

Notes to Consolidated Financial Statements • Years Ended December 31, 2006 and 2005
(Table Dollar Amounts in Thousands)**Note 7: Line of Credit**

The Credit Union has available a \$75,000,000 open-ended line of credit from Members United Corporate Federal Credit Union (Members United). Borrowings under this line, if used, would be secured by substantially all assets of the Credit Union including mortgage loans. The Credit Union also has a \$50,000,000 open-ended line of credit from the Federal Home Loan Bank of Indianapolis (FHLB). If used, this line would be secured by all Credit Union's first mortgage loans that have been subordinated to the FHLB by Members United. At December 31, 2006 and 2005, no indebtedness was outstanding under this line of credit.

Note 8: Loan Servicing

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others totaled \$27,854,000 and \$26,716,000 at December 31, 2006 and 2005.

The aggregate fair value of capitalized mortgage servicing rights at December 31, 2006 and 2005 was immaterial to the financial statements taken as a whole.

Note 9: Taxes

The Credit Union and subsidiary are subject to a franchise tax imposed by the State of Indiana on net income after regulatory reserve transfers and certain other adjustments. The Credit Union and subsidiary incurred current franchise tax of \$464,000 for 2006 and \$372,000 for 2005. Federal income taxes are not provided for the Credit Union in the consolidated financial statements since the Credit Union is exempt by statute. The subsidiary is subject to federal income tax, which is immaterial to the consolidated financial statements.

Note 10: Commitments and Contingent Liabilities

In the normal course of business, there are outstanding commitments and contingent liabilities, such as commitments to extend credit, which are not included in the accompanying financial statements. The Credit Union's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit is represented by the contractual or notional amount of those instruments. The Credit Union uses the same credit policies in making such commitments as it does for instruments that are included in the consolidated balance sheets.