

CORPORATE CREDIT UNION GUIDANCE LETTER

No. 2000-02

DATE: July 11, 2000

SUBJ: Accounting for Paid-In-Capital (PIC) Dividends

TO: The Corporate Credit Union Addressed:

It has come to our attention that corporate credit unions may be accounting for Paid-In-Capital (PIC) dividends inconsistently. A few corporate credit unions are accounting for PIC dividends as a dividend expense on their Income Statements, while other corporates treat PIC dividends as a reduction to undivided earnings.

The Office of Corporate Credit Unions (OCCU) supports the provision of the Credit Union Membership Access Act of 1998 (HR 1151) requiring credit unions to follow Generally Accepted Accounting Principles (GAAP). According to GAAP, dividends on capital are to be distributed from shareholder's equity or undivided earnings/retained earnings. Thus, the exclusion of PIC dividends from earnings is considered reasonable and consistent with GAAP.

While OCCU expects all corporate credit unions with PIC on their books to comply with GAAP when treating PIC on its internal generated financial statements pursuant to your CPA's guidance, the 5310 reporting system has not been modified to address this issue. In the meantime, 5310 reporting will remain the same until modified by NCUA. OCCU expects 5310 system modifications to be completed by the January 31, 2001, reporting period.

Our examiners will be instructed to ensure corporate credit unions with PIC on their books comply with GAAP regarding the treatment of PIC dividends on corporate generated financial statements beginning August 31, 2000, and January 31, 2001, for 5310 reporting. State chartered corporates should seek the additional guidance from their state supervisory authority.

If you have any questions, please contact this office at (703) 518-6640.

Sincerely,

Robert F. Schafer
Director
Office of Corporate Credit Unions

OCCU/RFH:rh;gc
SSIC 3500

cc: State Supervisory Authorities
NASCUS
ACCU

bcc: Reading File
Regional Directors
All OCCU Staff
Office of General Counsel
Office of Investment Services
SSIC 3500
SSIC 3000
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