



In This Issue

Canada Connection
Page 2

**FHLB Topeka Approves Kansas
Corporate for Membership**
Page 3

**Staff Anniversaries &
Announcements**
Page 3

Operational Reminder
Page 4

Financial Snap Shot
Page 4

Holiday Closing Reminder
Page 4

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2009 Economic Outlook Winds of Change

As the clock struck midnight, most of the world was glad to bid 2008 adieu. Not surprising as, for most, it was anything but pleasant. But, will 2009 be any different or will it be a welcome thought to send it packing at the end of the year as well? According to the most recent outlook issued by Global Insight, there is a glimmer of hope beginning to appear on the horizon, but there is a lot to battle through before it's realized.

2009 was met by a grim welcoming committee...U.S. and global economies experiencing the most severe synchronized global downturn of recent times, the close of a holiday shopping season that proved to be as bad as retailers had feared, continued deterioration of the labor market and the prospect of the first decline in world real GDP in the postwar era. U.S. real GDP is expected to drop by 5.4% in the first quarter of 2009 and 2.5% for the calendar-year, a situation that would be considered a severe recession by any standard. Negative growth will most likely be seen through the first half of the year with only slightly positive growth thereafter, meaning an expected recession length of 18 to 24 months. The decline in the labor market is continuing to accelerate and will likely push the unemployment rate to 9.1% by year-end, contributing to an expected 2.5-3.0% decline in real consumption for the first quarter. In addition, exports, which had been propping up the U.S. economy, can no longer be relied upon with the rest of the world in recession too, and most likely will contract 7.0% during the year.

So, what about the aforementioned optimism? Well, let's start with the up-and-coming Obama administration's planned

fiscal-stimulus package. It is anticipated the new administration and Congress will move quickly to pass another economic stimulus package complete with a mix of infrastructure spending, support for state and local governments, increased transfer payments and a "middle-class" tax cut – an estimated value of between \$675 and \$775 billion over the next 2 years. This, combined with the Fed's vigorous easing, should help to stabilize the economy during the second half of '09 and promote some recovery during 2010. The FOMC has indicated intent to hold rates steady at the current level, near zero percent, for an extended period through March 2010, and indeed this appears to be exactly the type of leadership and action that the American public was looking for to pull the economy out of the current tailspin. And, the Fed does not intend to stop at rates, planning also to purchase large quantities of GSE debt and mortgage-backed securities, and potentially additional long-term Treasury securities.

Other good news, at least for the consumer, is continued decline in oil prices, potentially to around \$30 per barrel in the second quarter of 2009. And, last but definitely not least, if we can get past continued drag on growth from the housing industry during the first of the year, a very gradual recovery in that sector is finally expected in the second half of 2009.

Obama ran a successful campaign on the promise of "change." Let's hope his administration indeed provides "the change we need" and quickly, to make a more promising year than it may appear we're headed for.

Canada Connection

Easy ACH Transactions North-of-the-border

The United State’s “neighbor to the north” is quickly becoming one of, if not *the* most important trading partners for the state of Kansas. In 2007, Kansas exported \$2.1 billion in merchandise to Canada and imported another \$2.3 billion. The average yearly growth of imports and exports since 2003 was 12% and 14%, respectively, with everyone from aircraft engineers to farmers to the transportation industry actively participating in Canadian trade. Due to the ever-increasing bilateral trade between the U.S. and Canada, the Federal Reserve Bank partnered with Scotiabank, “the gateway to all of Canada’s financial institutions,” to provide U.S. depository financial institutions a cost-effective, convenient and efficient solution for sending cross-border payments to Canada...**Canada Connection.**

Previously known as the FedACH International Canada Service, Canada Connection provides a means for sending both debits and credits via the ACH network. Many US companies, and even individuals, send payments to Canada daily – credits such as payroll, pension, annuity or utility payments, or debits from consumers and/or companies in Canada for bills owed in the United States. Making daily payments via check or wire, or even maintaining an account at a Canadian FI, can carry a substantial cost. With Canada Connection, these same transactions can be completed conveniently and efficiently via ACH, at a low per-item fee and with competitive foreign exchange rates offered through this service.

How it works...

Canada Connection works in conjunction with APEX-ACH, Kansas Corporate’s online ACH origination and receipt system. As previously mentioned, U.S. depository financial institutions can originate debits or credits to Canada via this service. All cross-border transactions are originated in U.S. dollars and then your member decides the currency that will be applied to the

transactions when they are received in Canada – either U.S. or Canadian dollars. Settlement to the ODFI is in U.S. dollars and a low cross-border surcharge is assessed. If payments are fixed-to-variable (originated in U.S. dollars and paid in Canadian), a competitive foreign exchange rate is applied. Settlement is extremely timely, payable to the Canadian FI either on the U.S. settlement date or one day after, depending on the type of transaction. Canada Connection payments thus provide certainty of clearing and settlement times, and no beneficiary deductions are made from the payment amount.



Canada Connection provides...

- A cost-effective alternative to other payment channels
- The ability to send both debits and credits via the ACH network
- Access to any financial institution in Canada
- Competitive foreign exchange rates
- Delivery of payments in either U.S. or Canadian dollars
- Certainty of clearing and settlement times
- No deductions from payment amount

Scotiabank (The Bank of Nova Scotia) serves as the receiving gateway operator for Canada Connection and is linked to every financial institution in Canada. The tremendous volume of cross-border payments handled by Scotiabank, and their aggregate value, allows Scotiabank to provide a competitive bulk foreign exchange rate to all who use this service.

Morning Post Deliveries...

The addition of the Morning Post Service provides program users one more thing to love about Canada Connection as it allows for early morning delivery of payroll and pension payments to recipients in Canada. By submitting certain formatting criteria, U.S. financial institutions can provide funds availability, using the ACH network, by the opening of business on requested due dates, similar to how salary and pension payments generally are treated by U.S. ACH participants.

Canada Connection and APEX-ACH

For credit unions already utilizing APEX-ACH through Kansas Corporate, the functionality to begin submitting both credit and debits to Canada via the ACH network is already available to you. Completion of a couple quick FRB forms is all that separates your members from fast, efficient ACH transactions with Canada.

(See Canada Connection, page 3)

Canada Connection *(continued from page 2)*

And, sending these transactions is even more efficient thanks to value-added functionality in the APEX-ACH platform, including...

- Streamlined file processing – Cross-border file format requirements are incorporated into APEX-ACH
- Completed testing requirements – The required ACH Operator and Originating Gateway Operator (OGO) tests have been conducted on behalf of all APEX-ACH users
- OFAC checks – All cross-border ACH items originated via APEX-ACH receive an automatic OFAC check

Not an APEX-ACH user? An internet based product, APEX-ACH eliminates expenditures for additional software or hardware and reduces implementation and ongoing expenses. It is a flexible, user-friendly, low-cost ACH solution for your credit union, backed by comprehensive training and ongoing support from our knowledgeable staff and Accredited ACH Professional (AAP). In addition, it now allows you to send cross-border ACH transactions to Canada and Mexico.

Want to know more?

Marketing materials for Canada Connection have been created to assist in your marketing efforts and are available upon request. For more information regarding APEX-ACH, or to request the necessary forms and marketing materials to begin utilizing Canada Connection, contact Sarah Holt, Business Development Representative, at 800.721.2677 | Ext. 122, or sarahh@kansascorporate.org.

FHLB Topeka Approves Kansas Corporate for Membership

The Federal Home Loan Bank (FHLB) Topeka recently approved Kansas Corporate’s application for membership adding another source of liquidity for the credit union system in Kansas. This addition supports Kansas Corporate’s core beliefs and one of the original purposes of corporate credit unions, to serve as the liquidity provider for credit unions. This valuable partnership with the FHLB Topeka will provide access to affordable funding during this unstable economic time and well beyond. “Adding the FHLB as a strategic partner augments our already strong liquidity base”, states Kent Gleason, Executive Vice President, “ensuring credit unions can rely on Kansas Corporate to meet their loan demands.”

Staff Anniversaries & Announcements

Three of our staff celebrated anniversaries over the last couple of months, including...



Tammy Schreurs
Member Service Representative,
2 years



Mary Miller
VISA Services Representative,
8 years



Kip Poe
Vice President,
Information & Technology,
19 years



We are pleased to announce Brandon Roe, Staff Accountant, was promoted to Asset & Investment Management (AIM) Financial Analyst in December 2008. Brandon will work alongside AIM Analysts Brady McLeod and Walter Thompson, providing Asset/Liability Management to client credit unions and investment sales to all member credit unions.

We are excited to have Brandon serving in this new capacity. He can be reached in his new position at 800.721.2677 | Ext 120, or brandonr@kansascorporate.org.

Operational Reminder

Processing Deadlines

It's 2:30p and you need to send a wire. Is it too late? To help you with your operational procedures this year, we want to make sure you're aware of the various processing cut-off times here at Kansas Corporate...

12:00p

Currency Orders
International Currency Exchange
Security Trades

3:00p

Wire Transfers

4:00p

Share Transfers
Western Union Transfers

For questions on cut-off times or other operational procedures, please contact Tonya Johnston, Operations Manager, at 800.721.2677 | Ext. 113, or tonyaj@kansascorporate.org.

Financial Snap Shot

As of November 30, 2008

Assets	\$	373,094,260
Loans	\$	65,693,672
Net Income (Year-to-date)	\$	809,355
Capital Ratio		11.49%
Managed Liquidity Account*		
Balances < \$500,000		0.663%
Balances \$500,000 - \$9,999,999		0.763%
Balances >\$10,000,000		0.913%
Cash Management Account*		0.25%
Paid-in Capital Shares		1.70%
Membership Capital Shares		1.00%

**These rates represent a monthly average.*

Figures are not audited.

Please visit www.kansascorporate.org for current investment rates.

Contact Information

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Executive Team

Larry Eisenhower, President/CEO
 (Ext. 108)

Kent Gleason, Executive Vice President
 (Ext. 107)

Alan Weikal, Controller
 (Ext. 110)

Kip Poe, VP – Information & Technology
 (Ext. 104)

Please direct questions or comments to Circe Gleeson, Marketing Manager, at 800.721.2677 | Ext. 106 or email circeg@kansascorporate.org.

Holiday Closing Reminder

Kansas Corporate will be closed in observance of the following upcoming holiday.

President's Day
 Monday, February 16

Reminder: Currency ordering schedules will need to be adjusted.