



**State of Wisconsin**  
*Department of Financial Institutions*

Jim Doyle, **Governor**

Lorrie Keating Heinemann, **Secretary**

March 27, 2009

**LETTER CU 1-09**  
**NCUSIF CAPITALIZATION WRITE OFF**

**TO ALL CREDIT UNIONS:**

On January 28, 2009, the National Credit Union Administration (NCUA) announced actions it was taking to stabilize the corporate credit union system. On March 19, NCUA took control of U.S. Central Corporate Credit Union and Western Corporate Federal Credit Union. The effects of these actions are passed on to all federally-insured natural person credit unions.

The initial action was to declare other-than-temporary-impairment of the credit unions' deposits in the National Credit Union Share Insurance Fund (NCUSIF). The second action will be a premium assessment to bring the NCUSIF balance back to a ratio of 1.30%. This letter is intended to provide guidance to Wisconsin state-chartered credit unions on the regulatory reporting of these matters. The amount is based on the insurance deposit required for insured share balances up to \$100,000 as of December 31, 2008. NCUA Accounting Bulletin No. 09-1, issued February 2009, provides guidance to credit unions.

Credit unions will be required to write-down 69% of their NCUSIF deposit. The write-down should be taken as a 2009 expense unless the credit union obtains advice from their auditors advising them to take it as a 2008 expense. Changes have been made to the March 2009 5300 Call Report that will separate out the write-down. A credit union will be able to show its net income from operations prior to the write-down and then net income after the write-down.

NCUA also announced that a premium will be assessed later this year to bring the NCUSIF back up to 1.30% of insured shares. The estimated amount of the premium is 0.30% of insured shares. A credit union may recognize this as an immediate expense and set up an accounts payable liability to hold the funds until NCUA sends out the invoice in September. Alternatively, the credit union may recognize the expense when NCUA sends out the invoice later in the year. If a credit union utilizes an audit firm, they should follow the advice of their auditors.

Examiners will take the effects of these actions into consideration during your examination. Credit unions that fall below prompt corrective action triggers solely because of the NCUA actions will not be penalized on an examination.



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Credit unions should develop a communication plan to deal with member concerns and questions. Front line staff should be trained in how to answer member questions or to whom members should be referred for reassurance that their funds are safe.

The credit union industry has been prudent in building capital levels for many years in preparation for difficult times. Credit unions are in a much better position to weather the current downturn than they were the last time there was a significant downturn in the economy. Continue to use and support your corporate credit union. There is an unlimited guarantee on your corporate credit union deposits until December 2010. This guarantee is intended to remove your risk and to maintain liquidity in the corporate system.

This situation continues to change and evolve. Please be alert to news regarding this posted on the NCUA website ([www.ncua.gov](http://www.ncua.gov)).

If you have questions or need assistance, please call us at 608-261-9543.

Sincerely,



Suzanne Cowan  
Director  
OFFICE OF CREDIT UNIONS

***NCUA Resources:***

[http://www.ncua.gov/news/Express/xfiles/ACCTBUL\\_09-1\(Final\).pdf](http://www.ncua.gov/news/Express/xfiles/ACCTBUL_09-1(Final).pdf)

<http://www.ncua.gov/letters/2009/CU/09-CU-06.pdf>