not to downgrade a credit union's component or composite CAMEL ratings because of the effect of the premium.** NCUA will be as flexible as the law allows in reviewing and approving an NWRP for every credit union that falls into PCA solely due to the premium.

**Future Premiums and Dividends**

Premiums and dividends are both important parts of the NCUSIF's structure. Premiums are required when the equity ratio falls below 1.20 percent. Dividends are required when the equity ratio rises above the normal operating level, which is presently set at 1.30 percent. Through this system, federally insured credit unions support each other when credit unions are suffering losses, and share the benefits when credit unions are performing well.

The need for future premiums or dividends will depend on credit unions' ability to weather difficult financial times, and mitigate risks throughout all economic cycles.

NCUA staff members are available to answer your questions and work with you to protect the safety and soundness of your credit union.

Sincerely – Deborah Matz, Chairman

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NCUA Media Release

# Temporary Corporate Credit Union Share Guarantee Program Extended

**August 31, 2010, Alexandria, Va**. – The National Credit Union Administration has extended the expiration date of NCUA's Temporary Corporate Credit Union Share Guarantee Program (TCCUSGP) from September 30, 2012, to December 31, 2012. With this extension, new investments with maturities of two years or less in participating corporate credit unions made before December 31, 2010, will be fully covered by the guarantee program. This Guarantee will be in addition to the existing deposits already covered.

*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 90 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-**

# JEFFERSON COUNTY FEDERAL CREDIT UNION
## Statement of Financial Condition -- August 2010

| ASSETS | |
|---|---|
| LOANS | 39,511,412.51 |
| ASSETS IN LIQUIDATION OF LOANS - RE | 0.00 |
| ASSETS IN LIQUIDATION OF LOANS - AU | 0.00 |
| REAL ESTATE LOANS - TECUMSEH | 62,130.17 |
| TOTAL LOANS TO MEMBERS | 39,573,542.68 |
| ALLOW. FOR LOAN LOSSES | (441,705.94) |
| ALLOW. FOR OVERDRAFT LOSSES | (666.93) |
| **NET LOANS** | **39,131,169.81** |
| FIFTH THIRD | 480,889.96 |
| VAULT CASH | 454,443.56 |
| CHANGE FUND - ATM MACHINE | 69,050.00 |
| PETTY CASH | 50.00 |
| **CASH TOTAL** | **1,004,433.52** |
| KENTUCKY CORPORATE FCU | 22,606,362.91 |
| FEDERAL HOME LOAN BANK OF CINCINNATI | 147,434.73 |
| DEPOSITS - OTHER FINANCIAL INSTITUTIONS | 32,323,000.00 |
| SHARE ONE CUSO INVESTMENT | 100,000.00 |
| LOAN TO CUCKY | 0.00 |
| 457 DEFERRED COMPENSATION ASSET | 17,158.75 |
| **TOTAL INVESTMENTS** | **55,193,956.39** |
| ACCRUED INTEREST - LOANS | 170,979.23 |
| OTHER ACCRUED INCOME | 0.00 |
| **TOTAL ACCRUED INCOME** | **170,979.23** |
| PREPAID & DEFERRED EXPENSES | 59,868.21 |
| **TOTAL PREPAID & DEFERRED** | **59,868.21** |
| LAND - MAIN & OUTER LOOP OFFICE | 448,100.00 |
| BUILDING - MAIN & OUTER LOOP OFFICE | 1,547,029.32 |
| IMPROVEMENTS - MAIN OFFICE | 686.23 |
| IMPROVEMENTS - BRANCH 1 | 683.43 |
| IMPROVEMENTS - BRANCH 2 | 0.00 |
| IMPROVEMENTS - BRANCH 3 | 0.00 |
| IMPROVEMENTS - BRANCH 4 | 0.00 |
| ACCUM. DEPR. - MAIN & OUTER LOOP OFFICE | (576,363.75) |
| FURNITURE & EQUIPMENT | 36,581.55 |
| COMPUTER EQUIPMENT | 23,509.56 |
| **TOTAL FIXED ASSETS** | **1,480,226.34** |
| ACCOUNTS RECEIVABLE | 0.00 |
| DEFERRED COMPENSATION | 949,747.66 |
| CAPITAL DEPOSIT - CUCKY | 70,124.00 |
| DEPOSIT - NCUSIF | 800,792.92 |
| **TOTAL OTHER ASSETS** | **1,820,664.58** |
| **TOTAL ASSETS** | **98,861,298.08** |

| LIABILITIES | |
|---|---|
| ACCOUNTS PAYABLE | 3,184.37 |
| MONEY ORDERS | 2,080.00 |
| TRAVELERS CHECKS | 0.00 |
| AMUSEMENT PARK TICKETS | 1,602.50 |
| KYCUPAC - FROM MEMBERS | 0.00 |
| DEATH CLAIMS | 162,718.95 |
| EMPLOYEE 401(K) PLAN | 0.00 |
| INSURANCE COMPANIES | 442.45 |
| FLOOD DETERMINATION | 204.00 |
| RECORDING FEES - CLERK | 242.00 |
| ATTORNEY FEES | 12,015.00 |
| APPRAISALS | 0.00 |
| **TOTAL ACCOUNTS PAYABLE** | **182,489.27** |
| **DIVIDENDS PAYABLE** | **116,932.55** |
| **457 DEFERRED COMPENSATION LIABILITY** | **17,158.75** |
| FEDERAL TAXES | 0.00 |
| KENTUCKY STATE TAXES | 0.00 |
| FEDERAL & STATE UNEMPLOY. | 0.00 |
| OCCUPATIONAL TAXES | 0.00 |
| TAXES HELD ON DIVIDENDS | 801.11 |
| ACCRUED PROPERTY TAXES | 16,000.00 |
| PENALTIES ON PREMATURE IRA DISTR. | 0.00 |
| **TOTAL TAXES PAYABLE** | **16,801.11** |
| ACCRUED EXPENSES | 302,523.00 |
| **TOTAL ACCRUED EXPENSES** | **302,523.00** |
| **ACCRUED NCUSIF STABILIZATION EXPENSE** | **0.00** |
| **UNAPPLIED EXCEPTIONS** | **21,528.22** |
| **TOTAL LIABILITIES** | **657,432.90** |
| **CAPITAL** | |
| REGULAR SHARE ACCOUNTS | 19,380,514.03 |
| CLUB ACCOUNTS | 1,014,471.13 |
| SHARE DRAFT ACCOUNTS | 4,831,241.56 |
| CASH INVESTMENT ACCOUNTS | 29,973,371.26 |
| CORPORATE CASH INVESTMENT | 2,908,795.93 |
| REWARDS CHECKING | 1,703,545.04 |
| IRA - ACCUMULATION ACCOUNTS | 1,474,768.48 |
| CERTIFICATES - REGULAR | 19,308,939.52 |
| CERTIFICATES - IRA | 4,483,318.47 |
| CERTIFICATES - TOTAL | 23,792,257.99 |
| **TOTAL SHARES** | **85,078,965.42** |
| REGULAR RESERVE | 1,901,148.19 |
| RESERVE FOR CONTING. | 0.00 |
| UNDIVIDED EARNINGS | 11,068,235.07 |
| NET INCOME | 155,516.50 |
| **TOTAL CAPITAL** | **98,203,865.18** |
| **TOTAL CAPITAL & LIABILITIES** | **98,861,298.08** |

# Jefferson County Federal Credit Union
## BUDGET REVIEW
## August 31, 2010

| | ACTUAL CURRENT | BUDGETED CURRENT | ACTUAL Y-T-D | BUDGETED Y-T-D | DIFFERENCE Y-T-D | PERCENT INCOME |
|---|---|---|---|---|---|---|
| **I N C O M E** | | | | | | |
| INTEREST ON LOANS | 230,516.99 | 237,892.00 | 1,854,014.28 | 1,875,727.00 | (21,712.72) | 63.53% |
| INVESTMENTS | 33,978.85 | 58,271.00 | 299,528.19 | 451,614.00 | (152,085.81) | 9.37% |
| INTEREST ON CLF CU SIF | 0.00 | 0.00 | 27,502.01 | 0.00 | 27,502.01 | 0.00% |
| INSURANCE REIMB. | 7,003.45 | 7,500.00 | 68,496.44 | 60,000.00 | 8,496.44 | 1.93% |
| MO & CHK FEE | 341.25 | 425.00 | 3,249.50 | 3,400.00 | (150.50) | 0.09% |
| OVERDRAFT FEE | 61,966.83 | 60,000.00 | 471,390.05 | 480,000.00 | (8,609.95) | 17.08% |
| WIRE TRANS. & CMO | 264.00 | 250.00 | 2,102.50 | 2,000.00 | 102.50 | 0.07% |
| LOAN LATE FEE | 5,563.20 | 4,800.00 | 40,223.43 | 38,400.00 | 1,823.43 | 1.53% |
| ATM SURCHARGE FEES | 559.50 | 375.00 | 4,411.50 | 3,000.00 | 1,411.50 | 0.15% |
| SHARE DRAFT & ATM | 1,808.40 | 1,900.00 | 13,446.15 | 15,200.00 | (1,753.85) | 0.50% |
| MISCELLANEOUS INC. | 2,197.81 | 1,350.00 | 13,366.26 | 10,800.00 | 2,566.26 | 0.61% |
| LOCK BOX FEE | 250.00 | 200.00 | 1,450.00 | 1,600.00 | (150.00) | 0.07% |
| ATM TRANSACTION FEE | 763.00 | 575.00 | 4,744.00 | 4,600.00 | 144.00 | 0.21% |
| LOAN APPLICATION FEE | 475.00 | 250.00 | 1,875.00 | 2,000.00 | (125.00) | 0.13% |
| MEMBERSHIP FEE | 495.00 | 475.00 | 4,425.00 | 3,800.00 | 625.00 | 0.14% |
| C-CARD INCOME | 343.99 | 250.00 | 4,885.87 | 2,000.00 | 2,885.87 | 0.09% |
| D-CARD INTERCHANGE | 16,297.26 | 14,750.00 | 126,470.99 | 117,000.00 | 9,470.99 | 4.49% |
| **TOTAL INCOME** | **362,824.53** | **389,263.00** | **2,941,581.17** | **3,071,141.00** | **(129,559.83)** | **100.00%** |
| **E X P E N S E S** | | | | | | |
| SALARIES - REGULAR | 79,364.17 | 80,461.00 | 666,226.90 | 682,215.00 | (15,988.10) | 21.87% |
| SALARIES - OVERTIME | 92.19 | 632.00 | 854.90 | 4,230.00 | (3,375.10) | 0.03% |
| CONTRACT EMPLOY. | 0.00 | 300.00 | 0.00 | 2,400.00 | (2,400.00) | 0.00% |
| 401K COSTS | 3,676.92 | 3,487.00 | 29,676.37 | 29,517.00 | 159.37 | 1.01% |
| SOCIAL SECURITY TAX | 6,329.22 | 6,203.00 | 52,116.48 | 52,512.00 | (395.52) | 1.74% |
| UNEMPLOYMENT TAX | 0.00 | 480.00 | 4,813.25 | 3,840.00 | 973.25 | 0.00% |
| STAFF INSURANCE | 13,362.54 | 13,700.00 | 106,591.13 | 109,600.00 | (3,008.87) | 3.68% |
| LOCAL TRAVEL | 572.50 | 600.00 | 4,761.63 | 4,800.00 | (38.37) | 0.16% |
| VEHICLE MAINTENANCE | 347.71 | 400.00 | 2,457.47 | 3,200.00 | (742.53) | 0.10% |
| OUT OF TOWN TRAVEL | 1,062.71 | 725.00 | 4,410.16 | 5,800.00 | (1,389.84) | 0.29% |
| BOARD MEETING EXP. | 156.06 | 1,065.00 | 3,727.95 | 8,520.00 | (4,792.05) | 0.04% |
| ASSOC. DUES & SUBSCR. | 1,646.97 | 2,226.00 | 14,822.02 | 17,808.00 | (2,985.98) | 0.45% |
| OFFICE OCCUP. EXP. | 14,426.07 | 15,240.00 | 110,389.83 | 125,002.00 | (14,612.17) | 3.98% |
| BLDG.-LAND IMPROV. | 138.40 | 339.00 | 1,644.71 | 3,251.00 | (1,606.29) | 0.04% |
| TELEPHONE EXPENSE | 1,686.84 | 1,804.00 | 13,666.97 | 14,432.00 | (765.03) | 0.46% |
| POSTAGE | 4,808.24 | 5,425.00 | 43,228.61 | 42,800.00 | 428.61 | 1.33% |
| MAINT. OF EQUIP. | 1,609.26 | 1,109.00 | 10,112.93 | 8,884.00 | 1,228.93 | 0.44% |
| STATIONARY & SUPP. | 1,894.65 | 2,100.00 | 12,553.05 | 16,800.00 | (4,246.95) | 0.52% |
| INSURANCE | 2,799.16 | 2,924.00 | 23,293.71 | 23,392.00 | (98.29) | 0.77% |
| DEPRECIATION - FURN. | 2,175.14 | 2,232.00 | 21,068.90 | 21,526.00 | (457.10) | 0.60% |
| BANK SERVICE CHARGE | 23,359.21 | 25,822.00 | 181,376.24 | 204,066.00 | (22,689.76) | 6.44% |
| COMPUTER EXPENSE | 16,258.40 | 17,418.00 | 132,476.82 | 139,550.00 | (7,073.18) | 4.48% |
| EDUCATIONAL & PROM. | 4,905.00 | 6,397.00 | 46,066.00 | 51,176.00 | (5,110.00) | 1.35% |
| LOAN SERVICING EXP. | 5,239.26 | 8,395.00 | 46,111.94 | 66,160.00 | (20,048.06) | 1.44% |
| PROF. & OUTSIDE EXP. | 7,774.36 | 9,660.00 | 74,801.68 | 77,045.00 | (2,243.32) | 2.14% |
| FEDERAL SUPERVISION | 1,881.59 | 1,740.00 | 14,769.54 | 13,920.00 | 849.54 | 0.52% |
| NCUSIF INS. PREM. | 26,759.00 | 26,759.00 | 105,116.62 | 214,072.00 | (108,955.38) | 7.38% |
| NCUSIF STABILIZATION EXPENSE | 0.00 | 0.00 | 108,955.38 | 0.00 | 108,955.38 | 0.00% |
| CASH OVER & SHORT | 242.13 | 100.00 | 357.50 | 800.00 | (442.50) | 0.07% |
| COST-BORROWED FUND | 0.00 | 0.00 | 20,309.82 | 0.00 | 20,309.82 | 0.00% |
| ANNUAL MEETING EXP. | 700.00 | 700.00 | 5,984.54 | 5,600.00 | 384.54 | 0.19% |
| MISCELLANEOUS EXP. | (302.36) | 3,875.00 | 8,638.12 | 31,000.00 | (22,361.88) | -0.08% |
| **TOTAL OPER. EXP.** | **222,965.34** | **242,318.00** | **1,871,381.17** | **1,983,918.00** | **(112,536.83)** | **61.45%** |
| ALLOWANCE - LOAN LOSS | 20,000.00 | 20,000.00 | 129,818.00 | 160,000.00 | (30,182.00) | 5.51% |
| ALLOWANCE - OVERDRAFT LOSS | 75.00 | 75.00 | (882.00) | 600.00 | (1,482.00) | 0.02% |
| DIVIDENDS | 94,830.44 | 84,111.00 | 738,793.31 | 663,594.00 | 75,199.31 | 26.14% |
| (GAIN)LOSS ON INVESTMENTS | 0.00 | 0.00 | (4,460.00) | 0.00 | (4,460.00) | 0.00% |
| (GAIN)LOSS ON INVESTMENTS- KY CORP | 0.00 | 0.00 | 51,414.19 | 0.00 | 51,414.19 | 0.00% |
| OTHER NON OPERATING EXPENSE (INC) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| **TOTAL EXPENSES** | **337,870.78** | **346,504.00** | **2,786,064.67** | **2,808,112.00** | **(22,047.33)** | **93.12%** |
| **NET INCOME** | **24,953.75** | **42,759.00** | **155,516.50** | **263,029.00** | **(107,512.50)** | **6.88%** |

# PRESIDENT'S REPORT September 22, 2010

## 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

There was a decrease in deposits from the previous month of $1,360,000 leaving an increase of $3,711,000 year to date. Loan volume for the month showed an increase of $1,020,000 and net loans showed an increase of $473,000 leaving an increase of $310,000 year to date. We will continue to closely monitor the competition and the overall operation for additional adjustments to dividend and income to benefit the members. Our bottom line was $24,953 which was under the projected budget. Our ROA was .24%. We would be at .32% without the NCUA/KCFCU mandated write off in March. Also bear in mind we are accruing $26,759 out of our bottom line monthly ($214,072 YTD) for the NCUSIF stabilization amount paid earlier this year and the additional premium was scheduled to be payable in September.

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

| | | |
|---|---|---|
| As of 07-15-10 | 5 | 16,564.45 |
| As of 08-15-10 | 7 | 18,529.54 |
| As of 09-15-10 | 4 | 16,790.70 |
| **TOTAL** | **16** | **51,884.69** |

## LENDING ACTIVITY

**RE LOANS - August 2010**

| DATE | NAME | ACCOUNT # | APPRAISAL | NEW MONEY | LOAN AMOUNT | EQUITY | TERM IN MONTHS | CREDIT LIMIT | APPROVED BY |
|---|---|---|---|---|---|---|---|---|---|
| 8/6/10 | Burress | 690360 | 145,000 | 107,858 | 107,058 | 116,000 | 180 | 0 | CEO |
| | Murrision | 910200 | 155,000 | 123,974 | 123,974 | 124,000 | 180 | 0 | CEO |
| 8/12/10 | Brandt | 700962280 | 233,000 | 0 | 132,112 | 186,400 | 6 | 0 | CEO |
| 8/16/10 | Williams | 660480 | 150,000 | 37,171 | 120,000 | 120,000 | 180 | 0 | CEO |
| | Stich | 621800 | 175,000 | 13,797 | 140,000 | 140,000 | 122 | 0 | CEO |
| | Mathis | 900610 | 450,000 | 184,794 | 184,794 | 360,000 | 180 | 0 | CEO |
| | Charlton | 904720 | 160,000 | 127,904 | 127,904 | 128,000 | 180 | 0 | CEO |
| | | | | 21,052 | 21,052 | 0 | 180 | 0 | CEO |
| 8/20/10 | Stoess | 815760 | 245,000 | 17,000 | 133,706 | 196,000 | 180 | 0 | CEO |
| **TOTAL/AVG** | | **8** | **1,713,000** | **633,550** | **1,090,600** | **1,370,400** | **154** | **0** | |

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

COMMENTS: Brandt Rewrite for less rate and shorten term.

## INVESTMENT ACTIVITY

**CD Purchases - August 2010**

| DATE | AMOUNT | TERM | RATE | INSTITUTION | CITY | ST | CODE |
|---|---|---|---|---|---|---|---|
| 08/04/10 | 99,000 | 12 | 0.75% | TCM BANK | TAMPA | FL | 2 |
| | 100,000 | 6 | 0.30% | KCFCU | | | |
| | 100,000 | 7 | 0.31% | KCFCU | | | |
| | 100,000 | 8 | 0.33% | KCFCU | | | |
| 08/09/10 | 100,000 | 9 | 0.55% | BENCHMARK FINANCIAL | PLANO | TX | 3 |
| 08/23/10 | 148,000 | 12 | 0.85% | GRAND SAVINGS BANK | GROVE | OK | 1 |
| **TOTAL** | **647,000** | **9** | **0.52%** | **6** | | | |

## INVESTMENT ACTIVITY – FAILED BANKS - None

## LOAN INTEREST PAYMENT ACTIVITY

| Posting Date | Account Number | Name | Sfx | Collateral Description | Payment Amount | Loan Balance | Description | Count |
|---|---|---|---|---|---|---|---|---|
| 08/02/2010 | 900640 | Jamie T. Hicks | 1 | 1st Mortgage | $805.62 | $169,174.87 | Interest Pmt For Aug 2010 | |
| 08/02/2010 | 890370 | Britton Stevenson | 1 | 2009 Mitsubi | $151.37 | $12,432.32 | Interest Pmt For Jul 2010 | |
| 08/06/2010 | 883870 | Christine D. Johnson | 1 | 1997 Chrysle | $41.16 | $2,751.78 | Interest Pmt For Jun 2010 | |
| 08/06/2010 | 883870 | Christine D. Johnson | 1 | 1997 Chrysle | $41.84 | $2,750.78 | Interest Pmt For Jul 2010 | |
| 08/09/2010 | 887560 | Rose Mary Borders | 5 | Unsecured OE | $59.31 | $4,992.08 | Interest Pmt For Aug 2010 | |
| 08/12/2010 | 845760 | Edward A. Farley | 1 | 2005 Pontiac | $118.56 | $9,719.56 | Interest Pmt For Aug 2010 | |
| 08/12/2010 | 880820 | Nathan W. Watters | 1 | 2006 Ford | $196.31 | $21,311.78 | Interest Pmt For Aug 2010 | |
| 08/13/2010 | 691430 | Marilyn Turner | 4 | Unsecured CE | $45.94 | $3,847.53 | Interest Pmt For Aug 2010 | |
| 08/19/2010 | 703080 | Jessica Leigh Holden | 2 | 2001 Honda | $50.19 | $3,610.13 | Interest Pmt For Aug 2010 | |
| 08/19/2010 | 703080 | Jessica Leigh Holden | 4 | 2005 Ford Es | $38.01 | $2,953.72 | Interest Pmt For Aug 2010 | |
| 08/20/2010 | 776620 | Stacey Lynn Wildt | 1 | Other RE CE | $45.59 | $7,778.27 | Interest Pmt For Aug 2010 | |
| 08/26/2010 | 740160 | Reda Terrill Smith | 1 | Unsecured CE | $48.30 | $4,049.67 | Interest Pmt For Jul 2010 | |
| 08/26/2010 | 740160 | Reda Terrill Smith | 1 | Unsecured CE | $48.29 | $4,048.67 | Interest Pmt For Aug 2010 | |
| | | | | | $1,690.00 | $249,421.16 | | 13 Total |

## REAL ESTATE PROBLEM LOANS

| Acct. # | Name | Address | Zip | Balance | Appraisal | Year | Pamt. | P-Due |
|---|---|---|---|---|---|---|---|---|
| **1. 852730** | **Townsend, K.** | **1218 W. Woodlawn** | **40215** | **$24,142** | **$84,500** | **05-06** | **$244** | **$0** |

**(See prior reports).** Member paid 04-15 which was the fourth consecutive monthly payment. The account was re-aged and she has paid monthly since. She last paid us 06-22-10. She failed to make a payment in July and broke a promise in early August. 08-16-10 she paid the July payment and is to pay again 08-25-10. No payment as of 09-17-10.

| Acct. # | Name | Address | Zip | Balance | Appraisal | Year | Pamt. | P-Due |
|---|---|---|---|---|---|---|---|---|
| **2. 776620** | **Wildt, S.** | **8207 Damascus Cr.** | **40228** | **$43,103** | **$64,000** | **09-01** | **$330** | **$330** |
| | | | | **7,780** | **72,000** | **10-04** | **$156** | **$156** |

First mortgage is ours via CU Cannels. Second is on our books here. She and husband bought a new home last fall and put this one on the market. It has not sold. She was very ambivalent to Don 07-02-10 about the debt and not being able to afford the payment. Her reply to Don was "Sorry about your luck." She has convinced the folks at CU Channels she is worth working with. Evidently she has forgotten that both debts belong to us. I did a ride by 07-06-10 and the property appears to be in good shape but is not the best house on the street. We told CU Channels to remind her that both debts were ours and the arrearages need to me cleared up immediately or we would initiate foreclosure on both. 07-08 she paid one interest payment on our local loan. She is to pay one CU Channel payment 07-22 and is trying to arrange a sale with a willing buyer. 08-22-10 she paid $250 and we do have appending sale. We are awaiting the results of buyer's credit report. Financing is being handled by Stock Yards Bank and we await their answer. 09-15-10 it appears we may have a closing by month's end or no later than mid October.

| Acct. # | Name | Address | Zip | Balance | Appraisal | Year | Pamt. | P-Due |
|---|---|---|---|---|---|---|---|---|
| **3. 700183412** | **Stewart, R.** | **5 Cypress Dr.** | **47130** | **$96,710** | **$125,000** | **02-09** | **$820** | **$1,637** |
| | | | | **19,324** | **125,000** | **02-09** | **$190** | **$380** |

First mortgage is ours. Second is also ours but is insured by Universal. They bought a new home prior to our loans and kept this former residence as rental income/property. The house is in good shape and well maintained but they lost their tenant and don't have any new takers that make them feel comfortable about leasing it again. They are trying to sell it for what is owed. Additionally she was laid off from her job several months ago and can find nothing to replace that income stream. Member is to pay $500. 08-24-10 and GE will apply. 09-08-10 property was finally listed with a realtor to expedite the sale.

| Acct. # | Name | Address | Zip | Balance | Appraisal | Year | Pamt. | P-Due |
|---|---|---|---|---|---|---|---|---|
| **4. 765130** | **Harvey, S.** | **230 Big Wood Way.** | **40229** | **$40,352** | **$131,000** | **05-07** | **$411** | **$0** |

First mortgage is 5/3rd. Second is ours. They got 2 months behind with 5/3rd (their version) but 5/3rd says 6 months. They say there are misapplied payments and have hired an attorney and will keep us apprised of the progress toward resolving it. They can borrow the funds from her mother to straighten out the foreclosure once there is a figure all agree on. Our loan is current. They owe us $3,700 on an auto loan that is also current.

## QUARTERLY PROCESSING ITEMS

1. LOANS FOR TRANSFER TO ASSETS IN PROCESS OF LIQUIDATION – 1 **for $16,453.93**

2. LOAN CHARGE OFF POLICY EXCEPTIONS – 4 **for $25,081.24**

3. LOAN CHARGE OFF – **16 for $51,884.69**

4. QUARTERLY REVIEW OF THE "ALLOWANCE FOR LOAN LOSSES ACCOUNT" -
   We are currently over funded in the amount of $35,037.00 including the budgeted funding from September's income. I recommend we forego the normal budgeted amount for September of $20,000.00 but leave the $10,000 that is part of October's funding scheduled in advance due to staff having three pay days in October. This action will leave the account at an acceptable level.

5. QUARTERLY REVIEW OF THE "ALLOWANCE FOR OVERDRAFT LOAN LOSSES ACCOUNT" –
   Our average monthly loss for 2009 was $43.00. We are required to maintain a one year level that would equate to $516.00. We are currently over funded in the amount of $150.00. I recommend we transfer $150.00 from this account and forego the scheduled September transfer of $75.00 to income to bring the account to an acceptable level.

6. DIVIDEND INFORMATION & RECOMMENDATIONS

| Share Category | Rate Paid 2nd Quarter - 10 | APY Paid 2nd Quarter - 10 | Proposed Rate 3rd Quarter - 10 | Proposed APY 3rd Quarter - 10 | Balance Ranges |
|---|---|---|---|---|---|
| Regular Shares | 0.35% | 0.35% | 0.35% | 0.35% | $25 - > |
| Club Accounts | 0.15% | 0.15% | 0.15% | 0.15% | $5 - > |
| IRA Accounts | 0.60% | 0.60% | 0.60% | 0.60% | $5 - > |
| Escrow Accts. | 0.15% | 0.15% | 0.15% | 0.15% | $5 - > |
| SCA Builder | 0.25% | 0.25% | 0.25% | 0.25% | $5 - > |
| Rewards + | 1.98% | 2.00% | 1.98% | 2.00% | $0 - 25,000 - Ach |
| Rewards + | 0.25% | 0.25% | 0.25% | 0.25% | $25,001 & > - Ach |
| Rewards + | 0.25% | 0.25% | 0.25% | 0.25% | $0 - > - UN-Ach |
| CIA and CCIA | 0.55% | 0.55% | 0.55% | 0.55% | $1 - 2,499 |
| CIA and CCIA | 0.70% | 0.70% | 0.70% | 0.70% | $2,500 - 9,999 |
| CIA and CCIA | 0.85% | 0.85% | 0.85% | 0.85% | $10,000 - 24,999 |
| CIA and CCIA | 0.99% | 1.00% | 0.99% | 1.00% | $25,000 - 49,999 |
| CIA and CCIA | 1.14% | 1.15% | 1.14% | 1.15% | $50,000 - 99,999 |
| CIA and CCIA | 1.34% | 1.35% | 1.34% | 1.35% | $100,000 & > |

The rates below were previously approved for CIA/CCIA to be effective 10-01-10.

| | | | | | |
|---|---|---|---|---|---|
| CIA and CCIA | 0.55% | 0.55% | 0.45% | 0.45% | $1 - 2,499 |
| CIA and CCIA | 0.70% | 0.70% | 0.55% | 0.55% | $2,500 - 9,999 |
| CIA and CCIA | 0.85% | 0.85% | 0.65% | 0.65% | $10,000 - 24,999 |
| CIA and CCIA | 0.99% | 1.00% | 0.80% | 0.80% | $25,000 - 49,999 |
| CIA and CCIA | 1.14% | 1.15% | 0.95% | 0.95% | $50,000 - 99,999 |
| CIA and CCIA | 1.34% | 1.35% | 1.04% | 1.05% | $100,000 & > |

**CHECK REGISTER & ACH DEDUCTIONS**
The report is attached for your review.

**SUSPICIOUS ACTIVITY REPORTS (SARS) – August 2010**
1 For $11,296.00

**COMMENT CARDS**
The copies are attached for your review.

**RECONCILIATIONS**
All accounts are current and correct.

**SAFE LANDING AND OVERDRAFT LOAN CHARGE OFF FOR – August 2010**
1 For $574.24

**OPT IN POLICY CHANGE & UPDATE**
We are working our way through these trying to find a fair way to handle them within the confines of the new regulations. The initial loss of revenue was not as bad as we thought it would be with the efforts of having members opt in. I will keep you posted. We actually made the budget for August and our original thoughts with the new regulations had us believing we may only get half of that.

**FIFTH THIRD FRAUD NETWORK "FORTRESS"**
We have been contacted by 5/3rd to handle our debit card fraud losses. This is a turnkey product for any type of lost, stolen, counterfeited, skimmed cards or fraud involving all POS signature and PIN transaction issues. This does not include ATM transactions. Our ATM fraud is negligible and not a problem. They believe they can provide this service efficiently and cost effectively as they already have a program in place to handle all of theirs and other correspondent relationships. They believe the economy of scales will make it beneficial for JCFCU and profitable for them. The Fortress program is based on a percentage of our debit card volume with a one year contract. Our cost for the first year would be $22,000 and invoiced to us monthly at an approximate cost of $1,833 (this can ebb and flow with our volume). If the

volume goes up our interchange income likewise goes up. If volume goes down our cost goes down. The maximum coverage we get for $22,000 annually is $45,000. Our bond has a $40,000 deductible that we budget and fund (if necessary) to the tune of $3,300 per month. The actual YTD breakdown is $17,654 in losses and $10,632 in recoveries for a net loss of $7,022 plus fees of $2,022, plus reissue costs of $400 or about $1,181 per month. Our actual fee for them providing this service comes out to about $652 per month above our actual losses which seems reasonable. This action reduces our budget impact and potential total (out of pocket) annual fraud loss by $1,467 per month. It also saves some staff time as members will deal direct with 5/3rd and 5/3rd will provide all forms, mailing cost, labor, member follow up and card replacement costs. Thinking back to the spring of 2009 we had some heavy expenses in staff time and card replacements from the TJ Maxx and Heartland breaches. This becomes 5/3rd's cost and problem under this contract. By the way, we are still trying to get reimbursed for this. Again, it is an annual contract and if we find it does not work as planned we can cancel it next year but will save some money this year.

**MO PHONE SYSTEM BREACH IN JULY**

We found out 09-13-10 the actual loss for the calls from Russia were about $1,100.00. The process has now begun to get a credit on our monthly bill for this.

**CO-OP ATM NETWORK**

The cost outweighs the benefits.

**CO-OP MOBILE ACCESS NETWORK**

We are still pursuing this service.

**FOR YOUR INFORMATION**

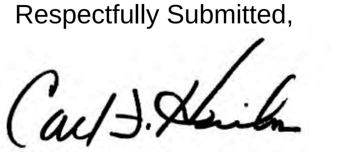
- ✓ To avoid taking on more debt, U.S. consumers are using their debit cards and putting away their credit cards, according to Javelin Strategy & Research (*Bloomberg.com* Sept. 8). Debit cards' total payment volume eclipsed credit card volume for the first time in 2009 and will continue to surpass it into 2010, Javelin said. "Consumers are turning from one form of plastic to another," said James Van Dyke, president and founder of Javelin. "Credit cards are falling out of favor as cardholders become more cautious and look for more conservative payment methods".

- ✓ MasterCard launches MoneySend for BlackBerry smartphones - PURCHASE, N.Y. (9/10/10)--MasterCard announced that MoneySend is available for BlackBerry smartphones, so users can transfer money in the U.S. from person to person through financial institutions including credit unions. MoneySend, available for free download on BlackBerry App World, allows users to send or request money with their BlackBerry smartphones through participating credit unions and banks, or when they create a virtual prepaid account through Bancorp Bank. Users can link their debit or credit cards, or checking account to a prepaid account and send money through the smartphone. The account funds the transaction. Users can manage and trigger the exchanges through the application. Personal financial information is never stored on the BlackBerry, MasterCard said. MoneySend users can accept credit or debit card payments, send money to family members, pay for goods and services, request money from people who owe users and send a transaction history from a Blackberry. Jack Henry also has introduced a standalone version of iPay--TheWayiPay, which allows users the ability to send and receive money online.

**BUSINESS DEVELOPMENT & MARKETING**

GE will report.

Respectfully Submitted,



Carl F. Hicks
President and CEO

**August** **STATISTICAL REPORT** **2010**

| CATEGORY | Year End 2009 | Prior Month | Current Month | Difference | Year-To-Date |
|---|---|---|---|---|---|
| Deposits | 81,367,271 | 86,439,519 | 85,078,965 | (1,360,554) | 3,711,694 |
| Regular CDs | 18,487,598 | 19,117,776 | 19,308,940 | 191,164 | 821,342 |
| IRA Cds | 3,987,279 | 4,495,135 | 4,483,318 | (11,817) | 496,039 |
| Total CDs | 22,474,877 | 23,612,911 | 23,792,258 | 179,347 | 1,317,381 |
| Loan Balance | 39,263,225 | 39,099,971 | 39,573,543 | 473,572 | 310,318 |
| Loans Made | 16,371,386 | 1,406,218 | 2,426,721 | 1,020,503 | 10,194,093 |
| Members | 13,487 | 13,680 | 13,631 | (49) | 144 |
| Accounts | 22,515 | 22,579 | 22,510 | (69) | (5) |
| Delinquent Percent | 0.17% | 0.23% | 0.55% | 0.32% | 0.38% |
| E-Statements | 1,598 | 1,758 | 1,778 | 20 | 180 |
| Bill Payer | 1,263 | 1,339 | 1,352 | 13 | 89 |
| Info-Teller Inquiries | 171,642 | 13,347 | 12,912 | (435) | 106,254 |
| Website Inquiries | 430,156 | 32,358 | 34,735 | 2,377 | 272,085 |
| HB -Members Used | 2,623 | 2,741 | 2,742 | 1 | 119 |
| Overdrawn Accounts | 24,699 | 25,572 | 45,921 | 20,349 | 21,222 |
| CIA - # | 874 | 870 | 864 | (6) | (10) |
| CIA - $ | 29,428,060 | 30,731,570 | 29,973,371 | (758,199) | 545,311 |
| CCIA - # | 39 | 47 | 47 | 0 | 8 |
| CCIA - $ | 1,971,535 | 2,609,056 | 2,908,796 | 299,740 | 937,261 |
| Rewards - # | 170 | 153 | 151 | (2) | (19) |
| Rewards - $ | 2,092,074 | 1,792,080 | 1,703,545 | (88,535) | (388,529) |
| Rewards - Surcharge Ref. | 1,921 | 175 | 215 | 40 | 1,389 |
| Rewards - Cost | 55,681 | 2,327 | 2,243 | (84) | 19,320 |
| Regular Checking - # | 4,536 | 4,383 | 4,355 | (28) | (181) |
| Regular Checking - $ | 5,197,317 | 5,518,180 | 4,831,242 | (686,938) | (366,075) |
| **TOTAL CHECKING - #** | 5,619 | 5,453 | 5,417 | (36) | (202) |
| **TOTAL CHECKING - $** | 38,688,986 | 40,650,886 | 39,416,954 | (1,233,932) | 727,968 |
| Trans - MO | 55,723 | 3,905 | 3,978 | 73 | 34,306 |
| Trans - HV | 39,596 | 2,374 | 2,391 | 17 | 22,141 |
| Trans - DT | 28,954 | 1,190 | 1,231 | 41 | 13,647 |
| Trans - UR | 26,447 | 1,122 | 966 | (156) | 11,704 |
| Trans - IN | 40,434 | 1,645 | 1,624 | (21) | 20,593 |
| Trans - INFO | 11,939 | 840 | 878 | 38 | 6,907 |
| Trans - HB | 86,002 | 7,699 | 7,870 | 171 | 61,318 |
| Trans - SB | 46,958 | 3,910 | 3,736 | (174) | 30,324 |
| Trans - Total YTD | 336,053 | 22,685 | 22,674 | (11) | 200,940 |

| **DELINQUENCY** | **Number** | **Balance** |
|---|---|---|
| 2 - 5 Months | 18 | 187,608 |
| 6 -11 Months | 4 | 25,311 |
| 12 Months & Over | 1 | 5,450 |
| **Total** | **23** | **218,369** |

# Monthly Statistics - Year To Date Statistics - Key Ratios - 2010

| Category | % | Y/E 2009 | JAN | FEB | MAR | APR | MAY | JUNE | JUL | AUG | SEP | OCT | NOV | DEC | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Assets | | 95,143,505 | 94,668,325 | 96,581,509 | 97,431,491 | 97,742,830 | 98,509,327 | 98,825,528 | 100,098,762 | 98,861,298 | | | | | 3,717,793 |
| Deposits | | 81,367,271 | 80,741,585 | 82,606,057 | 83,573,449 | 84,041,065 | 84,696,873 | 85,089,257 | 86,439,519 | 85,078,965 | | | | | 3,711,694 |
| Investment Balance | | 50,092,146 | 50,191,189 | 52,103,822 | 51,942,893 | 54,035,494 | 55,019,668 | 55,481,195 | 57,139,689 | 55,193,956 | | | | | 5,101,810 |
| Cash Balance | | 1,135,441 | 550,341 | 779,657 | 930,984 | 714,353 | 800,794 | 1,092,899 | 732,961 | 1,004,434 | | | | | (131,007) |
| Loan Balance | | 39,263,225 | 39,265,235 | 39,203,525 | 40,144,587 | 39,808,551 | 39,538,089 | 39,096,103 | 39,099,971 | 39,573,543 | | | | | 310,318 |
| Loans Made | | 16,371,385 | 1,123,203 | 767,692 | 2,012,325 | 787,257 | 692,680 | 977,996 | 1,406,218 | 2,426,721 | | | | | 10,194,092 |
| Members | | 13,487 | 13,473 | 13,497 | 13,729 | 13,762 | 13,754 | 13,712 | 13,680 | 13,631 | | | | | 144 |
| Accounts | | 22,515 | 22,436 | 22,429 | 22,727 | 22,761 | 22,720 | 22,643 | 22,579 | 22,510 | | | | | (5) |
| DEL - 2-5 Months | | 20,251 | 56,996 | 93,119 | 59,638 | 66,439 | 92,038 | 81,004 | 69,806 | 187,608 | | | | | 167,357 |
| DEL - 6-11 Months | | 22,927 | 22,394 | 15,307 | 14,833 | 14,408 | 14,083 | 18,738 | 18,465 | 25,311 | | | | | 2,384 |
| DEL - 12 Months & > | | 24,413 | 24,238 | 31,673 | 32,010 | 31,943 | 7,752 | 0 | 0 | 5,450 | | | | | (18,963) |
| Delinquent Amount | | 67,591 | 103,628 | 140,099 | 106,481 | 112,790 | 113,873 | 99,742 | 88,271 | 218,369 | | | | | 150,778 |
| Delinquent Percent | < 1.30% | 0.17% | 0.26% | 0.36% | 0.27% | 0.28% | 0.29% | 0.26% | 0.23% | 0.55% | | | | | 0.38% |
| Info-Teller | | 171,642 | 13,015 | 13,036 | 13,574 | 13,650 | 13,221 | 13,499 | 13,347 | 12,912 | | | | | 106,254 |
| Website Inquiries | | 430,156 | 33,349 | 35,466 | 36,255 | 33,928 | 32,395 | 33,599 | 32,358 | 34,735 | | | | | 272,085 |
| Bill Payer | | 1,263 | 1,272 | 1,284 | 1,300 | 1,306 | 1,318 | 1,331 | 1,339 | 1,352 | | | | | 89 |
| E-Statements | | 1,598 | 1,619 | 1,641 | 1,670 | 1,696 | 1,720 | 1,733 | 1,758 | 1,778 | | | | | 180 |
| Home Branch Access | | 2,623 | 2,695 | 2,682 | 2,806 | 2,739 | 2,720 | 2,764 | 2,741 | 2,742 | | | | | 2,742 |
| Overdrawn Accounts | | 24,699 | 24,437 | 14,994 | 29,863 | 26,143 | 34,000 | 37,002 | 25,572 | 45,921 | | | | | 21,222 |
| Share Bal. $5,000 & < | | 9,165,807 | 9,055,847 | 9,874,237 | 9,477,915 | 9,823,630 | 9,682,619 | 9,252,122 | 9,762,246 | 8,971,212 | | | | | |
| INC - Loans YTD | | 2,789,863 | 236,724 | 448,133 | 695,515 | 925,934 | 1,163,575 | 1,390,696 | 1,623,497 | 1,854,014 | | | | | |
| INC - Investments YTD | | 1,015,590 | 46,661 | 88,091 | 125,972 | 159,905 | 194,246 | 231,523 | 265,549 | 299,528 | | | | | |
| INC - Other YTD | | 1,322,312 | 119,472 | 205,904 | 298,429 | 393,186 | 488,848 | 593,214 | 689,711 | 788,039 | | | | | |
| INC - Total YTD | | 5,127,765 | 402,857 | 742,128 | 1,119,916 | 1,479,025 | 1,846,669 | 2,215,433 | 2,578,757 | 2,941,581 | | | | | |
| EXP - ALLL YTD | | 275,211 | 20,000 | 40,000 | 60,000 | 60,000 | 90,000 | 89,818 | 109,818 | 129,818 | | | | | |
| EXP - ALLL - OD YTD | | (1,068) | 75 | 150 | (1,032) | (957) | (882) | (1,032) | (957) | (882) | | | | | |
| EXP - Dividend YTD | | 1,501,407 | 96,525 | 182,591 | 276,021 | 367,372 | 460,278 | 548,481 | 643,963 | 738,793 | | | | | |
| EXP - Operating YTD | | 3,291,174 | 243,102 | 471,244 | 699,721 | 963,031 | 1,182,779 | 1,416,713 | 1,648,416 | 1,871,381 | | | | | |
| EXP -(G)/L on Invest. YTD | | (4,367) | 0 | 0 | 0 | (4,460) | (4,460) | (4,460) | (4,460) | (4,460) | | | | | |
| Other Non Operating (Inc) | | (45,813) | 0 | 0 | 51,414 | 51,414 | 51,414 | 51,414 | 51,414 | 51,414 | | | | | - |
| EXP - Total YTD - $ | | 5,016,544 | 359,702 | 693,985 | 1,086,124 | 1,436,400 | 1,779,129 | 2,100,934 | 2,448,194 | 2,786,064 | | | | | |
| INC- NET- YTD | | 111,221 | 43,155 | 48,143 | 33,792 | 42,625 | 67,540 | 114,499 | 130,563 | 155,517 | | | | | |
| Operating Exp. YTD - % | < 5.00% | 2.82% | 3.07% | 2.96% | 2.91% | 2.99% | 2.93% | 2.91% | 2.89% | 2.87% | | | | | |
| Net Interest Margin / AA | > 3.00% | 1.97% | 2.36% | 2.22% | 2.27% | 2.23% | 2.22% | 2.21% | 2.18% | 2.17% | | | | | |
| Return on Average Assets | 0.70% | 0.10% | 0.55% | 0.30% | 0.14% | 0.13% | 0.17% | 0.24% | 0.23% | 0.24% | | | | | |
| Net Worth - $ | | 12,969,383 | 13,012,538 | 13,017,527 | 13,003,175 | 13,012,008 | 13,036,924 | 13,083,882 | 13,099,946 | 13,124,900 | | | | | |
| Total Resv. / Curr. Assets | > 9.00% | 10.79% | 13.75% | 13.48% | 13.35% | 13.31% | 13.23% | 13.24% | 13.09% | 13.28% | | | | | |
| Average Assets - $ | | 93,925,569 | 94,905,915 | 95,624,917 | 96,227,108 | 96,606,039 | 96,986,696 | 97,293,168 | 97,693,967 | 97,839,884 | | | | | |
| Net Charge Off - $ | | 226,262 | 0 | 0 | 42,064 | 0 | 0 | 36,768 | 0 | 0 | | | | | 78,832 |
| Net Charge Off / AA - % | < .45% | 0.20% | 0.00% | 0.00% | 0.04% | 0.00% | 0.00% | 0.04% | 0.00% | 0.00% | | | | | 0.08% |
| Long Term Assets - $ | | 22,097,505 | 21,661,861 | 21,856,752 | 22,376,763 | 21,257,817 | 21,147,088 | 20,966,911 | 21,009,497 | 21,405,271 | | | | | |
| Net Long Term Asset /A - % | < 35.00% | 18.39% | 22.88% | 22.63% | 22.97% | 21.75% | 21.47% | 21.22% | 20.99% | 21.65% | | | | | |
| Total Loans / Assets - % | < 90.00% | 32.68% | 41.48% | 40.59% | 41.20% | 40.73% | 40.14% | 39.56% | 39.06% | 40.03% | | | | | |
| Share Growth - % | 7.00% | 9.63% | -0.77% | 1.52% | 2.71% | 3.29% | 4.09% | 4.57% | 6.23% | 4.56% | | | | | |
| Loan Growth - % | 4.00% | 4.62% | 0.01% | -0.15% | 2.24% | 1.39% | 0.70% | -0.43% | -0.42% | 0.79% | | | | | |
| CD Deposits - $ | | 22,474,877 | 22,157,168 | 21,885,297 | 22,235,246 | 22,439,020 | 22,434,824 | 23,273,634 | 23,612,911 | 23,792,258 | | | | | |
| Share Deposits - $ | | 58,892,394 | 58,584,417 | 60,720,760 | 61,338,203 | 61,602,045 | 62,262,049 | 61,815,623 | 62,826,608 | 61,286,707 | | | | | |
| Loan To Total Share - % | | 66.67% | 67.02% | 64.56% | 65.45% | 64.62% | 63.50% | 63.25% | 62.23% | 64.57% | | | | | |
| Loan To Total Deposit - % | | 48.25% | 48.63% | 47.46% | 48.04% | 47.37% | 46.68% | 45.95% | 45.23% | 46.51% | | | | | |
| Fixed Assets - $ | | 1,546,175 | 1,537,523 | 1,528,410 | 1,520,064 | 1,511,665 | 1,502,541 | 1,493,474 | 1,484,856 | 1,480,226 | | | | | |
| Fixed Assets - % | < 5.00% | 1.29% | 1.62% | 1.58% | 1.56% | 1.55% | 1.53% | 1.51% | 1.48% | 1.50% | | | | | |

CU-SIP ADJUSTMENTS — Assets, Avg. Assets, Investments — Assets, Investments — NCUA - KCFCU W/O $51,414.19

## ALM - REAL ESTATE LOAN BREAKDOWN August 2010

| | Year | Count | Balance | Monthly Installments | Amount to Reprice In 3 Years |
|---|---|---|---|---|---|
| CU Channels | | 2 | 62,130.17 | | 62,130.17 |
| Variable Rate | | 22 | 441,987.07 | | 441,987.07 |
| Maturities of 3 Years & Less | 2010-2013 | 38 | 442,235.89 | | 442,235.89 |
| Maturities of 4 Years | 2014 | 26 | 595,579.96 | | 595,579.96 |
| Maturities of 5 Years | 2015 | 21 | 539,583.65 | | 539,583.65 |
| Maturities of 6 Years | 2016 | 22 | 1,054,692.41 | | 1,054,692.41 |
| Maturities of 7 Years | 2017 | 18 | 526,696.07 | | 526,696.07 |
| Maturities of 8 Years | 2018 | 44 | 1,747,785.24 | 25,010.94 | 450,196.92 |
| Maturities of 9 Years | 2019 | 24 | 900,196.79 | 11,172.98 | 201,113.64 |
| Maturities of 10 Years | 2020 | 33 | 1,751,572.63 | 20,532.63 | 369,587.34 |
| Maturities of 11Years | 2021 | 40 | 1,843,047.75 | 19,851.05 | 357,318.90 |
| Maturities of 12Years | 2022 | 49 | 2,902,244.89 | 29,368.36 | 528,630.48 |
| Maturities of 13Years | 2023 | 58 | 4,146,672.27 | 39,255.84 | 706,605.12 |
| Maturities of 14Years | 2024 | 65 | 4,725,015.88 | 42,761.53 | 769,707.54 |
| Maturities of 15Years | 2025 | 50 | 4,129,562.08 | 33,850.57 | 609,310.26 |
| Maturities of 16-19 Years | 2026 | | | | 0.00 |
| Maturities of > Than 20 Years | | | | | 0.00 |
| | | **512** | **25,809,002.75** | | **7,655,375.42** |

| | |
|---|---|
| **Net Long Term Loans** | **18,153,627.33** |
| **Fixed Assets** | **1,480,226.34** |
| **NCUSIF Deposit** | **800,792.92** |
| **LLC** | **500.00** |
| **Deferred Compensation** | **800,000.00** |
| **CUSO Investments** | **170,124.00** |
| **Total Long Term Assets** | **21,405,270.59** |

# *LOAN OFFICERS REPORT 2010*
# *JEFFERSON COUNTY FEDERAL CREDIT UNION*

***August* , *2010***

| | | |
|---|---|---|
| ***Loans Approved*** | ***211*** | ***$2,254,876.36*** |
| ***Credit Limits Approved***<br>*** includes updates & increases*** | ***32*** | ***$126,500.00*** |
| ***Loans Disbursed*** | ***219*** | ***$2,419,719.01*** |
| ***Indirect Lending*** | ***7*** | ***$91,733.00*** |
| ***Equity Checks*** | ***6*** | ***$6,749.00*** |
| ***Tecumseh Mortgages*** | ***0*** | ***$0.00*** |
| ***Universal Approved Loans***<br>**(100% Real Estate Loans)** | ***1*** | ***$19,406.00*** |
| ***Requests Denied*** | ***49*** | ***$353,045.65*** |

***J. Kevin Lush***
***Preparer***

***September 10, 2011***
***Date***

# RECOMMENDED LOAN CHARGE OFF
# THIRD QUARTER 2010

| ACCOUNT NUMBER | MEMBER NAME | CURRENT BALANCE | LOAN SFX | LOAN TYPE | MDR | AUDR | DATE PAID | DATE DUE | MEMBER GROUP | LOAN OFFICER | Comments | REASON |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 714920 | David Reynolds | $4,989.60 | 5 | U | 34% | 34% | 04/30/10 | 06/05/10 | Miscellaneous | GSE | Unsecured - Paying In Plan | CH-13 Bankruptcy |
| 756540 | Leslie Oakes | $3,032.38 | 1 | U | 38% | 46% | 02/12/10 | 04/05/10 | Louisville Metro | JKL | Mailing to ABL | Refuses To Pay |
| 833030 | Freddie West | $2,843.04 | 2 | U | 33% | 34% | 04/16/10 | 04/05/10 | Unspecified | JKL | Mailing to ABL | Unemployed - RTP |
| 844350 | Heather Reynolds | $3,461.81 | 2 | U | 12% | 12% | 05/06/10 | 06/0/10 | Place Of Residence | JKL | Unsecured - Paying In Plan | CH-13 Bankruptcy |
| 700188852 | Bridget Anson | $2,237.62 | 2 | U | 32% | 35% | 05/07/10 | 06/05/10 | Census Bureau | JKL | Unsecured - Paying In Plan | CH-13 Bankruptcy |
| **TOTALS** | **For July** | **$16,564.45** | | **5** | | | | | | | | |
| 785510 | Sherri Rothman | $2,043.33 | 5 | U | 40% | 41% | 06/02/10 | 08/05/10 | Place Of Residence | KL | Unsecured - Not Reafirming | CH-7 Bankruptcy |
| 864890 | Hattie Wright | $3,802.90 | 5 | U | 27% | 35% | 05/05/10 | 06/05/10 | Friendship Mannor | KL | Unsecured - Not Reafirming | CH-7 Bankruptcy |
| 882150 | Morgan Dennis | $3,443.54 | 1 | A | 4% | 9% | 03/12/10 | 03/05/10 | Place Of Residence | GSE | Mailing to ABL | Def Bal - Unemployed |
| 906200 | Charmont Johnson | $2,361.25 | 1 | A | 37% | 26% | N/A | 06/05/10 | Place Of Residence | KL | Wanted By U.S. Marshalls | Def Bal - Skipped to Mexico |
| 946430 | Harold Davis | $1,694.67 | 3 | A | 37% | 37% | 03/12/10 | 04/05/10 | Retired | KL | Def Bal - Unsecured | CH-7 Bankruptcy |
| 3108691 | Kenneth Gordy | $3,384.52 | 5 | U | 24% | 26% | 05/21/10 | 05/05/10 | Dayton Walton | GSE | Unsecured - Send to ABL | Unemployed - Unable to Pay |
| 700183099 | Myrna Horton | $1,799.33 | 2 | U | 35% | 41% | 07/09/10 | 07/05/10 | Census Bureau | GSE | Unsecured - Not Reafirming | CH-7 Bankruptcy |
| **TOTAL** | **For August** | **$18,529.54** | | **7** | | | | | | | | |
| 677050 | Anissa Brady | $4,816.03 | 5 | U | 45% | 49% | 06/04/10 | 07/05/10 | Louisville Metro | GSE | RTP - Unsecured | Filing CH-7 Bankruptcy |
| 840670 | Jason Hale | $4,303.71 | 5 | U | 21 | 24% | 7/2/2010 | 07/05/10 | Louisville Metro | KL | Unsecured - Paying In Plan | CH-13 Bankruptcy |
| 700184275 | Melodie Shultz | $4,756.30 | 5 | U | 43% | 45% | 06/04/10 | 07/05/10 | Census Bureau | GSE | RTP - Unsecured - In Plan | Filing CH-13 Bankruptcy |
| 700911510 | Lillian Knowles | $2,914.66 | 4 | U | 34% | 41% | 08/05/10 | 09/05/10 | Census Bureau | KL | Unsecured - No Joint Owner | Member Deceased 8-20-10 |
| **TOTAL** | **For September** | **$16,790.70** | | **4** | | | | | | | | |

**TOTAL** **ACCOUNTS** **16**

**TOTAL** **FOR QUARTER** **$51,884.69**

| CHARGE OFF BREAKDOWN | |
|---|---|
| Real Estate | $0.00 |
| Auto | $7,499.46 |
| Other | $0.00 |
| Unsecured | $44,385.23 |
| **TOTAL** | **$51,884.69** |

| PRIOR MO. MNR TOTALS* | |
|---|---|
| Real Estate | $25,784,035.05 |
| Auto | $10,498,063.09 |
| Other | $392,342.33 |
| Unsecured | $2,899,102.21 |
| **TOTAL** | **$39,573,542.68** |

*Includes Tecumseh

**Doubtful Loans September 2010**

| Account Number | Name | Type R-A-O-U | Doubtful Balance | Doubtful Amount | Doubtful Balance RE | Doubtful Balance Auto | Doubtful Balance Other | Doubtful Balance U/S | Doubt Amount RE | Doubt Amount Auto | Doubt Amount Other | Doubt Amount U/S |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Potentials** | | | | | | | | | | | | |
| 479170 L-5 | Jerry Wilhite | U | $4,435.26 | $4,410.26 | | | | $4,435.26 | | | | $4,410.26 |
| 682080 L-5 | Danny Mefford | U | $1,246.72 | $1,246.72 | | | | $1,246.72 | | | | $1,246.72 |
| 725650 L-5 | Curtis Jones Sr. | U | $4,452.79 | $4,427.79 | | | | $4,452.79 | | | | $4,427.79 |
| 758080 L-1 | William Hagan | A | $9,167.21 | $3,167.21 | | $9,167.21 | | | | $3,167.21 | | |
| 758080 L-5 | William Hagan | U | $3,523.87 | $3,498.87 | | $3,523.87 | | | | | | $3,498.87 |
| 827670 L-5 | Kelly Robinson | U | $2,459.28 | $1,000.00 | | | | $2,459.28 | | | | $1,000.00 |
| 832330 L-1 | Bernadette Baker | U | $2,329.68 | $2,304.68 | | | | $2,329.68 | | | | $2,304.68 |
| 848060 L-2 | Steve Woods | A | $2,200.50 | $200.50 | | $2,200.50 | | | | $200.50 | | |
| 863660 L-3 | David Dennis | U | $1,343.21 | $1,000.00 | | | | $1,343.21 | | | | $1,000.00 |
| 868260 L-1 | Timothy Collins | A | $5,006.88 | $2,006.88 | | $5,006.88 | | | | $2,006.88 | | |
| 887560 L-5 | Rose Borders | U | $4,967.08 | $4,967.08 | | | | $4,967.08 | | | | $4,967.08 |
| 700182038 L-1 | Quanecia Norris | A | $8,987.85 | $2,987.85 | | $8,987.85 | | | | $2,987.85 | | |
| | Total | | $50,120.33 | $31,217.84 | $0.00 | $28,886.31 | $0.00 | $21,234.02 | $0.00 | $8,362.44 | $0.00 | $22,855.40 |
| | Accounts | | 12 | 12 | 0 | 5 | 0 | 7 | 0 | 4 | 0 | 8 |
| **2-5 Months** | | | | | | | | | | | | |
| 402840 L-5 | Charles Lamb | U | $4,940.93 | $3,940.93 | | | | $4,940.93 | | | | $3,940.93 |
| 691610 L-5 | Danielle Mouser | U | $1,790.81 | $1,000.00 | | | | $1,790.81 | | | | $1,000.00 |
| 752090 L-5 | Jennifer Eddington | U | $4,517.00 | $4,492.00 | | | | $4,517.00 | | | | $4,492.00 |
| 887540 L-1 | James D'Arcy | A | $9,148.95 | $2,148.95 | | $9,148.95 | | | | $2,148.95 | | |
| 893000 L-1 | Thomas Sears | A | $16,453.93 | $3,453.93 | | $16,453.93 | | | | $3,453.93 | | |
| 907170 L-1 | Amanda Charles | A | $7,975.15 | $2,975.15 | | $7,975.15 | | | | $2,975.15 | | |
| 913400 L-5 | Barbara Thomas | U | $1,565.45 | $565.45 | | | | $1,565.45 | | | | $565.45 |
| | Total | | $46,392.22 | $18,576.41 | $0.00 | $33,578.03 | $0.00 | $12,814.19 | $0.00 | $8,578.03 | $0.00 | $9,998.38 |
| | Accounts | | 7 | 7 | 0 | 3 | 0 | 4 | 0 | 3 | 0 | 4 |
| **6-11 Months** | | | | | | | | | | | | |
| 847410 L-4 | Osia Craig Jr | A | $12,772.51 | $3,772.51 | | $12,772.51 | | | | $3,772.51 | | |
| 887760 L-1 | Danny Walters | A | $686.71 | $340.50 | | $686.71 | | | | $340.50 | | |
| | Total | | $13,459.22 | $4,113.01 | $0.00 | $13,459.22 | $0.00 | $0.00 | $0.00 | $4,113.01 | $0.00 | $0.00 |
| | Accounts | | 2 | 2 | 0 | 2 | 0 | 0 | 0 | 2 | 0 | 0 |
| **12+ Months** | | | | | | | | | | | | |
| | Total | | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| | Accounts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Grand Totals** | | **$109,971.77** | **$53,907.26** | **$0.00** | **$75,923.56** | **$0.00** | **$34,048.21** | **$0.00** | **$21,053.48** | **$0.00** | **$32,853.78** |
| | **Accounts** | | **21** | **21** | **0** | **10** | **0** | **11** | **0** | **9** | **0** | **12** |
| | | | | | **Total Doubtful Bal** | | **$109,971.77** | | **Total Doubtful Amt** | | **$53,907.26** | |

## THIRD QUARTER 2010

### ASSETS IN PROCESS OF PROCESS OF LIQUIDATION

| Account No | Sfx | Name | Balance |
|---|---|---|---|
| 893000 | 1 | Thomas Sears | $16,453.93 |

CH-13 Being Dismissed & Member Turned In
waiting on dismissal to sale

| **TOTAL** | **AMOUNT** |
|---|---|
| **1** | **$16,453.93** |

### CHARGE OFF POLICY EXCEPTIONS

| Account No | Sfx | Name | Balance |
|---|---|---|---|
| 827510 | 2 | Robin Vaughn | $5,314.00 |
| **CH-13 Bankruptcy Paying In Plan** | | | |
| 827510 | 6 | Robin Vaughn | $6,792.21 |
| **CH-13 Bankruptcy Paying In Plan** | | | |
| 887760 | 1 | Danny Walters | $686.71 |
| **CH-13 Bankruptcy Paying In Plan** | | | |
| 870940 | 1 | Kevin Cromwell | $4,829.81 |
| **CH-7 Bankruptcy Turning In Auto** | | | |
| 847410 | 4 | Osia Craig | $12,772.51 |

| **TOTAL** | **AMOUNT** |
|---|---|
| **4** | **$25,081.24** |

**ALLOWANCE FOR LOAN & LEASE LOSSES RESERVING STRUCTURE**

**SEPTEMBER 2010**

Allowance for Loan and Lease Losses will be calculated using the formula below. The data will be reported in the format below and submitted to the President prior to the 15th of the month of the calendar quarter. The minimum accetable level for this category will be the amount on "Line I". Adjusments of less than $3,000.00 will not be made to item "L". This uses a 3 year historical average.

| | | | |
|---|---|---|---|
| A. | 25,784,035 | | "Real Estate" Loan Balance from prior month Balance Sheet |
| | 0 | - | "Real Estate" Current Balance to be charged off this period |
| | 0 | - | "Real Estate" Current Balances Classified this period |
| | 25,784,035 | = | **"Real Estate" - NET Balance for Historical Loss Calculation** |
| | | | |
| | 10,498,063 | | "Auto" Loan Balance from prior month Balance Sheet |
| | 7,500 | - | "Auto" Current Balance to be charged off this period |
| | 75,924 | - | "Auto" Current Balances Classified this period |
| | 10,414,639 | = | **"Auto" - NET Balance for Historical Loss Calculation** |
| | | | |
| | 392,343 | | "Other Chattel" Loan Balance from prior month Balance Sheet |
| | 0 | - | "Other Chattel" Current Balance to be charged off this period |
| | 0 | - | "Other Chattel" Current Balances Classified this period |
| | 392,343 | = | **"Other Chattel" - NET Balance for Historical Loss Calculation** |
| | | | |
| | 2,899,102 | | "Unsecured" Loan Balance from prior month Balance Sheet |
| | 44,385 | - | "Unsecured" Current Balance to be charged off this period |
| | 34,048 | - | "Unsecured" Current Balances Classified this period |
| | 2,820,669 | = | **"Unsecured" - NET Balance for Historical Loss Calculation** |
| | | | |
| B. | 39,411,686 | = | **NET TOTAL LOANS - After Adjustments** |
| | | | |
| C. | 0.03% | | Prior 3 Year's Average loss factor in the "Real Estate" portfolio |
| | 0.69% | | Prior 3 Year's Average loss factor in the "Auto" portfolio |
| | 1.08% | | Prior 3 Year's Average loss factor in the "Other Chattel" portfolio |
| | 4.17% | | Prior 3 Year's Average loss factor in the "Unsecured" portfolio |
| | | | |
| D. | 8,092 | + | "Real Estate" Loan Historical Loss Value Required in ALLL Account |
| | 72,063 | + | "Auto" Loan Historical Loss Value Required in ALLL Account |
| | 4,228 | + | "Other Chattel" Loan Historical Loss Value Required in ALLL Account |
| | 117,546 | + | "Unsecured" Loan Historical Loss Value Required in ALLL Account |
| | | | |
| E. | 53,907 | + | Doubtful Loan Amounts from the attached report |
| | | | |
| F. | 0 | + | Balance of Loans in Special Reserves -**BRAMCO Original=$545,824 - Remaining=$ 451,125** |
| | | | |
| G. | 255,836 | = | **TOTAL LOSS EXPOSURE (Excluding Recommended Charge Off)** |
| | | | |
| H. | 51,885 | - | **Amount to be Charged Off This Quarter** |
| | | | |
| I. | 307,721 | = | **TOTAL REQUIRED Balance for the ALLL Account - (Before This Chargeoff)** |
| | | | |
| J. | 30,000 | - | **Amount to be transferred from this month's income** |
| | | | |
| K. | 312,758 | + | Allowance balance from prior month -**BRAMCO Original RESERVE = $129,752 - Not Included** |
| | | | **Remaining=$ 128,948** |
| L. | 35,037 | = | **Amount overfunded or (underfunded)** |

SAR

August

2010

## Suspicious Activity Report

| DATE FILED | DATE(S) OF ACTIVITY | | | REASON FILED | DOLLAR AMOUNT |
|---|---|---|---|---|---|
| 08/20/10 | 10/08/09 | THRU | 08/20/10 | Unusual Activity | $ 11,296.00 |
| | | | | | |
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| | | |
|---|---|---|
| **Total Activities =** | | **1** |
| **Total Dollar Amount =** | **$** | **11,296.00** |

| |
|---|
| **By:** |
| **Date:** |

| Check | Amount | Date | Payable To: | Reason |
|---|---|---|---|---|
| 10302 | 104.86 | 8/2/2010 | PROFESSIONAL INSURANCE CO | INSURANCE |
| 10303 | 488.64 | 8/2/2010 | ALLIED SOLUTIONS, LLC/GAP ACCOUNT | GAP INSURANCE |
| 10304 | 2,304.00 | 8/2/2010 | DGU INSURANCE ASSOCIATES | INSURANCE |
| 10305 | 5,637.32 | 8/2/2010 | MINNESOTA MUTUAL | INSURANCE |
| 10306 | 22.00 | 8/2/2010 | FRANKLIN COUNTY CLERK | LIEN RECORDING |
| 10307 | 22.00 | 8/2/2010 | BULLITT COUNTY CLERK | LIEN RECORDING |
| 10308 | 135.00 | 8/2/2010 | GRACE TITLE GROUP | PROFESSIONAL/OUTSIDE |
| 10309 | 32.00 | 8/2/2010 | JEFFERSON COUNTY CLERK | MORTGAGE RECORDING |
| 10310 | 25.97 | 8/3/2010 | REX LANDERS | DECEASED ACCOUNT |
| 10311 | 116.48 | 8/3/2010 | TROY WINDHORST | LOCAL TRAVEL AUG 2010 |
| 10312 | 670.25 | 8/4/2010 | DIRECT RESPONSE SERVICES, INC | PROFESSIONAL/OUTSIDE |
| 10313 | 70.22 | 8/4/2010 | FIRST SERVICE GROUP | INSURANCE |
| 10314 | 2,173.77 | 8/4/2010 | ANGELA GLASS ADMIN FOR PAMELA PY | DECEASED ACCOUNT |
| 10315 | 135.00 | 8/5/2010 | GRACE TITLE GROUP | PROFESSIONAL/OUTSIDE |
| 10316 | 32.00 | 8/5/2010 | JEFFERSON COUNTY CLERK | MORTGAGE RECORDING |
| 10317 | 49.00 | 8/5/2010 | BACHMAN VOLKSWAGON-SUBARU | INDIRECT LENDING |
| 10318 | 65.00 | 8/5/2010 | PAMELA COLLINS | INDIRECT LENDING |
| 10319 | 32.60 | 8/5/2010 | FLOYD BYNUM JR EXECUTOR | DECEASED ACCOUNT |
| 10320 | 72.89 | 8/6/2010 | WASHINGTON NATIONAL LIFE INS CO | INSURANCE |
| 10321 | 5,668.00 | 8/6/2010 | KYCUL SERVICES, INC | THEME PARK TICKETS |
| 10322 | 135.00 | 8/6/2010 | GRACE TITLE GROUP | PROFESSIONAL/OUTSIDE |
| 10323 | 32.00 | 8/6/2010 | JEFFERSON COUNTY CLERK | MORTGAGE RECORDING |
| 10324 | 1,113.17 | 8/9/2010 | DORIS REED | DECEASED ACCOUNT |
| 10325 | 135.00 | 8/10/2010 | GRACE TITLE GROUP | PROFESSIONAL/OUTSIDE |
| 10326 | 32.00 | 8/10/2010 | JEFFERSON COUNTY CLERK | MORTGAGE RECORDING |
| 10327 | 178.00 | 8/10/2010 | DOWNTOWN FORD, INC | INDIRECT LENDING |
| 10328 | 115.00 | 8/10/2010 | AL JONES | INDIRECT LENDING |
| 10329 | 1,437.68 | 8/10/2010 | THE ESTATE OF DORIS HEYMAN | DECEASED ACCOUNT |
| 10330 | 135.00 | 8/10/2010 | GRACE TITLE GROUP | PROFESSIONAL/OUTSIDE |
| 10331 | 32.00 | 8/10/2010 | JEFFERSON COUNTY CLERK | MORTGAGE RECORDING |
| 10332 | 139.00 | 8/12/2010 | DAVID'S CARS | INDIRECT LENDING |
| 10333 | 125.00 | 8/13/2010 | LOUISVILLE METRO GOVERNMENT | DECEASED ACCOUNT |
| 10334 | 1,148.67 | 8/13/2010 | AMERICAN HERITAGE | INSURANCE |
| 10335 | 1,866.00 | 8/13/2010 | COURTESY CLEANING | OFFICE OCCUPANCY |
| 10336 | 114.00 | 8/13/2010 | THOMPSON BROS PLUMBING LLC | MAINTENANCE BLDG/LAND |
| 10337 | 168.92 | 8/13/2010 | INDUSTRIAL DISPOSAL | OFFICE OCCUPANCY |
| 10338 | 596.58 | 8/13/2010 | CHEM-DRY OF LOUISVILLE | CARPET CLEANING |
| 10339 | 125.00 | 8/13/2010 | COOK'S LOCKSMITH | MAINTENANCE BLDG/LAND |
| 10340 | 34.62 | 8/13/2010 | DUPLICATOR SALES &SERVICE | PROFESSIONAL/OUTSIDE |
| 10341 | 135.00 | 8/13/2010 | QSI INC | MAINTENANCE FURN/EQUIP |
| 10342 | 71.54 | 8/13/2010 | MCPC | STATIONARY AND SUPPLIES |
| 10343 | 544.05 | 8/13/2010 | THE GALLERY COLLECTION | STATIONARY AND SUPPLIES |
| 10344 | 0.00 | 8/13/2010 | VOID | |
| 10345 | 8,176.43 | 8/13/2010 | SHARE ONE, INC | PROFESSIONAL/OUTSIDE |
| 10346 | 4,905.00 | 8/13/2010 | ADMAN MARKETING | ADVERTISING |
| 10347 | 325.00 | 8/13/2010 | PETER MARGERUM | APPRAISALS |
| 10348 | 1,000.00 | 8/13/2010 | DAVID WATERMAN LLC | APPRAISALS |
| 10349 | 996.96 | 8/13/2010 | TRANS UNION LLC | PROFESSIONAL/OUTSIDE |
| 10350 | 1,031.68 | 8/13/2010 | DIGITALMAILER, INC | PROFESSIONAL/OUTSIDE |
| 10351 | 712.05 | 8/13/2010 | GARDA CL CENTRAL, INC | PROFESSIONAL/OUTSIDE |
| 10352 | 400.00 | 8/13/2010 | PETER MARGERUM | APPRAISALS |
| 10353 | 84.00 | 8/13/2010 | PCI SERVICES, INC | PROFESSIONAL/OUTSIDE |
| 10354 | 115.00 | 8/13/2010 | CREDIT UNION CONNECTION,LLC | PROFESSIONAL/OUTSIDE |
| 10355 | 31.50 | 8/13/2010 | ROUTE ONE, LLC | PROFESSIONAL/OUTSIDE |
| 10356 | 4,024.00 | 8/13/2010 | ISC KENTUCKY | PROFESSIONAL/OUTSIDE |
| 10357 | 3,919.58 | 8/13/2010 | FN-SKY | PROFESSIONAL/OUTSIDE |
| 10358 | 30.00 | 8/13/2010 | OKOLONA PEST CONTROL | MAINTENANCE BLDG/LAND |
| 10359 | 541.66 | 8/13/2010 | CNBS LLC | PROFESSIONAL/OUTSIDE |
| 10360 | 884.06 | 8/13/2010 | INSIGHT COMMUNICATIONS | CABLE |
| 10361 | 35.81 | 8/13/2010 | THEONOLIA H DALE | DECEASED ACCOUNT |
| 10362 | 135.00 | 8/16/2010 | GRACE TITLE GROUP | PROFESSIONAL/OUTSIDE |
| 10363 | 35.00 | 8/16/2010 | JEFFERSON COUNTY CLERK | MORTGAGE RECORDING |
| 10364 | 115,220.34 | 8/16/2010 | THE ESTATE OF FRANCES A KUHL | DECEASED ACCOUNT |
| 10365 | 149.00 | 8/17/2010 | CREWS CARS LLC | INDIRECT LENDING |
| 10366 | 2,959.44 | 8/18/2010 | NXG STRATEGIES, LLC | PROFESSIONAL/OUTSIDE |
| 10367 | 336.75 | 8/18/2010 | DIRECT RESPONSE SERVICES, INC | PROFESSIONAL/OUTSIDE |
| 10368 | 135.00 | 8/19/2010 | GRACE TITLE GROUP | PROFESSIONAL/OUTSIDE |
| 10369 | 32.00 | 8/19/2010 | JEFFERSON COUNTY CLERK | MORTGAGE RECORDING |
| 10370 | 44.00 | 8/19/2010 | SPENCER COUNTY CLERK | LIEN RECORDING |
| 10371 | 135.00 | 8/19/2010 | GRACE TITLE GROUP | PROFESSIONAL/OUTSIDE |
| 10372 | 135.00 | 8/19/2010 | GRACE TITLE GROUP | PROFESSIONAL/OUTSIDE |
| 10373 | 35.00 | 8/19/2010 | JEFFERSON COUNTY CLERK | MORTGAGE RECORDING |
| 10374 | 35.00 | 8/19/2010 | JEFFERSON COUNTY CLERK | MORTGAGE RECORDING |
| 10375 | 12.00 | 8/19/2010 | CLARK COUNTY RECORDER | MORTGAGE RELEASE |
| 10376 | 39.00 | 8/19/2010 | SHELBY COUNTY CLERK | MORTGAGE RELEASE |
| 10377 | 91.00 | 8/19/2010 | JEFFERSON COUNTY CLERK | MORTGAGE RELEASE |

| Check # | | Date | Payable To: | Reason |
|---|---|---|---|---|
| 10378 | 185.00 | 8/19/2010 | GRACE TITLE GROUP | PROFESSIONAL/OUTSIDE |
| 10379 | 0.00 | 8/19/2010 | VOID | |
| 10380 | 250.00 | 8/20/2010 | AUTO-BACK RECOVERY | REPO EXPENSE |
| 10381 | 185.00 | 8/23/2010 | GRACE TITLE GROUP | PROFESSIONAL/OUTSIDE |
| 10382 | 35.00 | 8/23/2010 | SPENCER COUNTY CLERK | MORTGAGE RECORDING |
| 10383 | 135.00 | 8/23/2010 | GRACE TITLE GROUP | PROFESSIONAL/OUTSIDE |
| 10384 | 35.00 | 8/23/2010 | JEFFERSON COUNTY CLERK | MORTGAGE RECORDING |
| 10385 | 64.00 | 8/23/2010 | JEFFERSON COUNTY CLERK | MORTGAGE RECORDING |
| 10386 | 135.00 | 8/23/2010 | GRACE TITLE GROUP | PROFESSIONAL/OUTSIDE |
| 10387 | 185.00 | 8/23/2010 | GRACE TITLE GROUP | PROFESSIONAL/OUTSIDE |
| 10388 | 32.00 | 8/23/2010 | SHELBY COUNTY CLERK | MORTGAGE RECORDING |
| 10389 | 0.00 | 8/23/2010 | STOP PAYMENT - CHECK LOST IN MAIL | |
| 10390 | 608.35 | 8/24/2010 | GENERAL SERVICES ADMINISTRATION | INDIANA RENT |
| 10391 | 14,321.81 | 8/24/2010 | LOUISVILLE METRO HUMAN RESOURCES | EMPLOYEE HEALTH INSURANCE |
| 10392 | 44.00 | 8/24/2010 | POSTMASTER | POSTAGE |
| 10393 | 480.00 | 8/24/2010 | GRACE TITLE GROUP | PROFESSIONAL/OUTSIDE |
| 10394 | 35.00 | 8/24/2010 | CARROLL COUNTY CLERK | MORTGAGE RECORDING |
| 10395 | 35.00 | 8/24/2010 | JEFFERSON COUNTY CLERK | MORTGAGE RECORDING |
| 10396 | 35.00 | 8/24/2010 | JEFFERSON COUNTY CLERK | MORTGAGE RECORDING |
| 10397 | 135.00 | 8/24/2010 | GRACE TITLE GROUP | PROFESSIONAL/OUTSIDE |
| 10398 | 35.00 | 8/24/2010 | JEFFERSON COUNTY CLERK | MORTGAGE RECORDING |
| 10399 | 1,804.91 | 8/24/2010 | ALLIED SOLUTIONS, LLC/AUTO CPI | INSURANCE |
| 10400 | 302.78 | 8/25/2010 | CARL HICKS | EXPENSE REIMBURSEMENT AUGU |
| 10401 | 1,962.87 | 8/25/2010 | BLORIA TAYLOR | DECEASED ACCOUNT |
| 10402 | 142.00 | 8/25/2010 | SAM SWOPE HONDA WORLD | INDIRECT LENDING |
| 10403 | 10.00 | 8/26/2010 | KENTUCKY SECRETARY OF STATE | LIEN RECORDING |
| 10404 | 13.00 | 8/26/2010 | HENRY COUNTY CLERK | MORTGAGE RELEASE |
| 10405 | 13.00 | 8/26/2010 | SPENCER COUNTY CLERK | MORTGAGE RELEASE |
| 10406 | 104.00 | 8/26/2010 | JEFFERSON COUNTY CLERK | MORTGAGE RELEASE |
| 10407 | 232.00 | 8/27/2010 | CREWS CARS LLC | INDIRECT LENDING |
| 10408 | 75.00 | 8/27/2010 | AUTO-BACK RECOVERY | REPO EXPENSE |
| 10409 | 4,421.91 | 8/30/2010 | JAMES PARKER | DECEASED ACCOUNT |
| 10410 | 737.02 | 8/30/2010 | ALLIED SOLUTIONS, LLC/AUTO CPI | CPI AUTO |
| 10411 | 31.00 | 8/30/2010 | JEFFERSON COUNTY CLERK | REPO EXPENSE |
| 10412 | 100.00 | 8/31/2010 | LARRY DODSON | BOARD MEETING |
| 10413 | 9.00 | 8/31/2010 | LEAH WILKERSON | LOCAL TRAVEL AUGUST 2010 |
| 10414 | 390.15 | 8/31/2010 | ADT SECURITY SERVICES | PROFESSIONAL/OUTSIDE |
| 10415 | 1,055.42 | 8/31/2010 | WAYNE'S LAWN SERVICE, INC | MAINTENANCE BLDG/LAND |
| 10416 | 140.00 | 8/31/2010 | THOMPOSN BROS PLUMBING INC | MAINTENANCE BLDG/LAND |
| 10417 | 174.52 | 8/31/2010 | ACCO INC | PROFESSIONAL/OUTSIDE |
| 10418 | 874.98 | 8/31/2010 | QSI, INC | PROFESSIONAL/OUTSIDE |
| 10419 | 57.14 | 8/31/2010 | LOUISVILLE/JEFFERSON CO METRO GOV | TELEPHONE |
| 10420 | 1,099.76 | 8/31/2010 | AAA SYSTEMS | PROFESSIONAL/OUTSIDE |
| 10421 | 392.25 | 8/31/2010 | STAPLES CREDIT PLAN | STATIONARY & SUPPLIES |
| 10422 | 174.74 | 8/31/2010 | MCPC | STATIONARY & SUPPLIES |
| 10423 | 691.90 | 8/31/2010 | BLUEGRASSNET | PROFESSIONAL/OUTSIDE |
| 10424 | 1,525.00 | 8/31/2010 | DAVID WATERMAN LLC | APPRAISALS |
| 10425 | 190.00 | 8/31/2010 | PARC | DOWNTOWN PARKING |
| 10426 | 541.55 | 8/31/2010 | LINCOLN NATIONAL LIFE INSURANCE | INSURANCE |
| 10427 | 706.05 | 8/31/2010 | CHEXSYSTEMS, INC | PROFESSIONAL/OUTSIDE |
| 10428 | 829.77 | 8/31/2010 | ZIP EXPRESS COURIER SERVICES | PROFESSIONAL/OUTSIDE |
| 10429 | 50.00 | 8/31/2010 | SHRED-IT | PROFESSIONAL/OUTSIDE |
| 10430 | 325.00 | 8/31/2010 | LANDMARK APPRAISAL & RELATED SER | APPRAISALS |
| 10431 | 2,415.37 | 8/31/2010 | FISERV | PROFESSIONAL/OUTSIDE |
| 10432 | 725.00 | 8/31/2010 | WEBER & ROSE | PROFESSIONAL/OUTSIDE |
| 10433 | 320.00 | 8/31/2010 | MAPOTHER & MAPOTHER | PROFESSIONAL/OUTSIDE |
| 10434 | 200.00 | 8/31/2010 | TELEDATA COMMUNICATIONS, INC | PROFESSIONAL/OUTSIDE |
| 10435 | 243.00 | 8/31/2010 | RACHEL LEE | LOCAL TRAVEL AUGUST 2010 |
| 10436 | 91.00 | 8/31/2010 | DON FRITTS | LOCAL TRAVEL AUGUST 2010 |
| 10437 | 29.50 | 8/31/2010 | CATHY PENNELL | LOCAL TRAVEL AUGUST 2010 |
| Total | 213,182.24 | | 136 | |

| ACH OPERATING ACCOUNT PAYOUTS | Debited By: | Reason |
|---|---|---|
| 919.94 | AT&T | Phones - MO & HV |
| 2,145.07 | Credit Card | MasterCard |
| 632.86 | Louisville Water Company - MO | Office Occupancy |
| 3,044.00 | Postage | Postage |
| 140.77 | AT&T | Internet - Indiana |
| 1,913.35 | LG&E | Gas & Electric |
| Total 8,795.99 | | |

Jefferson County Federal Credit Union

RECEIVED AUG 31 2010 BY:

## COMMENT CARD

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 offer, 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.

THERE NEEDS TO BE A CREDIT UNION BRANCH ON DIXIE NOW!
THERE IS NO REASON FOR ONE NOT TO BE ON DIXIE. WITH
PNC & NATIONAL CITY MERGING THERE IS A ~~ANOTHER~~ NUMBER
OF EMPTY BRANCHES FOR SALE OR LEASE. ONE RIGHT
NEXT TO THE COURT HOUSE WITH AN ENTRANCE TO
DIXIE MANOR

NAME (Please Print) ACCOUNT # SIGNATURE 8/26/10 DATE

Jefferson County Federal Credit Union

RECEIVED SEP 15 2010

## COMMENT CARD

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 offer, 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.

I work at the Urban Govt. Ctr on Barret and
have noticed there is only one person in the
Credit Union now. I am with the Cooperative
Extension in this building and get ones from the
Credit Union when we are running low. I can see
that there are cameras but feel it is very unsafe

Phillis Mudd pmudd@uky.edu →

NAME (Please Print) ACCOUNT # SIGNATURE DATE

to have only one person at the end of an
empty hallway and a door that is
nearby that leads outside. It just seems
frightening to have no other security for
one person handling cash, with our
front security guard not always being
able to be at her or his station.

I never fill out comment cards, but
this is something I feel very strongly about.
I would not want anyone I know working
alone in this situation. Thanks for asking
for my comment. By the way, the service here
has always been excellent!