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NCUA Media Release

Matz Comments on Court's Ruling in Kansas Securities Lawsuits

ALEXANDRIA, Va. (July 26, 2012) – The National Credit Union Administration (NCUA) commented today on yesterday's decision by the Federal District Court in Kansas that denied the majority of the defendants' motions to dismiss in the agency's lawsuits for losses from mortgage-backed securities purchased by U.S. Central Federal Credit Union (U.S. Central).

"NCUA is pleased that the court recognized the central merits of our complaints and allowed the cases to move forward. The Wall Street firms that created and sold these securities materially misrepresented the inherent level of risks to investors," said NCUA Board Chairman Debbie Matz. "We will continue to vigorously pursue these lawsuits, and the others previously filed. As liquidating agent for U.S. Central, NCUA has a duty to maximize recoveries from responsible parties, in order to limit losses to the federally insured credit union system."

As liquidating agent for the failed U.S. Central, NCUA filed two lawsuits against RBS Securities, Wachovia, and nine other defendants who were involved in issuing 29 residential mortgage-backed securities purchased by U.S. Central. The lawsuits, which were consolidated by the court, alleged violations of federal and state securities laws and misrepresentations in the sale of the securities to U.S. Central. The court granted part of the defendants' motions to dismiss and denied the remainder, with the result that 80 percent of the claims continue forward.

The lawsuits covered by the court's ruling are similar to several other cases previously filed by NCUA as liquidating agent for U.S. Central and Western Corporate Federal Credit Union (WesCorp) against J.P. Morgan Securities, Goldman Sachs, and others. NCUA has previously settled claims worth $170.75 million with Citigroup, Deutsche Bank Securities, and HSBC.

Losses from the U.S. Central, WesCorp, and three other corporate credit union failures are paid from the Temporary Corporate Credit Union Stabilization Fund. Expenditures from this fund must be repaid through assessments against all federally insured credit unions. Net proceeds from the settlements received to date and any future recoveries will allow NCUA to minimize losses from the five corporate credit union failures and reduce the total amount that all credit unions have to pay for the corporate credit union system's losses.

NCUA is the independent federal agency created by the U.S. Congress to regulate, charter, and supervise federal credit unions. With the backing of the full faith and credit of the U.S. Government, NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of more than 92 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

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