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NCUA Media Release

Corporate Credit Union Update

August 7, 2009, Alexandria, Va -- Normal operations continue without interruption at U.S. Central Federal Credit Union (U. S. Central) and Western Corporate Federal Credit Union (WesCorp). Both WesCorp and U.S. Central have been effective in managing the seasonal liquidity pressures that occur during this time of the year.

A summary of the liquidity situation is as follows:

- As noted in NCUA's July 31, 2009 Media Advisory, the CLF transferred its funds ($1.8 billion) on deposit at U.S. Central to the U.S. Treasury and invested them in a laddered portfolio of U.S. Treasury securities (see here). This action was necessary to preserve the CLF's borrowing authority, which is a vital resource in meeting the liquidity needs of the credit union system given the current economic challenges. NCUA will hold a webinar Monday, August 10, 2009, to provide background information about the CLF's recent change to its investment policy and pending transfer of CLF stock ownership from U.S. Central to other credit unions (see here).

- Aided by the Temporary Corporate Credit Union Liquidity Guarantee Program, U.S. Central has established $8.8 billion in contingent borrowing capability. U.S. Central has $10.8 billion in borrowings either directly from NCUA ($5 billion) or from natural person credit unions through the Central Liquidity Facility (CLF) under the Credit Union System Investment Program ($5.8 billion). U.S. Central is maintaining $7.8 billion in cash and cash equivalents as available liquidity.

- WesCorp has $7.5 billion in borrowings either directly from NCUA ($5 billion) or from natural person credit unions through the CLF under the Credit Union System Investment Program ($2.5 billion). WesCorp is maintaining $5.4 billion in cash and cash equivalents as available liquidity.

- The goal continues to be to transition U.S. Central and WesCorp from use of NCUA and CLF borrowings to being fully funded by member shares or borrowings in the market. The rate of amortization of each institution's bond portfolios and the level of liquidity support provided by member credit unions are the primary factors in how quickly this goal can be achieved. It remains essential that credit unions continue supporting the liquidity needs of the corporate credit union system to ensure an orderly and least cost resolution for the corporate stabilization program, the costs of which are borne by the Temporary Corporate Credit Union Stabilization Fund (TCCUSF). All federally-insured credit unions will be assessed premiums over up to 7 years to repay costs incurred by the TCCUSF.

Guarantee Update

Under delegated authority, the expiration date of NCUA's Temporary Corporate Credit Union Share Guarantee Program is being extended from September 30, 2011 to December 31, 2011. With this extension, new investments with maturities of two years or less in participating corporate credit unions made before December 31, 2009 will be fully covered by the guarantee program. This is in addition to the existing deposits already covered.

Audit Update

Discussions continue between U.S. Central and its external auditors (Deloitte & Touche) regarding the 2008 financial audit. The delay in the audit involved the manner of access as part of U.S. Central's audit to PIMCO's analysis of U.S. Central's bonds, which PIMCO conducted on behalf of NCUA as regulator. NCUA, PIMCO, and Deloitte & Touche were able to come to an agreement for review of PIMCO's analysis under specific control conditions. The auditors are assimilating PIMCO's analysis of the bonds and working with U.S. Central's staff to finalize the audit assessment. The NCUSIF's 2008 audit, also conducted by Deloitte & Touche, will be completed once U.S. Central's audit and a related FASB Interpretation No. 46R analysis (i.e., FIN 46R) are finalized.

OTTI Update

The impact on the Temporary Corporate Credit Union Stabilization Fund (TCCUSF) of the additional Other-Than-Temporary-Impairment (OTTI) charges for the second quarter of 2009 at U.S. Central and WesCorp is being evaluated. U.S. Central recorded OTTI charges totaling $537.0 million for the second quarter of 2009, resulting in a reduction of remaining Member Capital Shares (MCS) to 37% of the original balances. OTTI charges have fully exhausted Paid-in-Capital (PIC) I and PIC II balances and depleted MCS by $789.4 million, resulting in an MCS balance of $452.1 million as of June 30, 2009. WesCorp recorded OTTI charges totaling $541.1 million for the second quarter of 2009. OTTI charges have fully exhausted all PIC and MCS balances, and created a retained earnings deficit of $4.3 billion as of June 30, 2009. Both corporate credit unions have communicated this financial information to members.

The National Credit Union Administration charters and supervises federal credit unions. NCUA, with the backing of the full faith and credit of the U.S. government, operates and manages the National Credit Union Share Insurance Fund, insuring the accounts of nearly 90 million account holders in all federal credit unions and the majority of state-chartered credit unions. NCUA is funded by credit unions, not federal tax dollars.

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