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GOVERNOR

STATE OF MICHIGAN  
OFFICE OF FINANCIAL AND INSURANCE SERVICES  
DEPARTMENT OF CONSUMER & INDUSTRY SERVICES  
DAVID C. HOLLISTER, DIRECTOR

LINDA A. WATTERS  
COMMISSIONER

**DATE:** June 23, 2005

**LETTER NO.:** 2005-CU-05

**TO:** The Board of Directors and Management of Michigan State-Chartered Credit Unions

**SUBJECT:** Impact of NCUA's IRPS 02-03 on Allowance for Loan and Lease Loss Calculations

This letter replaces Letter 2002-CU-09.

This letter is intended to address the National Credit Union Administration's (NCUA's) issuance of Interpretive Rulings & Policy Statement (IRPS) 02-03 dated May 29, 2003 and the applicability of that ruling to Michigan chartered credit unions. This IRPS relates to the methodology and documentation for calculating the Allowance for Loan and Lease Losses (ALLL) for federally- insured credit unions.

Regarding Michigan state-chartered credit unions, the Office of Financial and Insurance Services requires no changes in ALLL calculation methodology as a result of IRPS 02-03. Credit unions should continue to follow generally accepted accounting principles (GAAP) as required by Sections 382(2) and 386(2) of the Michigan Credit Union Act and the ALLL methodology outlined by Michigan Credit Union Rule 7. If a credit union chooses to deviate from the method prescribed, Rule 7 requires the evaluation conform to GAAP, as evidenced by a written statement from the certified public accountant or other professionally-qualified individual who performed the most recent audit.

Questions regarding this letter or NCUA's IRPS 02-03 may be directed to our office.

Sincerely,

Roger W. Little, Deputy Commissioner  
Credit Union Division