

**NCUA's CORPORATE  
STABILIZATION PLAN—WHAT  
DOES IT MEAN?**

By Michael Richards, CPA

**NACUSAC**<sup>®</sup>

Winter  
2009

Credit union officials and executives were surprised in January when first learning of the National Credit Union Administration's (NCUA) plan to stabilize the troubled corporate credit union system. The plan calls for the natural-person credit unions to shoulder the cost of this stabilization plan. While the NCUA action came as a surprise to most people the underlying problem had been known for the past few years.

Some of the large corporate credit unions invested in private-label mortgage backed securities so when the real estate market collapsed and credit markets froze up the value of these securities plummeted. As a result the corporate credit unions involved began to disclose substantial unrealized losses on their investment portfolios. Because they classified those troubled investments as "available for sale" accounting rules allowed them to show the unrealized losses on the balance sheet while not affecting the income statement. Some corporate credit unions went even further, moving the unrealized loss completely off their financial statements and relegating the issue to footnote status.

That all changed in January 2009 when the largest of the corporate central credit unions passed a portion of their loss, \$1.2 billion through the income statement. This sent the NCUA into a closed-door session and on January 29, 2009 their plan was announced. Here's a summary of the NCUA plan to stabilize the corporate credit unions.

Federally insured credit unions are required to maintain a deposit in the National Credit Union Share Insurance Fund (NCUSIF) equal to 1% of their insured shares. That deposit, carried as an asset, is adjusted annually based on the total amount of insured shares at each reporting period. To cover the funds injected into the corporate credit union system and provide for the related guarantees made by the NCUA the NCUSIF fund was significantly impaired. The NCUA instructed all federally insured credit unions to immediately write down that asset by 51% to recognize this impairment. According to the NCUA this impairment occurred in 2009 and should be recognized then. However, the American Institute of Certified Public Accountants (AICPA) is reviewing the plan and likely to view this as a 2008 event.

Later in 2009 the NCUA plans to bill all federally insured credit unions to restore the deposits back to 1% of insured shares.

*continued on page 3*

WINTER

A quarterly  
newsletter for  
members of the  
National  
Association of  
Credit Union  
Supervisory &  
Auditing  
Committees

**Inside this issue . . .**

**San Diego program**

**Newsbriefs**

**Seminars stretch your  
education dollar**

**Associate members join**

**Events calendar**



## SAN DIEGO PROGRAM AIMS TO HELP COMMITTEES THROUGH CRITICAL TIME

**From the turbulent economy to rising fraud rates and rampant identity theft, NACUSAC's 2009 Annual Conference topics will help supervisory/audit committees find practical solutions to address credit unions biggest challenges. The Hilton San Diego Bayfront Hotel will host the meeting from June 17-20.**

Keynoter Mark Morze, the former CFO of Zzzz Best Carpet Cleaning Company, will kick off the three-day agenda by giving attendees an intriguing look into the mind of a master fraudster. Morze made front page news after pulling off one of the biggest scams of the 1980's. Find out why decades later he is teaching ethics at Pepperdine University and speaking to CPA societies about how to detect, deter, understand and protect against fraud.

Other not-to-be-missed sessions include:

- Financial update from nationally-recognized economist Dr. Chris Thornberg
- CPA Mike Richards on the NCUSIF Assessment and its impact on your bottom line
- Security expert Tom DeSot on protecting data and disaster recovery in the Age of Cloud Computing
- Credit union guru Tim Harrington on how committees can perform at their peak, even in the worst of times
- New merger rules and your committee's role from auditor Dan Mahalak
- Credit Risk Management tips for your loan portfolio
- Getting the most bang for your auditing dollar
- Boot camp-style training seminar for new committee members

- Focused networking session open to committees eager to discuss their biggest concerns and work on finding practical solutions

### **Education Doesn't Cost . . . It Pays**

Understandably, credit unions are hesitant to spend money in areas that may seem unnecessary. Travel and conference spending has been the subject of media scrutiny lately. As a result, some organizations have decided to hunker down and wait for the storm to pass.

However, the peril in that strategy is that they may be missing out on the information and training they absolutely need in these times of economic uncertainty. For supervisory/audit committees this is especially true as more emphasis is placed on oversight and accountability.

So, be sure you register today to join other credit unions at NACUSAC's 2009 Annual Conference—the only independent association dedicated to meeting the education and training needs of supervisory and audit committees. For more program information, visit [www.nacusac.org](http://www.nacusac.org).

## NACUSAC NEWSBRIEFS

### ✓ **Did you miss your 2009 dues statement?**

Dues invoices were mailed to the supervisory committee chairman in early January. If you did not receive the first statement, please let us know. Be sure to renew your membership so that your credit union continues to receive benefits like discounts on educational programs, access to the member section at [www.nacusac.org](http://www.nacusac.org) and other valuable services.

### ✓ **Nominate a colleague for their service**

Be sure to send in your nomination for NACUSAC's Golden Service Award by May 1. If you know a supervisory/audit committee member deserving of recognition for their outstanding work, go online to [www.nacusac.org](http://www.nacusac.org), click on the "Golden Service Award" link and submit a nomination. The award will be presented during NACUSAC's 2009 Annual Conference in San Diego.

### ✓ **Earn NACUSAC U Credits While You Listen**

Did you miss a recent phone seminar that you needed to satisfy a NACUSAC University requirement? Audio CDs going back to November 2004 are available for purchase. By listening to any of the hour-long recordings and taking a brief true-false test, you can earn credit for NACUSAC U! A list of available seminar CDs is online at [www.nacusac.org](http://www.nacusac.org).

2



*San Diego skyline at dusk*

**SEMINARS HELP  
STRETCH EDUCATION  
DOLLARS FURTHER**

Credit unions looking for an affordable way to get much-needed fraud and auditing training, look no further than NACUSAC's dial-in seminars. In addition to the high-quality content, what makes these seminars so worthwhile is being able to invite as many committee members and internal audit staff as your board room will hold.

NACUSAC offers four hour-long seminars each year on a range of topics presented by experts in the fields of auditing, accounting, IT security and regulatory issues. An added benefit of participating in the seminars is that you can earn CPE (continuing professional education) and NACUSAC University credits.

**Audio recordings available**

Archives for most of the seminars are kept on audio-CDs (audiocassettes for earlier seminars) and are available for purchase. One NACUSAC credit union has even started a library of phone seminar recordings that committee members and internal audit staff can "check out" and listen to at their convenience. While CPE credits are only available by participating in a live seminar, NACUSAC University credits can be earned through listening to the archived versions.

Make the most of your training budget by signing up for NACUSAC's upcoming phone seminars on April 2 and May 7. Details are at [www.nacusak.org](http://www.nacusak.org).

**WELCOME, NEW ASSOCIATE MEMBERS!**

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*NACUSAC associate members work closely with credit unions to provide a range of auditing, insurance and IT consulting services. Links to all of our associate members are on the web at [www.nacusak.org/links.htm](http://www.nacusak.org/links.htm)*

**Calendar**

April 2, 2009

**NACUSAC Phone Seminar**

"Accounting for NCUSIF Assessment"

April 24, 2009

**Early Registration Deadline for NACUSAC**

**2009 Conference**

May 1, 2009

**Nomination Deadline: Golden Service Award**

May 7, 2009

**NACUSAC Phone Seminar**

(Topic to be determined)

May 27, 2009

**Hilton San Diego Bayfront Hotel**

**discount reservation deadline**

June 17-20, 2009

**NACUSAC's 2009 Annual**

**Conference & Exposition**

Hilton San Diego Bayfront Hotel

San Diego, California

June 19, 2009

**NACUSAC U Graduation Ceremony**

June 20, 2009

**NACUSAC's Annual Business Meeting**

**NCUA PLAN (FROM PAGE 1)**

To further replenish the NCUSIF the NCUA will assess a premium that will also be charged as an expense. Existing federal law requires that the NCUSIF be replenished in the current year. However, there is legislation moving through the U.S. Congress that might allow a longer period to replenish the fund.

In the coming weeks as the year-end financial statements are released for the corporate credit unions we will all learn more about the extent of this problem. Most of our clients believe this is just the start of a problem that will be with us for sometime. So be prepared for additional costs down the road.

*Mike Richards is President of Richards & Associates, a Southern California-based auditing firm that serves credit unions exclusively. Mike is a frequent speaker at NACUSAC Conferences and will present an April 2 phone seminar that deals with accounting for the NCUSIF assessment.*

## MISSION STATEMENT

NACUSAC's mission is to provide leadership, support and education to enhance the capability of credit union supervisory and auditing committee members to fulfill their responsibilities.

## PROGRAMS/SERVICES

**Annual Conference & Expo**  
**Telephone Seminars**  
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## NASBA

NACUSAC is registered with the National Association of State Boards of Accountancy (NASBA), as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be addressed to NASBA, 150 Fourth Ave. North, Ste 700, Nashville, TN 37219-2417. [www.nasba.org](http://www.nasba.org)

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