



Kansas Department of Credit Unions

KDCU Newsletter

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FOURTH QUARTER FINANCIAL STATISTICS

Good news and not so good news might be described as the summary for the credit union fourth quarter financial numbers.

Assets: 34 credit unions increased in assets while 56 decreased. Loss of assets concerns the Kansas Department of Credit Unions (KDCU) and should concern all credit unions. The future viability of many of these credit unions are at stake. Management must analyze why the shrinkage is occurring, develop and implement plans to reinstitute asset growth.

Overall credit unions reported a 2.18% growth in assets.

Net Income: 20 credit unions

or 22% reported negative income. Losses cannot continue to occur or soon the future of the credit union is at stake. Reasons for the losses must be determined and immediately addressed.

Delinquency: 1.09%

Average Net Worth: 12.52%

Loss of assets and negative earnings cannot be ignored by credit union management or KDCU as both trends threaten the future viability of credit unions.

KDCU has contacted many of the credit unions reporting negative earnings and/or loss of assets. Questions asked include is the credit union aware of the

negative earnings and/or loss of assets, has a reason been identified as to why these trends occurred?

Most importantly each credit union is asked to prepare and implement a plan to reverse the trends. Fixing these problems should ensure continuation of these credit unions.

Credit union responses describe reasons for some of the results, their concern, and most importantly, plans for improvement. Large share withdrawals occur usually as dividend or market conditions change or death of members. These changes can dramatically change liquidity conditions in small asset size credit unions.

KDCU appreciates the thought, time and effort in responding to our inquiries.

CREDIT UNION COUNCIL MEETS

The Credit Union Council met on March 8, 2007 as required by statute. Council members present were Erich Schaefer, Chair, Mark Bezdek, Vice-Chair, Denise Bonner, Secretary, Mark Kolarik, Lee Williams, Garth Strand and William McCurley.

The Council received the following reports:

- ◆ KDCU Personnel Update

- ◆ Credit Union Status Reports

- ◆ KDCU Financial Reports (current and proposed future budget reports)

- ◆ Report from the Administrator

- ◆ Advancement of House Bills 2113 and 2114

- ◆ Reports from Kansas Credit Union Association and Kansas Corporate Credit Union

- ◆ Recognition of Jack Hohman's service to KDCU and Kansas credit unions

The next meeting of the Credit Union Council will be on June 7, 2007. The seven-member council is appointed by the Governor to advise the Administrator on issues and needs of credit unions. You are invited and encouraged to attend council meetings.

PERSONNEL RETIREMENTS

Jack Hohman is retiring effective April 1, 2007. Jack's last day of work is March 9. Jack began employment with KDCU in 1981 holding positions of financial examiner, financial examiner senior, financial examiner principal and financial examiner administrator. Jack examined credit unions in the eastern region of the state and has held several committee positions in the National Association of State Credit Union Supervisors.

Manny Lopez is retiring effective April 1, 2007. Manny's last day of work is March 12. Manny began

employment with KDCU in 1990 and has held positions of financial examiner, financial examiner senior and financial examiner principal.

Jack and Manny will be missed. We wish them good health and fulfillment of personal endeavors during their retirement.

PERSONNEL PROMOTIONS

Dick Yadon has been promoted to financial examiner administrator from financial examiner senior. Prior to employment with KDCU Dick had many years service in the financial services industry. Dick has been examining

credit unions since 2000.

Jim Klausen has been promoted to financial examiner principal from financial examiner senior. Jim has been with KDCU since 1999 and has many years experience in the insurance field.

Please join us in congratulating Jim and Dick for their promotions and welcoming them to the new responsibilities.

RECRUITMENT OF EXAMINERS

With the retirements of Jack and Manny, KDCU is actively recruiting individuals who are interested in becoming financial examiners. Please contact KDCU if we can

answer question about becoming an examiner or applying for these positions.

BULLETINS ISSUED

Bulletins should be copied to credit unions' board of directors. Contact KDCU if you did not receive the bulletin listed below.

- 2007-KDCU-CUB-01
- 2007-KDCU-CUB-02
Fourth Quarter 2006
Call Report Statistics

UNRELATED BUSINESS INCOME (UBIT)

For more than 10 years the UBIT Steering Committee has been monitoring unrelated business income tax (UBIT) issues for state-chartered credit unions. Certain financial products offered by state chartered credit unions may be subject to unrelated business income tax. The Internal Revenue Service (IRS) made public on March 2 two technical advice memoranda (TAM) on UBIT.

The TAMs are a result of the 2005 audits of two unidentified state-chartered credit unions. Several finan-

cial products determined by IRS as unrelated include income were listed in the TAMs.

The UBIT Steering Committee intends to challenge the IRS determination through litigation.

The UBIT Steering Committee encourages state-chartered credit unions to consult with their tax and legal experts about filing considerations for 2006 and 2007. State-chartered credit unions are also urged to utilize sound accounting principles to assess poten-

tial tax liability. The UBIT Steering Committee has developed an accounting tool to aid state-chartered credit unions in this process.

The UBIT Steering Committee is made up of NASCUS, CUNA, CUNA Mutual Group and the American Association of Credit Union Leagues. (AACUL). More information can be found at the NASCUS web site <http://www.nascus.org>, or the CUNA web site <http://www.cuna.org>.

Kansas Department of Credit Unions Staff

- John P. Smith, Administrator
- Dick Yadon, Financial Examiner Administrator
- James Burgess, Financial Examiner Principal
- Jonathan Hankin, Financial Examiner
- Nikki Lewman, Financial Examiner

- Valorie White, Financial Examiner Senior
- James Klausen, Financial Examiner Senior
- Michael Baugh, Financial Examiner Senior
- Cheryl Bishop, Administrative Specialist
- Freda Chabira, Administrative Specialist