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NCUA Media Release

U.S. Central Bridge Closed

Matz: Corporate Credit Union System Now on a "Solid Foundation"

ALEXANDRIA, Va. (Oct. 29, 2012) – Completing three years of efforts to stabilize the corporate credit union sector, the National Credit Union Administration (NCUA) today closed U.S. Central Bridge Corporate Federal Credit Union (U.S. Central Bridge). The agency also used the closing to remind credit unions of the need to address their emergency liquidity needs.

"Closing U.S. Central Bridge is the last step in the effort to stabilize and reform a corporate credit union system that was close to collapsing three years ago," NCUA Board Chairman Debbie Matz said. "Decisive actions by both NCUA and credit unions brought the system back from the brink. It wasn't easy, and it required sacrifices, but there was no interruption of service to members while we overcame the worst economic crisis since the 1930s."

"We now have a stronger, safer system," Chairman Matz added. "We have set high standards for corporate credit union investments, capital and governance, and we've created a new operating environment for wholesale corporate credit unions to serve retail credit unions. The decisions NCUA and credit unions made have produced a solid foundation for the future."

Chartered in October 2010, the Lenexa, Kansas-based U.S. Central Bridge assumed operations of U.S. Central Federal Credit Union (U.S. Central) to maintain continuity of services to corporate credit union members, prevent disruption to the credit union system, and protect consumers.

Founded in 1974, U.S. Central was once the largest corporate credit union. However, it was part of a group of five corporate credit unions devastated by losses incurred through the purchase of faulty mortgage-backed securities (MBS) in the years preceding the financial crisis that began in 2008. NCUA placed U.S. Central into conservatorship in March 2009, and the credit union was subsequently transitioned into U.S. Central Bridge.

To lower the Temporary Corporate Credit Union Stabilization Fund assessments that credit unions will need to pay to cover the losses in the corporate system, NCUA has to date initiated eight legal actions against seven Wall Street securities firms that packaged and sold faulty MBS products to the failed corporates, alleging misrepresentation of their risk. NCUA has separately settled with three other firms for more than $170 million.

Credit Unions Plan for Access to Emergency Liquidity

With the closing of U.S. Central Bridge, NCUA is also planning emergency liquidity options for credit unions. Most retail credit unions had access to emergency liquidity from the Central Liquidity Facility (CLF) by belonging to a corporate credit union that was part of the CLF agent group headed by U.S. Central Bridge.

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U.S. Central Bridge held stock in NCUA's CLF on behalf of all natural person credit unions that are members of a corporate but not a direct member of the CLF. As part of the closure, U.S. Central Bridge redeemed its CLF stock and the agent group is now no longer providing CLF coverage for member natural person credit unions. As a result, credit unions and their corporates no longer have the CLF as a source of backup liquidity, unless they join the CLF directly.

In July, NCUA's Board issued for 60-day comment a targeted proposed rule (new Section 741.12) to require credit unions to plan for emergency liquidity. The proposed rule incorporates a three-tiered approach, based on the size of the federally insured credit union:

- Credit unions under $10 million in assets would have to maintain a written liquidity policy approved by their board. The policy would provide a basic framework for managing liquidity and have a list of contingent liquidity sources for use in emergency situations.

- Credit unions with more than $10 million in assets would have to establish a formal contingency funding plan that clearly sets out strategies for addressing liquidity shortfalls in emergency situations.

- Credit unions with more than $100 million in assets would have to demonstrate access to at least one of the following three options for a backup federal liquidity source:
  - becoming a direct member of the CLF;
  - becoming an indirect CLF member through a CLF agent; or
  - establishing direct borrowing access to the Federal Reserve's Discount Window.

"Credit unions have access to everyday liquidity needs through their balance sheet, and through correspondent relationships such as corporates or Federal Home Loan Banks," Chairman Matz noted. "But in the event of another systemic crisis, it is also critical for larger credit unions to have demonstrated access to a dependable source of government-backed emergency liquidity, such as NCUA's CLF or the Federal Reserve Discount Window. That's why the NCUA Board proposed the emergency liquidity rule."

NCUA staff is now reviewing the 45 comments received on the proposed "access to emergency liquidity" rule in order to develop a recommendation for further action. Credit union executives, managers, and directors may learn more about the benefits of the CLF by watching a video on NCUA's YouTube channel at http://tinyurl.com/9ly9zn4. For information about how to join the CLF, go to http://www.ncua.gov/Resources/CLF/Pages/default.aspx.

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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