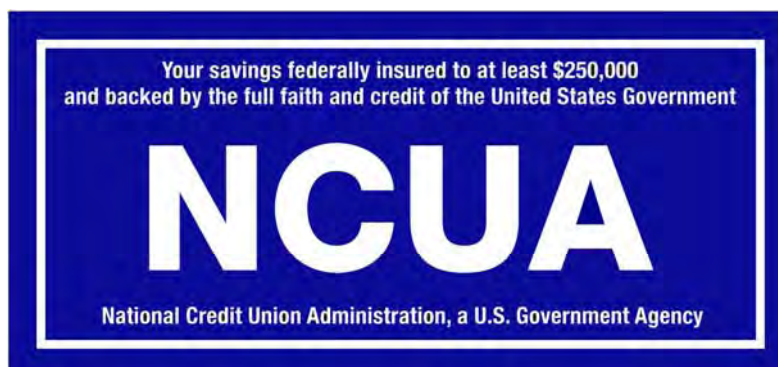




# **JEFFERSON COUNTY FEDERAL CREDIT UNION**

**A COMMUNITY CREDIT UNION**

## **Board Packet**



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

August 25, 2010

1. Approval of Minutes
  - a. July 27, 2010– Board \*
  - b. August 11, 2010 – Board \*
2. Correspondence
  - a. NC UA
    - i. 10 CU 12 Financial Trends Q1\*
    - ii. 10 CU 13 Safe Act \*
    - iii. 10 CU 14 Funding and Liquidity Risk Management\*
    - iv. 10 CU 15 Indirect Lending and Appropriate Due Diligence\*
    - v. 10 RA 11 Consolidation of Federal Reserve Board Check Centers\*
    - vi. 10 RA 12 Member Notice Requirements for Overdraft Services\*
3. Treasurer's Report
  - a. Financial Statement \*
  - b. P & L Statement Compared to Budget Monthly & Year-To-Date \*
4. President's Report \*
5. Senior Vice President Report – Marketing \*
6. Report of Committees
  - a. Annual Meeting
  - b. Employee Grievance
  - c. Executive
  - d. Facilities
  - e. Investment and Asset Liability Management - (In President's Report)
  - f. Marketing
  - g. Membership
  - h. Nominating/Bylaws
  - i. Personnel & Policy
  - j. Planning
  - k. Policy
  - l. Risk Management
  - m. Supervisory
7. Unfinished Business
  - a.
8. New Business
  - a. Loan Officer Approval \*
  - b. Investment Report Approval \*
  - c.
9. Adjournment

**\* Indicates Documentation Attached**

# JEFFERSON COUNTY FEDERAL CREDIT UNION

## MINUTES - BOARD OF DIRECTORS MEETING

DATE: July 28, 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)	Excused	Gary Fischer – Supv. Comm.	(GF)	Present
Larry Dodson - Director	(LD)	Excused	Carl Hicks – President and CEO	(CH)	Present
Marilynn Hettich - Director	(MH)	Present	Gary Edelen – Sr. Vice President	(GE)	Present
Barbara Hays - Director	(BH)	Present			

Chairman Eskridge called the meeting to order at 8:30 AM. CH was appointed as acting secretary.

A motion was made by SS and duly seconded by MH to approve the minutes of 06-23-10, 07-07-10 and the 06-23-10 Supervisory Committee minutes. 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 \$392,000 leaving an increase of \$3,721,000 year to date. Loan volume for the month showed an increase of \$285,000 and net loans showed a decrease of \$441,000 leaving a decrease of \$167,000 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 \$46,958 or \$9,000 above budget. Our ROA was .24%. We could be at .34% without the NCUA/KCFCU mandated write off in March. Also bear in mind we are accruing \$26,759 out of our bottom line monthly (\$160,554 YTD) for the NCUSIF stabilization amount paid this month and the additional premium payable in September. He further commented that the new regulations recently passed will have an impact on our bottom line in the form of revenue, compliance issues etc. A motion was made by MH and duly seconded by SS 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 computers for the lending area of the main office have been ordered to begin our system wide digital/electronic loan closings.
2. The comment from Keith Steier, NCUA relative to our revamped loan policy was discussed. All agreed that our normal monitoring of loans was acceptable for MBLs of \$50,000 and less if the member was qualified on income not derived from the property.
3. The loan rate changes were discussed and the first vs. second mortgage gap discussed.
4. A lengthy discussion ensued regarding our midyear branch statistics review.
5. All Board members were reminded that the August Executive meeting will be held at IHOP on Hurstbourne Lane.

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

### SENIOR VICE PRESIDENT'S REPORT

GE reported that we had 91 TV and 31 radio commercials on three stations. Our business development person has been working on outside marketing and is doing more on site enrollments. Our TV and Radio

commercial spots were revamped to show the reduced loan rates. They should start airing Friday. It was also noted that our business development person was expecting an addition to her family next March. A motion was made by BH and duly seconded by WW to approve as printed and discussed. Vote Taken - Motion Carried.

ANNUAL MEETING COMMITTEE - No Report

EMPLOYEE GRIEVANCE COMMITTEE - No Report

EXECUTIVE COMMITTEE – No Report

FACILITIES COMMITTEE – No Report

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

MARKETING COMMITTEE - Contained in President's report.

NOMINATING/BYLAWS COMMITTEE – No Report

PERSONNEL & POLICY COMMITTEE – No Report

PLANNING COMMITTEE – No Report

POLICY COMMITTEE – No Report

RISK MANAGEMENT COMMITTEE - No Report

SUPERVISORY COMMITTEE - No Report

UNFINISHED BUSINESS - None

NEW BUSINESS

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

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

A motion was made by SS and duly seconded by MH to approve the changes enumerated in the President's report effective 08-16-10 relative to the branch changes recommended. Vote Taken - Motion Carried.

GF inquired about the new regulations and whether they capped NSF fees. CH stated that the amount of NSF fees was not even addressed in the changes. MH stated that some of the new regulation deals with the maximum amount of fees credit card vendors are allowed to charge.

A motion was made by MH and duly seconded by SS to adjourn at 9:25 AM. Vote Taken - Motion Carried.

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Chairman

Acting

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Secretary

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

DATE: August 11, 2010  
TIME: 8:30 A.M.  
LOCATION: IHOP – Hurstbourne Lane

Roll Call

William Eskridge - Chairman	(WE)	Present
Steve Schweitzer - Vice-Chairman	(SS)	Present
Wendell Wright – Treasurer	(WW)	Excused
Ed Davis - Secretary	(ED)	Excused
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 were discussed. Our net income was less than what we budgeted but remains in the black with an ROA of .23%.
2. **Deposit & Loan Rates** – Still very competitive in all areas. Loan rates were reduced as discussed last month.
3. **September 8<sup>th</sup> Meeting Location** – IHOP. The 10-12-10 meeting is still scheduled at Holiday Inn.
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.
6. **October Meeting Packets** - will not be available until Monday afternoon or Tuesday morning due to these meetings.
7. **Digitizing Loan Documents** – Laptops were ordered and will soon be in place at the MO to start this service. Once loan documents are complete we will work on other items like share agreements, disclosures etc.
8. **Internet Gambling Policy** – A motion was made by SS and duly seconded by MH to approve the policy change as discussed and attached an additionally the remainder of the ecommerce policy was updated with minor housekeeping updates. Vote Taken - Motion Carried.
9. **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. Jason's Deli, Corner Café, Bristol and a few others were discussed.
10. **Planning Session** – MH will investigate a place for the dinner portion of this event.
11. **Phone System MO** – CH advised our phone system was hacked last Thursday and several calls (\$ unknown at this time) were made from Slovonian Russia. We can apply for a credit once we get the bill. All phones were checked for forwarding and all staff had to make their voice mail code 8 digits in lieu of 4.
12. **Staff Update** – Our newest front line person has resigned and we will try to not fill that position for the short term.
13. **ALM Report** – CH reported the committee reviewed the report and all areas were in line with the best we can do in this economy.

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

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Acting

\_\_\_\_\_  
Secretary

# NCUA LETTER TO CREDIT UNIONS

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

DATE: July 2010  
TO: Federally Insured Credit Unions  
SUBJ: State of the Credit Union Industry as of March 31, 2010  
ENCL: Financial Trends in Federally Insured Credit Unions January 1 – March 31, 2010

### Dear Board of Directors:

Enclosed is a report analyzing credit union financial trends for the first three months of 2010. While the analysis is based on data compiled from first-quarter call reports, it is intended to inform you about national trends and risks that NCUA will continue to focus on throughout 2010.

The overall financial condition of the credit union system remains sound. However, NCUA has identified negative trends affecting certain types of products. In particular, real estate and business loan delinquencies are increasing as economic uncertainties persist. As a result, credit risks remain a crucial issue for credit unions and will be closely monitored by our field staff. We expect credit unions to implement plans to mitigate these risks.

Interest rate risk is another concern for credit unions going forward. The credit union industry continues to hold a significant amount of long-term fixed rate loans, while shares are primarily in rate-sensitive or short-term accounts. Proactive structuring and proper control over loan concentrations and share products will be fundamental to the future viability of credit unions. For these reasons, interest rate risk will be another area of emphasis during examinations.

Several positive signs emerged during the first quarter of 2010:

- Credit unions were able to reduce their provisions for loan losses by 29 basis points, which led to a net increase in earnings of 29 basis points.
- Credit unions lowered their cost of funds at a faster rate than their loss in loan yields. Both of these factors widened credit unions' net interest margin.
- Credit unions cut operating expenses even further. For the first time in five years, operating expenses were lower than the net interest margin.

Thank you for submitting your financial and statistical data in a timely manner. While some short-term numbers are moving in the right direction, credit unions still have a long way to go before overcoming all the effects of the economic downturn. NCUA will continue work with you to take proactive steps to protect the safety and soundness of the credit union industry.

Sincerely – Deborah Matz, Chairman

## ENCLOSURES – Letter 12

### FINANCIAL TRENDS IN FCUS JANUARY 1 – MARCH 31, 2010 HIGHLIGHTS

Number of Credit Unions Reporting		
	Federal CUs	State CUs
2006	5,189	3,173
2007	5,036	3,065
2008	4,847	2,959
2009	4,714	2,840
Mar-10	4,682	2,816

This report summarizes the trends of all federally insured credit unions that reported as of March 31, 2010. Change is measured from December 31, 2009. (The financial results for prior periods may reflect changes when compared to the prior period trend letters due to subsequent call report modifications.)

- **Assets** increased \$12.97 billion, or 5.86% annualized. Total assets of federally insured credit unions totaled \$897.6 billion.
- **Net Worth** dollars increased \$1.03 billion, or 4.68% annualized. The net worth to assets ratio decreased slightly from 9.90% to 9.87%.
- **Earnings** as measured by the return on average assets increased from 0.18% to an annualized 0.47%.
- **Loans** declined \$6.81 billion, or -4.76% annualized. The loan to share ratio decreased from 76.06% to 73.16%. The new vehicle loan category had the largest decline.
- **Delinquent** loans as a percentage of total loans declined from 1.83% to 1.76%. Delinquent real estate loans as a percentage of total real estate loans increased from 1.98% to 2.02%, while delinquent business loans to total business loans increased from 3.69% to 4.06%.
- **Net Loan Charge-Offs** as a percent of average loans decreased from 1.21% to 1.19%.
- **Shares** increased \$20.58 billion, or 10.94% annualized. The largest growth in share dollars was regular shares, followed by money market, and IRA/KEOGH accounts.
- **Current members** increased by 0.3 million, or 1.35% annualized.

Federally insured credit unions reported improved earnings performance and overall declining loan delinquency. Continued caution will be necessary with declining loan volumes and increasing foreclosures and modifications of loans. Real estate delinquency and member business loan delinquency continue to be high and increasing. Continued vigilance in underwriting and sound asset-liability management practices will be essential.

#### SUMMARY OF TRENDS BY ASSET GROUP

	Asset Group Under \$10 million	Asset Group \$10 million to \$100 million	Asset Group \$100 million to \$500 million	Asset Group Over \$500 million
# of Credit Unions	2,903	3,225	1,011	359
Total Assets	\$11.23 billion	\$114.48 billion	\$222.45 billion	\$549.45 billion
Average Assets	\$3.87 million	\$35.50 million	\$220.03 million	\$1.53 billion
Net Worth/Total Assets	14.92%	11.61%	10.10%	9.31%
Average Net Worth (non dollar-weighted)	16.48%	12.23%	10.12%	9.64%
Net Worth Growth*	-9.50%	1.17%	3.51%	6.90%
Return on Average Assets (ROA)	-0.18%	0.14%	0.34%	0.62%
Net Interest Margin/Average Assets	3.73%	3.49%	3.36%	3.12%
Fee & Other Income/Average Assets	0.64%	1.09%	1.35%	1.20%
Operating Expense/Average Assets	3.98%	3.82%	3.62%	2.77%
Members / Full-Time Employees	401.36	397.07	350.29	399.50
Provision for LLL/Average Assets	0.43%	0.49%	0.72%	0.95%
Loans/Shares	59.12%	63.60%	71.06%	76.36%
Delinquent Loans/Total Loans	2.55%	1.58%	1.62%	1.83%
% of Real Estate Lns Delinquent > 2 Mths	1.92%	1.65%	1.79%	2.15%
Net Charge-Offs/Average Loans	0.80%	0.79%	1.04%	1.32%
Share Growth*	11.77%	12.52%	11.32%	11.17%
Loan Growth*	-9.33%	-4.81%	-4.21%	-4.18%
Asset Growth*	7.53%	7.20%	4.60%	6.75%
Membership Growth*	-2.23%	-0.16%	1.07%	3.72%
Net Long-Term Assets/Total Assets	8.42%	22.65%	31.27%	34.45%
Cash + Short-Term Invest./Assets	34.86%	24.10%	17.68%	14.73%
Borrowings/Shares & Net Worth	0.07%	0.31%	1.45%	4.68%

\*Note: The growth trends are based on the same FICUs reporting 12/31/09 and 3/31/10 using assets as of 3/31/10.

A distinct difference exists in the performance among the different asset groups. Net worth ratios are solid among all asset groups with the largest percentages being reported in the under \$10 million category. However, the under \$10 million category numbers indicate these credit unions are having the greatest challenge with earnings, loan growth, and membership growth. The larger credit union categories are able to benefit from their economies of scale and ability to more easily increase membership.



# NCUA LETTER TO CREDIT UNIONS

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

DATE: August 2010 LETTER NO.: 10-CU-13  
TO: All Credit Unions  
SUBJ: Compliance Deadline for SAFE Act  
ENCL: (1) NCUA Regulation - Part 761 with Appendix A  
(2) SAFE Act Frequently Asked Questions (FAQs)

Dear Board of Directors:

By October 1, 2010, credit unions are required to establish written policies providing a basic framework for compliance with the SAFE Act. To help you comply, this letter provides background, regulatory language, and answers to frequently asked questions.

## Background

Enacted as part of the Housing and Economic Recovery Act of 2008, the Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act) mandates a nationwide licensing and registration system for mortgage loan originators: the Nationwide Mortgage Licensing System and Registry. The primary goals of the SAFE Act are to:

- Provide more effective regulatory oversight over the mortgage loan industry;
- Enhance consumer protection and accessibility to information;
- Reduce mortgage loan fraud; and
- Provide uniform license application and reporting requirements.

The SAFE Act specifically prohibits an individual who is employed by a depository institution from engaging in residential mortgage loan origination without first registering as a mortgage loan originator (MLO) and obtaining a unique identifier. This registration must remain current as long as the MLO is performing loan origination duties.

Consistent with the SAFE Act, the NCUA Board recently promulgated Part 761 of NCUA's Rules and Regulations containing the SAFE Act's requirements for credit unions and their employees. A copy of the regulation and its appendix can be accessed at <http://www.ncua.gov/Resources/SAFEAct.aspx>. We have also included a list of frequently asked questions (FAQs) which can be found utilizing the same link.

Please note that the federal Registry is in development and not currently accessible. We expect the Registry to become operational in early 2011 and will provide public notice when it is available.

Credit unions should further refine their policies once more definitive details regarding the registration process are available.

If you have any questions related to the SAFE Act, you should contact your NCUA regional office or state supervisory authority.

Sincerely – Deborah Matz, Chairman

# NCUA LETTER TO CREDIT UNIONS

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

DATE: August 2010 LETTER NO.: 10-CU-14  
TO: Federally Insured Credit Unions  
SUBJ: Strengthening Funding and Liquidity Risk Management

**ENCL:** Final Interagency Policy Statement on Funding and Liquidity Risk Management  
**REF:** [Letter to Credit Unions #02-CU-05: Examination Program Liquidity Questionnaire](#)

Dear Board of Directors:

The Federal Financial Institutions Examination Council (FFIEC) (Federal Financial Institutions Examination Council member agencies include the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, Office of Thrift Supervision, and the State Liaison Committee.), working in accordance with NCUA, recently issued guidance for all financial institutions on funding and liquidity risk management. The enclosed guidance describes sound practices to manage funding and liquidity risk, and strengthen overall liquidity risk management.

NCUA expects each federally insured credit union to manage liquidity risk using processes and systems that are commensurate with their own credit union's complexity, risk profile, and scope of operations.

The guidance clarifies the process that should be followed to appropriately identify, measure, monitor, and control funding and liquidity risk. For example, the guidance provides five strategies to measure and manage liquidity risk:

- Project cash flows;
- Diversify funding sources;
- Stress test;
- Cushion liquid assets, and;
- Develop a formal contingency funding plan.

This new guidance supplements existing guidance provided in Letter to Credit Unions No. 02-CU-05.

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

Sincerely – Deborah Matz, Chairman

## NCUA LETTER TO CREDIT UNIONS

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

<b>DATE:</b>	<b>August 2010</b>	<b>LETTER NO.: 10-CU-15</b>
<b>TO:</b>	<b>Federally Insured Credit Unions</b>	
<b>SUBJ:</b>	<b>Indirect Lending and Appropriate Due Diligence</b>	
<b>REF:</b>	(1) 12 C.F.R §701.21(h)	
	(2) Due Diligence Over Third-Party Service Providers (LCU 01-CU-20)	
	(3) Specialized Lending Activity (LCU 04-CU-13)	
	(4) Specialized Lending Activities – Third-Party Subprime Indirect Lending and Participations (05-Risk-01)	
	(5) Evaluating Third Party Relationships (LCU 07-CU-13)	
	(6) Evaluating Third Party Relationships Questionnaire (LCU-08-CU-09)	

Dear Board of Directors:

This letter details the risk management practices that are appropriate and necessary to soundly manage an indirect lending program.

#### What Is Indirect Lending?

Indirect lending relationships exist in different forms. The most typical form is an arrangement where a credit union contracts with a merchant to originate loans at the point of sale, such as an auto dealer. (While this letter references automobiles, other types of indirect programs involving collateral such as recreational vehicles or furniture exist. These programs also warrant the same level of scrutiny as an indirect automobile program.)

Other indirect lending relationships allow a third-party vendor such as a Credit Union Service Organization (CUSO) or other outside party to perform activities related to indirect lending: including underwriting, servicing, repossession, or insurance processing.

Regardless of the type of indirect lending relationship established, no credit union should delegate loan approval authority to a third party. Every credit union has the responsibility to perform its own due diligence, establish effective controls and monitoring systems to mitigate the risks to the credit union's earnings and net worth.

### **What Are the Risks?**

Rapid growth in an indirect lending product line can lead to a material shift in a credit union's balance sheet composition.

While there are benefits to a well-run indirect lending program, an improperly managed or loosely controlled program can quickly lead to unintended risk exposure. This can increase credit risk, liquidity risk, transaction risk, compliance risk, and reputation risk.

### **Watching for Red Flags**

NCUA examiners are reviewing Call Reports for increasing amounts of repossessed autos or increasing indirect lending delinquency and loan losses. In addition to those obvious danger signs, examiners are also looking for other warning signs or "red flags" that may require a credit union to slow down indirect lending. Examples of key red flags include, but are not limited to:

- A high concentration of indirect loans to total loans or net worth without adequate controls in place;
- Incentive programs tying loan officer bonuses to indirect loan volume;
- Inadequate analysis of overall indirect loan portfolio performance;
- High instances of first payment default, payment deferment, and account re-aging;
- Frequent refinancing of past due interest, repairs, and add-on expenses (GAP Insurance); (GAP insurance is an insurance policy consumers can purchase to provide protection for a loan or lease for the purchase of an auto. In the early years of an auto's life, if the auto has been totaled by accident, theft, fire, flood, tornado, vandalism, or hurricane, insurance companies typically pay only the actual cash value of the auto. The actual cash value may be less than the amount owed on the auto loan or lease. A GAP insurance policy pays the difference between the actual cash value of the auto and the outstanding loan balance.)
- Insufficient loan documentation; or
- Poor dealer management including reliance on the dealer to obtain credit reports; accepting loan payments from dealers; dealer-created down payments through dealer incentives, inflated or fraudulent trade-in or purchase price; or continuous overdrafts in dealer reserve accounts.

If an examiner sees any of these red flags in your credit union, the examiner may contact your credit union or conduct on-site supervision to assess the indirect lending vendor due diligence program and red flags – even if a regular exam is not scheduled.

### **Effective Ongoing Due Diligence**

All loan programs have unique risks. Indirect lending is no exception. A comprehensive, effective, and ongoing due diligence program is necessary to mitigate the risks associated with indirect lending. The elements of a sound due diligence program (Letter to Credit Unions 07-CU-13, Evaluating Third Party Relationships, provides credit unions guidance on a comprehensive, effective, and ongoing vendor due diligence program.) include:

- A planning process which assesses the risk of the vendor relationships both initially and ongoing;
- Comprehensive written policies addressing all facets of the indirect lending program including underwriting and monitoring;
- A review process to assess the vendor's financial and operational risks;
- A process to periodically assess the legal agreements and needs for each program; (Contracts outlining third-party arrangements are often complex. Credit unions should take measures to ensure careful review and understanding of the contract and legal issues relevant to third-party arrangements. Credit unions should ensure compliance with state and federal laws and regulations, and contractually bind the third party to compliance with applicable laws. Supervisory Letter 07-01, Evaluating Third Party Relationships, enclosed with Letter to Credit Unions 07-CU-13, contains guidance on contract issues and legal review contracts outlining third-party arrangements are often complex. Credit unions should take measures to ensure careful review and understanding of the contract and legal issues relevant to third-party arrangements. Credit unions should ensure compliance with state and federal laws and regulations, and contractually bind the third party to compliance with applicable laws. Supervisory Letter 07-01, Evaluating Third Party Relationships, enclosed with Letter to Credit Unions 07-CU-13, contains guidance on contract issues and legal review). and

- A risk management process to control the risk associated with the vendor relationship.

### **Successful Planning Process**

The planning process lays the foundation for a successful indirect lending program. The planning process should, at a minimum:

- Establish the credit union's short and long-term goals for the indirect lending program;
- Establish portfolio limitations in terms of net worth, and in aggregation with other lending products;
- Determine the level of lending and collection staff sufficient to operate and monitor the program;
- Perform periodic risk-reward or cost-benefit analysis to determine if the net return to the credit union is sufficient for the risk;
- Consider the indirect lending program's impact on asset liability management and liquidity risk management programs; and
- Establish an exit strategy in the event of an unexpected or unplanned increase in the program risk profile.

### **Consistent Underwriting Standards**

Successful lending programs rely on well developed policies and practices. The credit union's indirect loan policy should clearly establish specific underwriting standards and clear requirements for the loans the credit union will accept from vendors.

Indirect lending standards should be consistent with the credit union's direct (internal) loan underwriting standards. The standards should be reviewed at least annually or more often if risk levels increase or if negative trends begin to surface.

Exceptions to the indirect loan policy should be infrequent. All exceptions should be approved by credit union personnel responsible for administering the indirect lending program and reported to the board of directors for their review.

### **Clear Vendor Policies**

Vendors are one of the most critical components of a successful indirect lending program. Their financial health, demonstrated performance, and reputation are major factors in a successful indirect lending program. Vendors include any CUSO or third party used to facilitate indirect lending, as well as automobile dealerships.

Credit union officials should establish clear policies governing the selection of vendors, as well as conditions requiring removal of vendors from the indirect lending program.

### **Financial and Operational Review Process**

Credit unions need to complete, and periodically update, a comprehensive financial and operational review of each indirect lending partner. The financial and operational review should, at a minimum, include:

- A clear understanding of the vendor's business plan and marketing strategy;
- The identification of any vendor-related parties involved in the relationship (affiliates, business partners, etc.);
- A review of the financial condition of the vendor and any third-party affiliates through financial statements and business credit reports from a recognized credit reporting agency;
- An understanding of how cash flow moves between all parties involved in the transaction;
- A clear understanding of the vendor's expectation of the credit union and the credit union's expectation of the vendor; and
- An investigation of the vendor's history with indirect lending (request references from other indirect lending partners).

Credit unions should have a clear understanding of the operational structure of the vendor and identify the individual(s) at the vendor responsible for administering the program, addressing loan underwriting issues, cash flows and contract issues.

Credit unions are responsible for obtaining information on automobile dealerships or other point-of-sale vendors whether they work directly or through CUSOs and third parties to service these relationships. It is critical for credit unions to define the risks of each type of relationship and develop sound operational controls and procedures to manage the risk.

### **Formalized Contracts and Written Agreements**

All agreements between the credit union and the vendor should be formalized in a written contract. Written contracts should address at a minimum:

- Dealer compensation;
- Credit criteria;
- Documentation standards;
- Dealer reserves (a dealer reserve account is controlled by the credit union and provides for charging back non-performing loans to the dealer under certain circumstances);
- Dispute resolution; and
- Exit clauses.

The contract should be reviewed by legal counsel with the specialization necessary to provide a written opinion on indirect lending contracts. The legal counsel should be completely independent of the vendor, be hired directly by the credit union either internally or externally, and represent only the credit union's interests.

### **Effective Risk Management**

An effective risk management program can result in changes to the indirect lending program which would reduce risk exposure, identify and mitigate the risk of fraudulent activity, or result in executing the exit clause of the contract.

The most effective method of evaluating the performance of a vendor is through an analysis of the vendor's static loan pool data. (This analysis uses a pool of loans underwritten with the same criteria during the same month, quarter, or year, and tracks its performance over time. Using a static loan pool report, credit unions can make assumptions about life-of-loan performance to project expected rates of return. Unlike other methods of performance review, the static pool data is not skewed or diluted by new loans. (Risk Alert 05-RISK-01, Specialized Lending Activities-Third-Party Subprime Indirect Lending and Participations). The credit union's indirect lending policy should establish the information which is contained on the static loan pool data report. The static loan pool data report should provide sufficient information to determine, at a minimum: delinquency rates, default rates, current and cumulative losses, prepayments, and rates of return for each vendor.

Credit unions should regularly test for compliance with the contract terms by comparing delinquency, loan losses, and rates of return to previous results and budget levels. These statistics and those from the static loan pool analysis should be compiled for each vendor and the overall program. Credit unions should implement changes based on the analysis of the program and individual vendors participating in the program.

### **Preventing and Detecting Fraud**

Fraud prevention and detection procedures should be incorporated into the credit union's oversight program. Fraud prevention relies on strong internal controls and accurate, timely, and relevant information. Strong internal controls include but are not limited to:

- Staffing sufficient to allow for segregation of duties – one person should not be responsible for loan approval, reporting, reconciliations, and collection. If staffing levels do not allow for proper segregation of duties, other compensating internal controls may be necessary;
- Safeguards to restrict inappropriate access to data;
- Knowledge of credit union policies – staff should receive training at least annually and when policies change;
- Procedures to ensure limited exceptions to the established policies – exceptions should be infrequent and approved by appropriate personnel;
- Quality control processes to ensure the credit union receives perfected liens, proof of insurance, and other necessary documentation, in addition to verifying the completeness, accuracy and validity of loan deals; and
- Internal audit functions that include testing loans from each vendor through direct member communication.

### **Conclusion**

An improperly planned or loosely managed indirect lending program can lead to unintended changes in the risk profile and financial performance of your credit union. NCUA has seen seemingly healthy credit unions fail in a matter of months due to indirect lending programs that spun out of control.

Guidance to federally insured credit unions on specialized lending, due diligence, and managing third-party relationships are incorporated in this letter by reference. Your credit union will be expected to follow all of this guidance when building or reviewing an indirect lending program.

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

Sincerely – Deborah Matz, Chairman

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## REGULATORY ALERT

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

**DATE:** August 10, 2010 **NO** : 10-RA-11  
**TO:** Federally Insured Credit Unions  
**SUBJ:** Consolidation of Federal Reserve Board Check Centers: Impact on Deposit Holds and Funds Availability

#### Dear Board of Directors,

The purpose of this Regulatory Alert is to provide you with guidance now that the Federal Reserve Board has consolidated all of its check processing operations into one facility in Cleveland, Ohio.

The guidance addresses the impact of this consolidation on your funds availability policies and schedules, and required notice of changes to your members.

#### Background

On January 5, 2010, the Federal Reserve Board issued a final rule amending Appendix A of Regulation CC - Availability of Funds and Collection of Checks. The final rule reflects the restructuring of check-processing operations within the Federal Reserve System. The transfer of the check processing operation became effective February 27, 2010. As a result of this amendment, there is now only one check-processing region for purposes of Regulation CC. Consequently, there are no longer any checks that are considered "nonlocal."

#### Effect on Check Deposit Holds and Funds Availability

Regulation CC spells out the maximum period of time that a depository institution may hold certain deposited items before making the funds available to consumers. Under the regulation, a depository institution is generally required to provide faster availability for funds deposited by a "local check" than funds deposited by a "nonlocal check." A check is considered local if it is payable by, at, or through a financial institution located in the same Federal Reserve check processing region as the depository institution. Because Appendix A has been amended to reflect the existence of only one check processing region, there are no longer any "nonlocal checks."

All depository institutions are advised to review their check and deposit holds and funds availability policies, procedures, disclosures, and operations to ensure compliance with the revisions to Appendix A of Regulation CC. While the consolidation of check processing centers is primarily an administrative change made by the Federal Reserve Board, additional revisions to Regulation CC and/or the relevant interagency examination procedures may become necessary. If any additional revisions to the regulation or examination procedures are made, we will provide further information.

Information about the consolidation of check processing operations appears on the Federal Reserve Board's website at this link: <http://www.federalreserve.gov/newsevents/press/bcreg/20091231a.htm>

If you have questions concerning these Regulation CC amendments, please do not hesitate to contact your NCUA regional office or state supervisory authority.

Sincerely – Deborah Matz, Chairman

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# REGULATORY ALERT

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

DATE: August 2010  
TO: Federally Insured Credit Unions  
SUBJ: Member Notice Requirements for Overdraft Services

NO: 10-RA-12

**Dear Board of Directors,**

Effective August 15, 2010, financial institutions are prohibited from charging consumers fees for paying overdrafts on automated teller machine (ATM) transactions and one-time debit card transactions – unless consumers “opt in” to overdraft services for those types of transactions. Your credit union’s overdraft program must comply with these changes.

**To assist you in this process, NCUA has posted the Federal Reserve Board’s sample opt-in notice: *What You Need to Know about Overdrafts and Overdraft Fees*.**

The Fed’s easy-to-understand notice was created to raise consumers’ awareness of overdraft fees, as well as options available to reduce those fees. The sample notice is available online through the following link: <http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20091112a3.pdf>

While credit unions are not required to use this sample notice, it is a convenient way to provide the required notice to members.

The Fed’s recent changes to Regulation E enable consumers to limit the costs of overdraft services by providing consumers and financial institutions with several choices:

- **Consumer Opt In** – As highlighted above, this provision requires that consumers opt in, or affirmatively consent, to the institution’s overdraft service for ATM and one-time debit card transactions, before overdraft fees may be assessed on an account.
- **Opt-in/Out Notice** – Prior to opting in, a consumer must be provided a notice explaining the financial institution’s overdraft services. This should include the fees associated with the service and the consumer’s choices.
- If institutions do not use the Fed’s sample notice, Regulation E includes language that the notice should substantially follow.
- **Consumers Covered** – The opt-in right applies to all consumers, including new and existing account holders.
- **Revocation Option** – Consumers also have an ongoing right to revoke consent after they opt in.
- **Same Account Terms, Conditions and Features** – Institutions must provide consumers who do *not* opt in with the same account terms, conditions and features -- including prices -- as consumers who do opt in.
- **Prohibition from Charging Overdraft Fees for Overdrafts Paid** – Institutions are prohibited from charging overdraft fees for any overdrafts they pay on ATM and one-time debit card transactions for consumers who do *not* opt in.
- **Mandatory Compliance Dates:**

**July 1, 2010 – for new accounts opened after July 1, 2010**

**August 15, 2010 – for accounts existing before July 1, 2010**

The final rule and recent clarifying amendments are available through the following links:

Final Rule: <http://frwebgate3.access.gpo.gov/cgi-bin/PDFgate.cgi?WAISdocID=gdH1LZ/2/2/0&WAIAction=retrieve>  
Amendments Clarifying the Final Rule: <http://edocket.access.gpo.gov/2010/pdf/2010-13280.pdf>

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

Sincerely – Deborah Matz, Chairman

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# JEFFERSON COUNTY FEDERAL CREDIT UNION

## Statement of Financial Condition -- July 2010

ASSETS		LIABILITIES	
LOANS	39,037,752.59	ACCOUNTS PAYABLE	3,213.93
ASSETS IN LIQUIDATION OF LOANS - RE	0.00	MONEY ORDERS	6,069.74
ASSETS IN LIQUIDATION OF LOANS - AU	0.00	TRAVELERS CHECKS	0.00
REAL ESTATE LOANS - TECUMSEH	62,218.81	AMUSEMENT PARK TICKETS	5,842.25
		KYCUPAC - FROM MEMBERS	0.00
		DEATH CLAIMS	21,060.74
TOTAL LOANS TO MEMBERS	39,099,971.40	EMPLOYEE 401(K) PLAN	0.00
ALLOW. FOR LOAN LOSSES	(420,212.18)	INSURANCE COMPANIES	7,949.10
ALLOW. FOR OVERDRAFT LOSSES	(591.93)	FLOOD DETERMINATION	72.00
		RECORDING FEES - CLERK	374.00
<b>NET LOANS</b>	<b>38,679,167.29</b>	ATTORNEY FEES	11,620.00
		APPRAISALS	(1,450.00)
		<b>TOTAL ACCOUNTS PAYABLE</b>	<b>54,751.76</b>
		<b>DIVIDENDS PAYABLE</b>	<b>61,747.10</b>
		<b>457 DEFERRED COMPENSATION LIABILITY</b>	<b>16,920.84</b>
FIFTH THIRD	266,057.64	FEDERAL TAXES	0.00
VAULT CASH	399,973.67	KENTUCKY STATE TAXES	0.00
CHANGE FUND - ATM MACHINE	66,880.00	FEDERAL & STATE UNEMPLOY.	0.00
PETTY CASH	50.00	OCCUPATIONAL TAXES	0.00
<b>CASH TOTAL</b>	<b>732,961.31</b>	TAXES HELD ON DIVIDENDS	101.05
		ACCRUED PROPERTY TAXES	14,000.00
KENTUCKY CORPORATE FCU	24,058,334.12	PENALTIES ON PREMATURE IRA DISTR.	0.00
FEDERAL HOME LOAN BANK OF CINCINNATI	147,434.42	<b>TOTAL TAXES PAYABLE</b>	<b>14,101.05</b>
DEPOSITS - OTHER FINANCIAL INSTITUTIONS	32,817,000.00	ACCRUED EXPENSES	272,186.13
SHARE ONE CUSO INVESTMENT	100,000.00	<b>TOTAL ACCRUED EXPENSES</b>	<b>272,186.13</b>
LOAN TO CUCKY	0.00	<b>ACCRUED NCUSIF STABILIZATION EXPENSE</b>	<b>108,955.38</b>
457 DEFERRED COMPENSATION ASSET	16,920.84	<b>UNAPPLIED EXCEPTIONS</b>	<b>30,635.08</b>
<b>TOTAL INVESTMENTS</b>	<b>57,139,689.38</b>	<b>TOTAL LIABILITIES</b>	<b>559,297.34</b>
		<b>CAPITAL</b>	
ACCRUED INTEREST - LOANS	172,141.23	REGULAR SHARE ACCOUNTS	19,693,738.54
OTHER ACCRUED INCOME	0.00	CLUB ACCOUNTS	1,009,292.05
<b>TOTAL ACCRUED INCOME</b>	<b>172,141.23</b>	SHARE DRAFT ACCOUNTS	5,518,180.43
		CASH INVESTMENT ACCOUNTS	30,731,569.70
PREPAID & DEFERRED EXPENSES	71,510.67	CORPORATE CASH INVESTMENT	2,609,056.24
<b>TOTAL PREPAID &amp; DEFERRED</b>	<b>71,510.67</b>	REWARDS CHECKING	1,792,079.71
		IRA - ACCUMULATION ACCOUNTS	1,472,690.64
LAND - MAIN & OUTER LOOP OFFICE	448,100.00	CERTIFICATES - REGULAR	19,117,776.09
BUILDING - MAIN & OUTER LOOP OFFICE	1,547,029.32	CERTIFICATES - IRA	4,495,135.46
IMPROVEMENTS - MAIN OFFICE	762.49	CERTIFICATES - TOTAL	23,612,911.55
IMPROVEMENTS - BRANCH 1	745.57	<b>TOTAL SHARES</b>	<b>86,439,518.86</b>
IMPROVEMENTS - BRANCH 2	0.00	REGULAR RESERVE	1,901,148.19
IMPROVEMENTS - BRANCH 3	0.00	RESERVE FOR CONTING.	0.00
IMPROVEMENTS - BRANCH 4	0.00	UNDIVIDED EARNINGS	11,068,235.07
ACCUM. DEPR. - MAIN & OUTER LOOP OFFICE	(571,844.00)	NET INCOME	130,562.75
FURNITURE & EQUIPMENT	38,756.69	<b>TOTAL CAPITAL</b>	<b>99,539,464.87</b>
COMPUTER EQUIPMENT	21,305.55	<b>TOTAL CAPITAL &amp; LIABILITIES</b>	<b>100,098,762.21</b>
<b>TOTAL FIXED ASSETS</b>	<b>1,484,855.62</b>		
ACCOUNTS RECEIVABLE	0.00		
DEFERRED COMPENSATION	947,519.79		
CAPITAL DEPOSIT - CUCKY	70,124.00		
DEPOSIT - NCUSIF	800,792.92		
<b>TOTAL OTHER ASSETS</b>	<b>1,818,436.71</b>		
<b>TOTAL ASSETS</b>	<b>100,098,762.21</b>		



# Jefferson County Federal Credit Union

## BUDGET REVIEW

July 31, 2010

	ACTUAL CURRENT	BUDGETED CURRENT	ACTUAL Y-T-D	BUDGETED Y-T-D	DIFFERENCE Y-T-D	PERCENT INCOME
<b>I N C O M E</b>						
INTEREST ON LOANS	232,801.14	236,905.00	1,623,497.29	1,637,835.00	(14,337.71)	64.08%
INVESTMENTS	34,026.82	57,742.00	265,549.34	393,343.00	(127,793.66)	9.37%
INTEREST ON CLF CU SIP	0.00	0.00	27,502.01	0.00	27,502.01	0.00%
INSURANCE REIMB.	8,131.39	7,500.00	61,492.99	52,500.00	8,992.99	2.24%
MO & CHK FEE	346.75	425.00	2,908.25	2,975.00	(66.75)	0.10%
OVERDRAFT FEE	60,249.14	60,000.00	409,423.22	420,000.00	(10,576.78)	16.58%
WIRE TRANS. & CMO	246.00	250.00	1,838.50	1,750.00	88.50	0.07%
LOAN LATE FEE	5,013.74	4,800.00	34,660.23	33,600.00	1,060.23	1.38%
ATM SURCHARGE FEES	577.50	375.00	3,852.00	2,625.00	1,227.00	0.16%
SHARE DRAFT & ATM	1,551.96	1,900.00	11,637.75	13,300.00	(1,662.25)	0.43%
MISCELLANEOUS INC.	2,554.93	1,350.00	11,168.45	9,450.00	1,718.45	0.70%
LOCK BOX FEE	80.00	200.00	1,200.00	1,400.00	(200.00)	0.02%
ATM TRANSACTION FEE	513.00	575.00	3,981.00	4,025.00	(44.00)	0.14%
LOAN APPLICATION FEE	250.00	250.00	1,400.00	1,750.00	(350.00)	0.07%
MEMBERSHIP FEE	455.00	475.00	3,930.00	3,325.00	605.00	0.13%
C-CARD INCOME	0.00	250.00	4,541.88	1,750.00	2,791.88	0.00%
D-CARD INTERCHANGE	16,525.91	14,750.00	110,173.73	102,250.00	7,923.73	4.55%
<b>TOTAL INCOME</b>	<b>363,323.28</b>	<b>387,747.00</b>	<b>2,578,756.64</b>	<b>2,681,878.00</b>	<b>(103,121.36)</b>	<b>100.00%</b>
<b>E X P E N S E S</b>						
SALARIES - REGULAR	77,619.88	80,461.00	586,862.73	601,754.00	(14,891.27)	21.36%
SALARIES - OVERTIME	112.52	632.00	762.71	3,598.00	(2,835.29)	0.03%
CONTRACT EMPLOY.	0.00	300.00	0.00	2,100.00	(2,100.00)	0.00%
401K COSTS	3,676.02	3,487.00	25,999.45	26,030.00	(30.55)	1.01%
SOCIAL SECURITY TAX	6,328.90	6,203.00	45,787.26	46,309.00	(521.74)	1.74%
UNEMPLOYMENT TAX	(7.21)	480.00	4,813.25	3,360.00	1,453.25	0.00%
STAFF INSURANCE	13,373.44	13,700.00	93,228.59	95,900.00	(2,671.41)	3.68%
LOCAL TRAVEL	569.75	600.00	4,189.13	4,200.00	(10.87)	0.16%
VEHICLE MAINTENANCE	249.02	400.00	2,109.76	2,800.00	(690.24)	0.07%
OUT OF TOWN TRAVEL	2,512.45	725.00	3,347.45	5,075.00	(1,727.55)	0.69%
BOARD MEETING EXP.	235.35	1,065.00	3,571.89	7,455.00	(3,883.11)	0.06%
ASSOC. DUES & SUBSCR.	1,646.97	2,226.00	13,175.05	15,582.00	(2,406.95)	0.45%
OFFICE OCCUP. EXP.	13,052.30	15,140.00	95,963.76	109,762.00	(13,798.24)	3.59%
BLDG.-LAND IMPROV.	215.05	416.00	1,506.31	2,912.00	(1,405.69)	0.06%
TELEPHONE EXPENSE	1,707.19	1,804.00	11,980.13	12,628.00	(647.87)	0.47%
POSTAGE	6,436.34	5,425.00	38,420.37	37,375.00	1,045.37	1.77%
MAINT. OF EQUIP.	823.59	1,109.00	8,503.67	7,775.00	728.67	0.23%
STATIONARY & SUPP.	1,206.58	2,100.00	10,658.40	14,700.00	(4,041.60)	0.33%
INSURANCE	3,628.55	2,924.00	20,494.55	20,468.00	26.55	1.00%
DEPRECIATION - FURN.	2,175.13	2,232.00	18,893.76	19,294.00	(400.24)	0.60%
BANK SERVICE CHARGE	24,336.05	25,822.00	158,017.03	178,244.00	(20,226.97)	6.70%
COMPUTER EXPENSE	16,178.56	17,418.00	116,218.42	122,132.00	(5,913.58)	4.45%
EDUCATIONAL & PROM.	6,495.00	6,397.00	41,161.00	44,779.00	(3,618.00)	1.79%
LOAN SERVICING EXP.	6,839.16	8,395.00	40,872.68	57,765.00	(16,892.32)	1.88%
PROF. & OUTSIDE EXP.	10,764.71	9,710.00	67,027.32	67,385.00	(357.68)	2.96%
FEDERAL SUPERVISION	1,881.59	1,740.00	12,887.95	12,180.00	707.95	0.52%
NCUSIF INS. PREM.	26,759.00	26,759.00	78,357.62	187,313.00	(108,955.38)	7.37%
NCUSIF STABILIZATION EXPENSE	0.00	0.00	108,955.38	0.00	108,955.38	0.00%
CASH OVER & SHORT	(110.45)	100.00	115.37	700.00	(584.63)	-0.03%
COST-BORROWED FUND	0.00	0.00	20,309.82	0.00	20,309.82	0.00%
ANNUAL MEETING EXP.	700.00	700.00	5,284.54	4,900.00	384.54	0.19%
MISCELLANEOUS EXP.	2,297.73	3,875.00	8,940.48	27,125.00	(18,184.52)	0.63%
<b>TOTAL OPER. EXP.</b>	<b>231,703.17</b>	<b>242,345.00</b>	<b>1,648,415.83</b>	<b>1,741,600.00</b>	<b>(93,184.17)</b>	<b>63.77%</b>
ALLOWANCE - LOAN LOSS	20,000.00	20,000.00	109,818.00	140,000.00	(30,182.00)	5.50%
ALLOWANCE - OVERDRAFT LOSS	75.00	75.00	(957.00)	525.00	(1,482.00)	0.02%
DIVIDENDS	95,481.26	83,774.00	643,962.87	579,483.00	64,479.87	26.28%
(GAIN)LOSS ON INVESTMENTS	0.00	0.00	(4,460.00)	0.00	(4,460.00)	0.00%
(GAIN)LOSS ON INVESTMENTS- KY CORI	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%
<b>TOTAL EXPENSES</b>	<b>347,259.43</b>	<b>346,194.00</b>	<b>2,448,193.89</b>	<b>2,461,608.00</b>	<b>(13,414.11)</b>	<b>95.58%</b>
<b>NET INCOME</b>	<b>16,063.85</b>	<b>41,553.00</b>	<b>130,562.75</b>	<b>220,270.00</b>	<b>(89,707.25)</b>	<b>4.42%</b>

# PRESIDENT'S REPORT August 25, 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 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.

## 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		

<b>TOTAL</b>	<b>12</b>	<b>35,093.99</b>
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## LENDING ACTIVITY

### RE LOANS - July 2010

DATE	NAME	ACCOUNT #	APPRAISAL	NEW MONEY	LOAN AMOUNT	EQUITY	TERM IN MONTHS	CREDIT LIMIT	APPROVED BY
7/9/10	Williams	661140	350,000	178,101	250,603	280,000	180	0	CEO
7/29/10	Burton	819250	240,000	182,022	189,273	192,000	180	0	CEO
<b>TOTAL/AVG</b>		<b>2</b>	<b>590,000</b>	<b>360,123</b>	<b>439,876</b>	<b>472,000</b>	<b>180</b>	<b>0</b>	

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

COMMENTS: **Burton** They owe us \$26,831 on two auto loans and one unsecured and have always paid AA

## INVESTMENT ACTIVITY

### CD Purchases - July 2010

DATE	AMOUNT	TERM	RATE	INSTITUTION	CITY	ST	CODE
07/02/10	149,000	6	0.42%	WEST POINTE BANK	OSKOSH	WI	2
	50,000	24	1.10%	JOHNSON BANK	RACINE	WI	2
	48,000	12	0.55%	HERITAGE BANK	ERLANGER	KY	2
	100,000	11	0.43%	KCFCU			
	100,000	12	0.44%	KCFCU			
07/06/10	148,000	12	0.45%	FIRST WESTERN FEDERAL BANK	RAPID CITY	SD	2
	100,000	12	0.65%	MERCANTILE BANK	QUINCY	IL	2
07/08/10	148,000	6	0.42%	JEFFERSON FINANCIAL	METIARIE	LA	2
07/14/10	100,000	7	0.33%	KCFCU			
	100,000	8	0.38%	KCFCU			
	100,000	9	0.41%	KCFCU			
	100,000	10	0.42%	KCFCU			
	100,000	11	0.43%	KCFCU			
	100,000	12	0.44%	KCFCU			

07/15/10	248,000	12	0.70%	SAN ANTONIO FED CREDIT UNION	SAN ANTONIO	TX	2
	148,000	12	0.60%	BANK OF BLAKELY	BLAKELY	GA	2
	100,000	6	0.27%	KCFCU			
	100,000	7	0.33%	KCFCU			
	100,000	8	0.38%	KCFCU			
07/20/10	100,000	8	0.38%	KCFCU			
	100,000	9	0.41%	KCFCU			
	100,000	10	0.42%	KCFCU			
	100,000	11	0.43%	KCFCU			
	100,000	12	0.44%	KCFCU			
07/22/10	248,000	12	0.55%	PBI BANK	LOUISVILLE	KY	2
07/26/10	100,000	10	1.40%	KCFCU			
	100,000	11	0.41%	KCFCU			
	100,000	12	0.42%	KCFCU			
07/27/10	99,000	12	0.65%	WILMINGTON TRUST	WILMINGTON	DE	2
	99,000	12	0.65%	WILMINGTON TRUST	WILMINGTON	DE	2
<b>TOTAL</b>	<b>3,385,000</b>	<b>11</b>	<b>0.51%</b>	<b>30</b>			

### INVESTMENT ACTIVITY – FAILED BANKS

	AMOUNT	BANK	DATE	DISPOSITION
1.	None			

### LOAN INTEREST PAYMENT ACTIVITY

Posting Date	Account Number	Name	Sfx	Collateral Description	Payment Amount	Loan Balance	Description	Count
06/30/2010	700183412	Robert L. Stewart	3	Business Loan	\$442.17	\$96,711.75	Interest Pmt For April 2010	
06/30/2010	700183412	Robert L. Stewart	4	Business Loan	\$128.88	\$19,326.15	Interest Pmt For April 2010	
07/02/2010	711250	Fay Dean Davis	3	2008 Ford	\$207.60	\$16,251.09	Interest Pmt For July 2010	
07/08/2010	903320	Timothy R. Hacker	2	2000 Ford	\$55.24	\$5,282.59	Interest Pmt For June 2010	
07/08/2010	903320	Timothy R. Hacker	2	2000 Ford	\$57.04	\$5,281.59	Interest Pmt For July 2010	
07/08/2010	776620	Stacey Lynn Wildt	1	Other RE CE	\$43.29	\$7,779.27	Interest Pmt For July 2010	
07/08/2010	903320	Timothy R. Hacker	1	Other RE CE	\$11.77	\$1,689.45	Interest Pmt For July 2010	
07/08/2010	903320	Timothy R. Hacker	1	Other RE CE	\$11.43	\$1,690.45	Interest Pmt For June 2010	
07/09/2010	979460	Roger R. Wix	2	Other RE CE	\$206.57	\$35,226.53	Interest Pmt For July 2010	
07/12/2010	882230	Tina D. Jones	1	2007 Hyundai	\$104.57	\$15,754.03	Interest Pmt For July 2010	
07/13/2010	845200	David Cheshire	1	2005 Ford	\$42.48	\$3,755.53	Interest Pmt For July 2010	
07/14/2010	739020	Bonnie A. Varney	2	2001 Chevy M	\$45.88	\$5,331.21	Interest Pmt For June 2010	
07/14/2010	739020	Bonnie A. Varney	2	2001 Chevy M	\$47.37	\$5,330.21	Interest Pmt For July 2010	
07/14/2010	739020	Bonnie A. Varney	5	Unsecured OE	\$48.00	\$4,011.60	Interest Pmt For June 2010	
07/14/2010	739020	Bonnie A. Varney	5	Unsecured OE	\$49.55	\$4,010.60	Interest Pmt For July 2010	
07/15/2010	691430	Marilyn Turner	4	Unsecured CE	\$45.96	\$3,848.53	Interest Pmt For July 2010	
07/16/2010	705910	Soua Paulette Dietsch	2	Unsecured CE	\$38.32	\$2,474.40	Interest Pmt For July 2010	
07/23/2010	887290	Danesia L. Hodges	1	2006 Mercedes	\$208.39	\$16,288.51	Interest Pmt For July 2010	
07/23/2010	877620	June B. Turner	5	Unsecured OE	\$37.14	\$2,441.80	Interest Pmt For June 2010	
07/23/2010	877620	June B. Turner	5	Unsecured OE	\$38.33	\$2,440.80	Interest Pmt For July 2010	
07/26/2010	886450	Nicole L. McGlynn	1	2007 Scion	\$38.81	\$7,132.79	Interest Pmt For July 2010	
07/28/2010	700183412	Robert L. Stewart	3	Business Loan	\$455.87	\$96,711.75	Interest Pmt For May 2010	
07/28/2010	700183412	Robert L. Stewart	4	Business Loan	\$132.13	\$19,326.15	Interest Pmt For May 2010	
07/29/2010	832710	Jordan C. June	5	Unsecured OE	\$44.66	\$3,737.73	Interest Pmt For July 2010	
07/30/2010	813140	Lisa M. Hume	2	2004 Pontiac	\$130.41	\$9,547.33	Interest Pmt For June 2010	
07/30/2010	700185682	Tracy D. Metcalf	1	2005 Toyota	\$65.31	\$11,759.15	Interest Pmt For June 2010	
					\$2,737.	\$403,140.99		26 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.								
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 Channels. 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



report said. Notices of default, auction or bank seizure increased more than 50% in areas including Atlantic City, N.J., Salt Lake City and Savannah, Ga.

- ✓ **CUNA rep: GAAP changes would cost CUs thousands** - WASHINGTON (8/3/10)--Speaking during a recent Credit Union National Association (CUNA) audio conference on proposed changes to the Financial Accounting Standards Board's (FASB'S) Generally Accepted Accounting Principles (GAAP), Mid Minnesota FCU Chief Financial Officer (CFO) Pam Finch said that the proposed changes could result in up to \$40,000 in additional annual costs for her credit union. Finch, who also serves as CUNA CFO Council chair, said that while much of the increased cost would be related to use of an outside firm to value her credit union's financial instruments, additional costs are likely, such as costs related to increased resources necessary to gather and analyze information. Representatives from FASB and the National Credit Union Administration (NCUA), as well as CUNA Accounting Subcommittee chair Scott Waite took part in the audio conference. The proposed changes, as set forth in a FASB exposure draft released in May, would modify GAAP by requiring most financial instruments to be measured at fair value. In addition, the changes would require loan loss reserves to be measured on a forward-looking "expected loss" basis. This differs from the current method, which uses a historical "incurred loss" approach. FASB has informally stated that it would like to have a final rule in place by next summer. Credit unions over \$10 million in assets are required to comply with GAAP. CUNA raised general concerns with FASB prior to the issuance of the proposal, and CUNA remains extremely concerned about the proposed changes. CUNA has been working with its accounting subcommittee to identify key problems and frame its message to FASB, and will also be working with the NCUA and other policymakers to ensure credit union concerns are presented to and considered by FASB. While the primary goal of the FASB standards is reportedly to increase transparency for investors, panelists asked how this would benefit credit unions due to the unique, member-owned, credit union model. CUNA regulatory staff said that while FASB has provided a four year deferral of most requirements for entities with under \$1 billion in assets, credit unions--regardless of asset size--should provide FASB with their input as soon as possible, either directly or indirectly through CUNA. "It is vital that credit unions speak up during the FASB's comment period for these significant proposed changes," CUNA Regulatory Counsel Luke Martone added. The comment period for the proposal ends on Sept. 30. CUNA will be meeting with FASB and filing a formal comment letter, and CUNA welcomes input from member credit unions.
- ✓ **Study: One-fifth of breached entities were PCI-compliant** - MADISON, Wis. (8/16/10)--Roughly one-fifth-21%--of breached entities subject to Payment Card Industry (PCI) standards had been found to be compliant in their last annual assessment before the breaches, according to a new report. Verizon Business' new 2010 Data Breach Investigations Report examined 141 breaches from 2009. Roughly 84 of the breaches were investigated by the Secret Service, while 57 were investigated by Verizon (*Digital Transactions* Aug. 5). While most of the entities that were breached were not PCI compliant, the 21% that were indicate that merchants may only focus on compliance during assessment time, instead of all year. Some companies will "ramp up" their efforts to validate themselves with an assessor comes in, but then allows compliance to "erode a little bit over the year," said Wade Baker, director of risk intelligence at Verizon Business. However, some trusted administrators who are compliant may have problems that cannot be protected against, he added. Payment card data was involved in 54% of card breaches and accounted for 83% of compromised records. However, the share is declining. A few years ago, 80% or more of breaches and nearly all of stolen data were card numbers, the publication said.

#### **BUSINESS DEVELOPMENT & MARKETING**

GE will report.

Respectfully Submitted,



Carl F. Hicks  
President and CEO

CATEGORY	Year End 2009	Prior Month	Current Month	Difference	Year-To-Date
Deposits	81,367,271	85,089,257	86,439,519	1,350,262	5,072,248
Regular CDs	18,487,598	18,764,738	19,117,776	353,038	630,178
IRA CDs	3,987,279	4,508,896	4,495,135	(13,761)	507,856
Total CDs	22,474,877	23,273,634	23,612,911	339,277	1,138,034
Loan Balance	39,263,225	39,096,103	39,099,971	3,868	(163,254)
Loans Made	16,371,386	977,996	1,406,218	428,222	7,767,372
Members	13,487	13,712	13,680	(32)	193
Accounts	22,515	22,643	22,579	(64)	64
Delinquent Percent	0.17%	0.26%	0.23%	-0.03%	0.06%
E-Statements	1,598	1,733	1,758	25	160
Bill Payer	1,263	1,331	1,339	8	76
Info-Teller Inquiries	171,642	13,499	13,347	(152)	93,342
Website Inquiries	430,156	33,599	32,358	(1,241)	237,350
HB -Members Used	2,623	2,764	2,741	(23)	118
Overdrawn Accounts	24,699	37,002	25,572	(11,430)	873
CIA - #	874	868	870	2	(4)
CIA - \$	29,428,060	29,864,866	30,731,570	866,704	1,303,510
CCIA - #	39	47	47	0	8
CCIA - \$	1,971,535	2,778,291	2,609,056	(169,235)	637,521
Rewards - #	170	157	153	(4)	(17)
Rewards - \$	2,092,074	1,772,589	1,792,080	19,491	(299,994)
Rewards - Surcharge Ref.	1,921	142	175	33	1,174
Rewards - Cost	55,681	2,250	2,327	77	17,077
Regular Checking - #	4,536	4,414	4,383	(31)	(153)
Regular Checking - \$	5,197,317	5,194,689	5,518,180	323,491	320,863
<b>TOTAL CHECKING - #</b>	<b>5,619</b>	<b>5,486</b>	<b>5,453</b>	<b>(33)</b>	<b>(166)</b>
<b>TOTAL CHECKING - \$</b>	<b>38,688,986</b>	<b>39,610,435</b>	<b>40,650,886</b>	<b>1,040,451</b>	<b>1,961,900</b>
Trans - MO	55,723	4,246	3,905	(341)	30,328
Trans - HV	39,596	2,411	2,374	(37)	19,750
Trans - DT	28,954	1,272	1,190	(82)	12,416
Trans - UR	26,447	995	1,122	127	10,738
Trans - IN	40,434	1,744	1,645	(99)	18,969
Trans - INFO	11,939	894	840	(54)	6,029
Trans - HB	86,002	8,150	7,699	(451)	53,448
Trans - SB	46,958	3,837	3,910	73	26,588
Trans - Total YTD	336,053	23,549	22,685	(864)	178,266
<b>DELINQUENCY</b>	<b>Number</b>	<b>Balance</b>			
2 - 5 Months	13	69,806			
6 -11 Months	4	18,465			
12 Months & Over	0	0			
<b>Total</b>	<b>17</b>	<b>88,271</b>			

**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						4,955,257
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						5,072,248
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						7,047,543
Cash Balance		1,135,441	550,341	779,657	930,984	714,353	800,794	1,092,899	732,961						(402,480)
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						(163,254)
Loans Made		16,371,385	1,123,203	767,692	2,012,325	787,257	692,680	977,996	1,406,218						7,767,371
Members		13,487	13,473	13,497	13,729	13,762	13,754	13,712	13,680						193
Accounts		22,515	22,436	22,429	22,727	22,761	22,720	22,643	22,579						64
DEL - 2-5 Months		20,251	56,996	93,119	59,638	66,439	92,038	81,004	69,806						49,555
DEL - 6-11 Months		22,927	22,394	15,307	14,833	14,408	14,083	18,738	18,465						(4,462)
DEL - 12 Months & >		24,413	24,238	31,673	32,010	31,943	7,752	0	0						(24,413)
Delinquent Amount		67,591	103,628	140,099	106,481	112,790	113,873	99,742	88,271						20,680
Delinquent Percent	< 1.30%	0.17%	0.26%	0.36%	0.27%	0.28%	0.29%	0.26%	0.23%						0.05%
Info-Teller		171,642	13,015	13,036	13,574	13,650	13,221	13,499	13,347						93,342
Website Inquiries		430,156	33,349	35,466	36,255	33,928	32,395	33,599	32,358						237,350
Bill Payer		1,263	1,272	1,284	1,300	1,306	1,318	1,331	1,339						76
E-Statements		1,598	1,619	1,641	1,670	1,696	1,720	1,733	1,758						160
Home Branch Access		2,623	2,695	2,682	2,806	2,739	2,720	2,764	2,741						2,741
Overdrawn Accounts		24,699	24,437	14,994	29,863	26,143	34,000	37,002	25,572						873
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						
INC - Loans YTD		2,789,863	236,724	448,133	695,515	925,934	1,163,575	1,390,696	1,623,497						
INC - Investments YTD		1,015,590	46,661	88,091	125,972	159,905	194,246	231,523	265,549						
INC - Other YTD		1,322,312	119,472	205,904	298,429	393,186	488,848	593,214	689,711						
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						
EXP - ALLL YTD		275,211	20,000	40,000	60,000	60,000	90,000	89,818	109,818						
EXP - ALLL - OD YTD		(1,068)	75	150	(1,032)	(957)	(882)	(1,032)	(957)						
EXP - Dividend YTD		1,501,407	96,525	182,591	276,021	367,372	460,278	548,481	643,963						
EXP - Operating YTD		3,291,174	243,102	471,244	699,721	963,031	1,182,779	1,416,713	1,648,416						
EXP -(G)/L on Invest. YTD		(4,367)	0	0	0	(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						-
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						
INC- NET- YTD		111,221	43,155	48,143	33,792	42,625	67,540	114,499	130,563						
Operating Exp. YTD - %	< 5.00%	2.82%	3.07%	2.96%	2.91%	2.99%	2.93%	2.91%	2.89%						
Net Interest Margin / AA	> 3.00%	1.97%	2.36%	2.22%	2.27%	2.23%	2.22%	2.21%	2.18%						
Return on Average Assets	0.70%	0.10%	0.55%	0.30%	0.14%	0.13%	0.17%	0.24%	0.23%						
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						
Total Resv. / Curr. Assets	> 9.00%	10.79%	13.75%	13.48%	13.35%	13.31%	13.23%	13.24%	13.09%						
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						
Net Charge Off - \$		226,262	0	0	42,064	0	0	36,768	0						78,832
Net Charge Off / AA - %	< .45%	0.20%	0.00%	0.00%	0.04%	0.00%	0.00%	0.04%	0.00%						0.08%
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						
Net Long Term Asset /A - %	< 35.00%	18.39%	22.88%	22.63%	22.97%	21.75%	21.47%	21.22%	20.99%						
Total Loans / Assets - %	< 90.00%	32.68%	41.48%	40.59%	41.20%	40.73%	40.14%	39.56%	39.06%						
Share Growth - %	7.00%	9.63%	-0.77%	1.52%	2.71%	3.29%	4.09%	4.57%	6.23%						
Loan Growth - %	4.00%	4.62%	0.01%	-0.15%	2.24%	1.39%	0.70%	-0.43%	-0.42%						
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						
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						
Loan To Total Share - %		66.67%	67.02%	64.56%	65.45%	64.62%	63.50%	63.25%	62.23%						
Loan To Total Deposit - %		48.25%	48.63%	47.46%	48.04%	47.37%	46.68%	45.95%	45.23%						
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						
Fixed Assets - %	< 5.00%	1.29%	1.62%	1.58%	1.56%	1.55%	1.53%	1.51%	1.48%						

CU-SIP ADJUSTMENTS      Assets, Avg. Assets,      Assets,      NCUA - KCFCU



	Year	Count	Balance	Monthly Installments	Amount to Reprice In 3 Years
CU Channels		2	62,218.81		62,218.81
Variable Rate		22	444,553.62		444,553.62
Maturities of 3 Years & Less	2010-2013	42	470,209.50		470,209.50
Maturities of 4 Years	2014	26	604,542.46		604,542.46
Maturities of 5 Years	2015	22	572,620.25		572,620.25
Maturities of 6 Years	2016	21	932,019.67		932,019.67
Maturities of 7 Years	2017	19	556,456.65		556,456.65
Maturities of 8 Years	2018	45	1,812,344.03	25,577.94	460,402.92
Maturities of 9 Years	2019	24	907,372.86	11,172.98	201,113.64
Maturities of 10 Years	2020	31	1,655,597.56	19,545.81	351,824.58
Maturities of 11Years	2021	42	1,902,092.10	20,398.55	367,173.90
Maturities of 12Years	2022	49	2,916,076.61	29,368.36	528,630.48
Maturities of 13Years	2023	61	4,654,371.59	43,995.84	791,925.12
Maturities of 14Years	2024	67	4,925,777.60	44,008.67	792,156.06
Maturities of 15Years	2025	38	2,910,478.23	24,314.43	437,659.74
Maturities of 16-19 Years	2026				0.00
Maturities of > Than 20 Years					0.00
		511	25,326,731.54		7,573,507.40
Net Long Term Loans			17,753,224.14		
Fixed Assets			1,484,855.62		
NCUSIF Deposit			800,792.92		
LLC			500.00		
Deferred Compensation			800,000.00		
CUSO Investments			170,124.00		
Total Long Term Assets			21,009,496.68		



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

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**July      ,      2010**

<b>Loans Approved</b>	<b>201</b>	<b>\$1,326,536.24</b>
<b>Credit Limits Approved</b> <b>* includes updates &amp; increases</b>	<b>19</b>	<b>\$91,500.00</b>
<b>Loans Disbursed</b>	<b>209</b>	<b>\$1,399,171.73</b>
<b>Indirect Lending</b>	<b>14</b>	<b>\$189,987.79</b>
<b>Equity Checks</b>	<b>5</b>	<b>\$7,862.00</b>
<b>Tecumseh Mortgages</b>	<b>0</b>	<b>\$0.00</b>
<b>Universal Approved Loans</b> <b>(100% Real Estate Loans)</b>	<b>2</b>	<b>\$67,344.12</b>
<b>Requests Denied</b>	<b>53</b>	<b>\$415,717.77</b>

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

**August 11, 2010**  
**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	06/05/10	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

<b>TOTALS</b>	<b>For July</b>	<b>\$16,564.45</b>		<b>5</b>								
785510	Sherri Rothman	\$2,043.33	5	U	40%	41%	06/02/10	08/05/10	Place Of Residence	KL	Unsecured - Not Reaffirming	CH-7 Bankruptcy
864890	Hattie Wright	\$3,802.90	5	U	27%	35%	05/05/10	06/05/10	Friendship Mannor	KL	Unsecured - Not Reaffirming	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 Reaffirming	CH-7 Bankruptcy

<b>TOTAL For</b>	<b>August</b>	<b>\$18,529.54</b>		<b>7</b>								
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<b>TOTAL For</b>	<b>September</b>	<b>\$0.00</b>		<b>0</b>								
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**TOTAL    ACCOUNTS                    12**

**TOTAL    FOR QUARTER            \$35,093.99**

## Suspicious Activity Report

[illegible]

<b>Total Activities =</b>		<b>1</b>
<b>Total Dollar Amount =</b>	<b>\$</b>	<b>9,650.00</b>

**By:**

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**ate:**

Page 25 of 30

Check Amount	Date	Payable To:	Reason
10185 102.00	7/1/2010	GORDON MOTOR SPORTS	INDIRECT LENDING
10186 9.95	7/2/2010	THE ESTATE OF PAUL STEIDEN	DECEASED ACCOUNT
10187 439.96	7/2/2010	WARREN C COLLINS, SURVIVING SPOUSE	DECEASED ACCOUNT
10188 5,469.97	7/2/2010	MINNESOTA MUTUAL	INSURANCE
10189 488.64	7/2/2010	ALLIED SOLUTIONS, LLC/GAP ACCT	INSURANCE
10190 2,223.47	7/2/2010	DGU INSURANCE ASSOCIATES	GAP INSURANCE
10191 168,805.77	7/2/2010	THE ESTATE OF EARLINE HANCOCK	DECEASED ACCOUNT
10192 32.00	7/2/2010	JEFFERSON COUNTY CLERK	MORTGAGE RECORDING
10193 692.75	7/2/2010	DIRECT RESPONSE SERVICES, INC	PROFESSIONAL/OUTSIDE
10194 104.86	7/2/2010	PROFESSIONAL INSURANCE COMPANY	PROFESSIONAL/OUTSIDE
10195 1,381.31	7/6/2010	THE ESTATE OF MARY ANN JAMISON	DECEASED ACCOUNT
10196 285.26	7/6/2010	KATHRYN E MCGRIFF	DECEASED ACCOUNT
10197 14,368.76	7/6/2010	ANDREA BROCKWELL	DECEASED ACCOUNT
10198 72.89	7/6/2010	WASHINGTON NATIONAL LIFE INS CO	INSURANCE
10199 70.22	7/6/2010	FIRST SERVICE GROUP	INSURANCE
10200 187.00	7/7/2010	TOYOTA OF CLARKSVILLE	INDIRECT LENDING
10201 185.00	7/7/2010	GRACE TITLE GROUP	PROFESSIONAL/OUTSIDE
10202 32.00	7/7/2010	SPENCER COUNTY CLERK	MORTGAGE RECORDING
10203 3,495.75	7/7/2010	KYCUL SERVICES, INC	THEME PARK TICKETS
10204 250.00	7/8/2010	AUTO-BACK RECOVERY	REPO EXPENSE
10205 12,624.68	7/8/2010	JANET DAILEY	DECEASED ACCOUNT
10206 196.00	7/8/2010	BOB HOOK OF SHELBYVILLE	INDIRECT LENDING
10207 540.00	7/8/2010	GRACE TITLE GROUP	PROFESSIONAL/OUTSIDE
10208 35.00	7/8/2010	JEFFERSON COUNTY CLERK	MORTGAGE RECORDING
10209 32.00	7/8/2010	JEFFERSON COUNTY CLERK	MORTGAGE RECORDING
10210 32.00	7/8/2010	JEFFERSON COUNTY CLERK	MORTGAGE RECORDING
10211 32.00	7/8/2010	JEFFERSON COUNTY CLERK	MORTGAGE RECORDING
10212 40.00	7/8/2010	COOK & REEVES CARS INC	INDIRECT LENDING
10213 414.75	7/8/2010	THE ESTATE OF GRACE SUDDETH	DECEASED ACCOUNT
10214 34,736.64	7/9/2010	ROBERT LOUDERMILK SR	DECEASED ACCOUNT
10215 22.00	7/9/2010	BULLITT COUNTY CLERK	LIEN RECORDING
10216 10.00	7/9/2010	KENTUCKY SECRETARY OF STATE	LIEN RECORDING
10217 65.00	7/9/2010	JEFFERSON COUNTY CLERK	MORTGAGE RELEASE
10218 1,128.89	7/9/2010	AMERICAN HERITAGE	INSURANCE
10219 44.00	7/12/2010	POSTMASTER	POSTAGE
10220 10.00	7/13/2010	LABA	BUSINESS LUNCH
10221 575.00	7/13/2010	GEORGE SECREST	REPO EXPENSE
10222 414.75	7/14/2010	DELORES BUSHNO - ADMINISTRATOR	DECEASED ACCOUNT
10223 105.00	7/15/2010	CREWS CARS LLC	INDIRECT LENDING
10224 218.00	7/15/2010	CREWS CARS LLC	INDIRECT LENDING
10225 0.00	7/16/2010	VOID	
10226 31.00	7/16/2010	JEFFERSON COUNTY CLERK	REPO EXPENSE
10227 3,005.04	7/16/2010	NXG STRATEGIES, LLC	PROFESSIONAL/OUTSIDE
10228 260.00	7/16/2010	GEORGE SECREST	REPO EXPENSE
10229 229.00	7/16/2010	SAM SWOPE PONTIAC BUICK	INDIRECT LENDING
10230 170.00	7/16/2010	CRAIG & LANDRETH, INC.	INDIRECT LENDING
10231 109.00	7/16/2010	COOK'S LOCKSMITH	MAINTENANCE BLDG/LAND
10232 55.49	7/16/2010	DUPLICATOR SALES &SERVICE	PROFESSIONAL/OUTSIDE
10233 2,375.10	7/16/2010	E & H INTEGRATED SYSTEMS	PROFESSIONAL/OUTSIDE
10234 170.17	7/16/2010	INDUSTRIAL DISPOSAL	OFFICE OCCUPANCY
10235 1,052.85	7/16/2010	INSIGHT COMMUNICATIONS	CABLE SERVICE
10236 264.20	7/16/2010	ADT SECURITY SERVICES	OFFICE OCCUPANCY
10237 1,866.00	7/16/2010	COURTESY CLEANING	OFFICE OCCUPANCY
10238 525.00	7/16/2010	DAVID WATERMAN LLC	APPRAISALS
10239 706.60	7/16/2010	CHEXSYSTEMS, INC	PROFESSIONAL/OUTSIDE
10240 200.00	7/16/2010	TELEDATA COMMUNICATIONS, INC	PROFESSIONAL/OUTSIDE
10241 1,000.00	7/16/2010	INTUIT ACCOUNTS RECEIVABLE	COMPUTER SOFTWARE FEE
10242 8,128.88	7/16/2010	SHARE ONE	PROFESSIONAL/OUTSIDE
10243 3,919.58	7/16/2010	FORTRESS NETWORK SECURITY	PROFESSIONAL/OUTSIDE
10244 691.90	7/16/2010	BLUEGRASSNET	PROFESSIONAL/OUTSIDE
10245 541.66	7/16/2010	CNBS LLC	PROFESSIONAL/OUTSIDE
10246 991.59	7/16/2010	TRANS UNION LLC	PROFESSIONAL/OUTSIDE
10247 423.84	7/16/2010	DIGITALMAILER, INC	PROFESSIONAL/OUTSIDE
10248 24.50	7/16/2010	ROUTE ONE, LLC	PROFESSIONAL/OUTSIDE
10249 105.00	7/16/2010	CREDIT UNION CONNECTION,LLC	PROFESSIONAL/OUTSIDE
10250 950.00	7/16/2010	WEBER & ROSE	PROFESSIONAL/OUTSIDE

Check #	Date	Payable To:	Reason
10251	181.50	7/16/2010 GRACE LAW GROUP	PROFESSIONAL/OUTSIDE
10252	108.00	7/16/2010 PCI SERVICES, INC	PROFESSIONAL/OUTSIDE
10253	160.00	7/16/2010 AAA SYSTEMS	PROFESSIONAL/OUTSIDE
10254	5,350.00	7/16/2010 ADMAN MARKETING	ADVERTISING
10255	716.67	7/16/2010 GARDA CENTRAL, INC	PROFESSIONAL/OUTSIDE
10256	1,643.97	7/16/2010 CITY OF LYNDON	PROPERTY TAX
10257	400.25	7/19/2010 DIRECT RESPONSE ADMIN SERVICE, INC	INSURANCE
10258	22.00	7/19/2010 OLDHAM COUNTY CLERK	LIEN RECORDING
10259	22.00	7/19/2010 BULLITT COUNTY CLERK	LIEN RECORDING
10260	175.00	7/21/2010 GEORGE SECREST	REPO EXPENSE
10261	135.00	7/22/2010 GRACE TITLE GROUP	PROFESSIONAL/OUTSIDE
10262	32.00	7/22/2010 JEFFERSON COUNTY CLERK	MORTGAGE RECORDING
10263	185.00	7/22/2010 GRACE TITLE GROUP	PROFESSIONAL/OUTSIDE
10264	35.00	7/22/2010 BULLITT COUNTY CLERK	MORTGAGE RECORDING
10265	300.00	7/23/2010 LOUISVILLE METRO GOVERNMENT	CLOSED ACCOUNT
10266	102.00	7/23/2010 CAPITAL FUNDING, INC	INSURANCE
10267	14,321.81	7/23/2010 LOUISVILLE METRO HUMAN RESOURCES	EMPLOYEE HEALTH INSURANCE
10268	250.00	7/26/2010 AUTO-BACK RECOVERY	REPO EXPENSE
10269	430.21	7/26/2010 GENERAL SERVICES ADMINISTRATION	INDIANA RENT
10270	31.00	7/26/2010 JEFFERSON COUNTY CLERK	REPO EXPENSE
10271	408.00	7/26/2010 DOWNTOWN FORD, INC	INDIRECT LENDING
10272	294.00	7/27/2010 CREWS CARS LLC	INDIRECT LENDING
10273	234.00	7/27/2010 DOWNTOWN FORD, INC	INDIRECT LENDING
10274	124,552.49	7/27/2010 LINDA YOUNG	DECEASED ACCOUNT
10275	8,831.91	7/27/2010 THE ESTATE OF KATHERINE KAMIN	DECEASED ACCOUNT
10276	115.00	7/27/2010 SAM SWOPE HONDA WORLD	INDIRECT LENDING
10277	1,966.46	7/28/2010 CARL HICKS	EXPENSE REIMBURSEMENT JULY 2
10278	7.10	7/30/2010 LINDSAY STINSON	LOCAL TRAVEL JULY 2010
10279	33.25	7/30/2010 CATHY PENNELL	LOCAL TRAVEL JULY 2010
10280	96.00	7/30/2010 DON FRITTS	LOCAL TRAVEL JULY 2010
10281	243.50	7/30/2010 RACHEL LEE	LOCAL TRAVEL JULY 2010
10282	1,055.42	7/30/2010 WAYNE'S LAWN SERVICE, INC	MAINTENANCE BLDG/LAND
10283	14.99	7/30/2010 BALBOA INSURANCE COMPANY	INSURANCE
10284	814.40	7/30/2010 ALLIED SOLUTIONS, LLC	INSURANCE
10285	57.01	7/30/2010 LOUISVILLE/JEFFERSON CO METRO GOVT	TELEPHONE
10286	125.00	7/30/2010 COOK'S LOCKSMITH	MAINTENANCE BLDG/LAND
10287	291.13	7/30/2010 CUNA & AFFILIATES	STATIONARY & SUPPLIES
10288	209.50	7/30/2010 SCOT MAILING & SHIPPING SYSTEMS	POSTAGE MACHINE SUPPLIES
10289	402.97	7/30/2010 STAPLES CREDIT PLAN	STATIONARY & SUPPLIES
10290	50.00	7/30/2010 SHRED-IT	PROFESSIONAL/OUTSIDE
10291	2,413.18	7/30/2010 PRINTING SERVICES II	PROFESSIONAL/OUTSIDE
10292	788.85	7/30/2010 ZIP EXPRESS COURIER SERVICE	PROFESSIONAL/OUTSIDE
10293	5,899.26	7/30/2010 FISERV	PROFESSIONAL/OUTSIDE
10294	600.00	7/30/2010 DAVID WATERMAN LLC	APPRAISALS
10295	275.00	7/30/2010 MARVIN SCHMIDT	APPRAISALS
10296	650.00	7/30/2010 PETER MARGERUM	APPRAISALS
10297	190.00	7/30/2010 PARC	DOWNTOWN PARKING
10298	552.45	7/30/2010 LINCOLN NATIONAL LIFE INSURANCE	INSURANCE
10299	206.00	7/30/2010 CAPITAL FUNDING, INC	INSURANCE
10300	185.00	7/30/2010 GRACE TITLE GROUP	PROFESSIONAL/OUTSIDE
10301	35.00	7/30/2010 SHELBY COUNTY CLERK	MORTGAGE RECORDING
Total	453,967.95	117	

ACH OPERATING ACCOUNT PAYOUTS	Debited By:	Reason
1,125.83	AT&T	Phones - MO & HV
839.37	Credit Card	MasterCard
503.65	Louisville Water Company - MO	Office Occupancy
2,044.00	Postage	Postage
141.44	AT&T	Internet - Indiana
1,852.21	LG&E	Gas & Electric
Total	6,506.50	





# Jefferson County Federal Credit Union

## COMMENT CARD

RECEIVED  
AUG 06 2010

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.

WHY in the hell are You Charges us to take out are own money 10 Times. Its are money we work Hard For are money, I Bank with my Credit Union and Now this. ~~to~~ I speak For ALL. No Chance Please

Anitra A Lockett  
NAME (Please Print)

762010  
ACCOUNT #

Anitra Lockett  
SIGNATURE

8-3-10  
DATE



## Jefferson County Federal Credit Union 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.

CARL - THERE NEEDS TO BE A GARBAGE CAN IN THE OUTER LOOP BRANCH. THANKS!

*[Signature]*

BARBARA WILKERSON  
NAME (Please Print) 817-2639

632490  
ACCOUNT #

*[Signature]*  
SIGNATURE

8/6/10  
DATE



## Jefferson County Federal Credit Union COMMENT CARD

RECEIVED  
AUG 20 2010

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 would like to take this opportunity to make you aware of how much I appreciate Cathy Pennell! She went above & beyond to help me - especially during a very difficult time & hardship. Because of Cathy's helpful & professionalism, I decided to come back to this credit Union. I'm very grateful for Cathy's help & I would say that Jeff County FCU is the most customer-focused banking institution here in Louisville. Thanks for everything Cathy!

Down M. Phipps  
NAME (Please Print)

837 080  
ACCOUNT #

Down M. Phipps  
SIGNATURE

8-13-2010  
DATE

Month	July 2010																																			
Stations / Spots	WAVE-TV 3 ( A - 0 )      WHAS-TV 11 ( B - 34 )      WLKY-TV 32 ( C - 61 )																																			
Date	Jun 27	28	29	30	Jul 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	
Day	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	
AM																																				
12:00 - 12:59										BB		B			B									B	BB			B	BB							
1:00 - 1:59									B				BB	BB	B								B			BB		B								
2:00 - 2:59				C														C	C				C	C	C											
3:00 - 3:59				CC	C				C		C	C		C	C		CC			C		C	C					C	C							
4:00 - 4:59				C		C	CC	C		C			C	C		C					C				C	C	C									
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Total Spots = 95

Month	July 2010																																			
Stations / Spots	WAMZ - FM ( A - 32 )																																			
Date	Jun 27	28	29	30	Jul 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	
Day	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	
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