

MEMORANDUM

To: Subscribers to *NAFCU's Credit Union Investment Manual: Accounting, Compliance, Reporting, and Management*

From: Sheshunoff Information Services

Subject: Highlights

Collateralized Debt Obligations (CDOs) issued in 2006 exceeded the total CDO issuance from inception in 1987 through 2003. As part of this market expansion, CDOs are now marketed to a vast array of potential buyers, including corporate credit unions. Investment managers should know about CDO creation, product types, CDO structuring, etc. In addition, structured investments provide a versatile set of tools for investors looking to combine some of the best features of equity and fixed income. Enclosed is the 2007 update to your *NAFCU's Credit Union Investment Manual*. In it, you'll find the following new material:

- *Structured Notes*. **Chapter 3, Investment Instruments**, has a new section on structured notes. We explain the very complicated classifications of hybrid securities that many investment professionals combine with other derivatives to create more efficient investment portfolios. Find out about the risks and rewards in handling these products.
- *Collateralized Debt Obligations*. A huge new section on this fast growing ABS sector is also included in **Chapter 3**.
- *Prospective vs. Retrospective Amortization*. In **Chapter 7, Investment Regulations and Accounting Rules**, we've added new information regarding the FAS 91 standards for amortization/accretion of premium/discounts on investments.
- *Corporate Securities*. The NASD has developed the Trade Reporting and Compliance Engine (TRACE) program. Chapter 8, Buying, Selling, and Settling, brings you the information you need to understand and use the program.