


Time	Suggested Remarks	Icon	Tips/Notes
30 min	<p>Computation of Account Earnings</p> <p>Refer participants to the generalized earnings computation rules on page 8 of their handouts. The specific remarks that you should make with respect to each rule are as follows:</p> <ul style="list-style-type: none"> • Rule 1: <i>Dividends generally must be paid on the full balance in the account and may not be paid on the low balance or based on par value share increments.</i> This is one of the most important rules of TIS. The provision means that credit unions generally are required to pay dividends for dividend-bearing accounts on the full amount in the account for each day of the period. This provision prohibits paying dividends only on the low balance in an account during the period, or on par value share increments. (For example: Credit union's par value is 5 and member has \$24. Credit union must pay dividends on all \$24, rather than on \$20). This provision also means that dividends must be paid for each day the funds remain on deposit. • Rule 2: <i>Dividends must be calculated on the daily balance or average daily balance in the account.</i> This rule gives credit union two choices for calculating dividends. Under the daily balance method, a daily periodic rate is applied to the full amount of principal in the account each day. Under the average daily balance method, a periodic rate is applied to the average daily balance in the account for the period. The average daily balance is determined by adding the full amount of principal in the account for each day of the period and dividing that figure by the number of days in the period. • Rule 3: <i>Dividends must be calculated on a 365 day year.</i> This rule has to do with how the declared or prospective dividend rate is applied to the daily balance in the account. For example, a credit union that uses an average daily balance method and compounds dividends monthly would apply a rate of 31/365 (for a month of 31 days) of the declared dividend rate to the average daily balance in the account. 		<p>Computation of Account Earnings</p> <p>P 8</p> <p>Inform participants that the rules for computation of account earnings can be confusing. The good news is that the credit union's data processor generally takes care of these computations for the credit union. That being said, a credit union should never assume that its data processor is accurately calculating the APY. Free software is available for calculating the APY on the OCC's website at: www.occ.treas.gov/useful.html</p> <p>Inform participants that it is a good practice to check this web site at least annually to ensure compliance.</p> <p>This seminar is intended to give participants a general idea of the computation rules, so they should not worry if the rules are difficult to understand!</p>