

**State of Ohio – Department of Commerce
Division of Financial Institutions**

**Administrative Guideline for Credit Unions 09-1
September 17, 2008**

Guideline for Paying Dividends in Excess of Net Income

This guideline is to assist credit unions to comply with Section 1301-9-2-08(F) of the Ohio Administrative Code, which applies to paying dividends on shares in excess of the credit union's net income. This guideline will provide the credit union with the process to formulate a request to pay dividends, even though earnings are negative. A form is provided to assist in gathering the necessary information needed for the Division to make a decision regarding the request.

Pertinent Rule

1301-9-08(f) of the Ohio Administrative Code - The board of directors may approve payment of dividends on shares from current earnings only. No dividend may be declared or paid unless the credit union has satisfied the reserve requirements of section 1733.31 of the Revised Code. However, the superintendent may permit the payment of dividends subject to a plan of corrective action.

If a credit union's board of directors has declared a dividend that is expected to cause the credit union to report a net loss on the upcoming quarterly call report, the credit union must obtain written permission of the Deputy Superintendent of Credit Unions in order to pay the declared dividends to its members.

When Approval is Required to Pay Dividends

If the payment of the declared dividend will cause the credit union to report a net loss on their upcoming quarterly call report, the credit union will need to obtain written permission of the Deputy Superintendent of Credit Unions prior to paying the dividend.

Form to be Used to Make Dividend Requests

The request shall be made on the form attached to this Administrative Guideline, and is also available on the Division's website. The form should be signed by the credit union's President/Chairman of the Board and/or the Chief Executive Officer.

When Completed Forms Should be Received by Division

Completed form requests should be submitted to the Division of Financial Institutions as soon as the credit union determines that it ***will be reporting a net loss on its quarterly call report.*** (Completed forms can be mailed, faxed or e-mailed to the Division.) The Division will process the request in a timely manner and will communicate its decision to the credit union.