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NCUA Media Release

NCUA Sues Credit Suisse over Faulty Securities

Legal Action is the Agency's Eighth against Wall Street Investment Firms

ALEXANDRIA, Va. (Oct. 4, 2012) – The National Credit Union Administration (NCUA) today filed suit in Federal District Court in Kansas against Credit Suisse Securities (USA).

NCUA's suit alleges Credit Suisse, a subsidiary of the Swiss-based financial services firm, violated federal and state securities laws through misrepresentations in connection with the underwriting and subsequent sale of mortgage-backed securities to U.S. Central Federal Credit Union (US Central), Western Corporate Federal Credit Union (WesCorp) and Southwest Corporate Federal Credit Union (Southwest).

The price paid for the securities by the three corporates exceeded $715 million. All three corporate credit unions subsequently failed.

"Credit Suisse is one of several firms that sold faulty securities to corporate credit unions, which led to their collapse," said NCUA Board Chairman Debbie Matz. "These Wall Street firms ran a bait and switch operation, and the effects were felt not only in credit unions, but throughout the financial industry. NCUA and credit unions have successfully worked together to restore stability to the credit union system. Now we are holding responsible parties, like Credit Suisse, accountable for their actions."

NCUA's complaint alleges Credit Suisse made numerous misrepresentations and omissions of material facts in the offering documents of the securities sold to the failed corporate credit unions. The complaint also alleges systemic disregard of the underwriting guidelines stated in the offering documents. These misrepresentations caused the credit unions to believe the risk of loss was minimal, when in fact the risk was substantial.

NCUA has previously filed similar actions against J.P. Morgan Securities, LLC, RBS Securities, Goldman Sachs, Wachovia, UBS Securities, and Barclay's. NCUA has already settled claims worth more than $170 million with Citigroup, Deutsche Bank Securities and HSBC, making it the first federal regulatory agency for depository institutions to recover losses from investments in faulty securities on behalf of failed financial institutions.

As liquidating agent for US Central, WesCorp and Southwest, NCUA has a statutory duty to seek recoveries from responsible parties in order to minimize the cost of any failure to its insurance funds and the credit union industry.

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Recoveries from these eight additional legal actions will further reduce the total losses resulting from the failure of the five corporate credit unions. Losses from those failures must be paid from the Temporary Corporate Credit Union Stabilization Fund. Expenditures from this fund must be repaid through assessments against all federally insured credit unions, so any recoveries would help reduce future assessments on credit unions.

Corporate credit unions are wholesale credit unions that provide various services to retail credit unions, which in turn serve consumers, or “natural persons.” Retail credit unions rely on corporate credit unions to provide them such services as check clearing, electronic payments, and investments.

The complaint is available on NCUA’s website here.

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 93 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

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