



K A N S A S

JOHN P. SMITH, ADMINISTRATOR

DEPARTMENT OF CREDIT UNIONS

KATHLEEN SEBELIUS, GOVERNOR

DATE: March 12, 2009
BULLETIN: 2009-KDCU-CUB-04
TO: Management of Kansas chartered credit unions
SUBJECT: NCUA'S Corporate Stabilization Program Expense

On March 10, 2009, the A.I.C.P.A. issued their guidance on the possible ways credit unions may account for the expense associated with the National Credit Union Administration's (NCUA) Corporate Stabilization Program. In summary, the guidance allows a credit union to account for the corporate stabilization program expense either as a 2008 or 2009 event.

Since NCUA's announcement of their corporate stabilization program on January 28, 2009, KDCU has received inquiries regarding our position on how, when and for what period the credit union should account for the expense of the write down and recapitalization of each credit union's NCUSIF balance. Although in 2009-KDCU-CUB-02 we described the actions taken by NCUA to stabilize the corporate system, we did not provide guidance for the accounting as the situation and opinions have continued to change. The A.I.C.P.A. guidance provides some clarity as to what is acceptable under Generally Accepted Accounting Procedures (GAAP).

KDCU will not take exception to accounting for the corporate stabilization program expense either as a 2008 or 2009 expense. **However, our preference would be for the expenses to be written-off in 2009.** Rationale supporting write-off in 2009: the March 2009 call report has a line specifically for the corporate stabilization program expense, which will then show a credit union, its board, members, and any member of the public what the credit union's earnings are and what they would have been outside of the corporate stabilization program expense. Obviously, this option was not available on the December 2008 call report. Additionally, each credit union that is allowed and chooses to book the corporate stabilization program expenses in 2008 will need to file an amended 2008-call report. The write-off of expenses with an effective date of 2009 and its impact on the bottom line will clearly be more transparent than if the write-off is in 2008 for future performance analysis. However, as stated earlier, KDCU will not take exception to any credit union following whatever is the current A.I.C.P.A. guidance as viewed by their outside accountant.

KDCU recommends you visit NCUA's web site at <http://ncua.gov/> and click the link titled "corporate stabilization program" at the top of the page. Within this link are several items of information including Accounting Bulletin No. 09-01 that outlines one set of what NCUA has deemed acceptable journal entries for the corporate stabilization program expenses.

/s/ John P. Smith, Administrator

March 12, 2009