# Fact Sheet

## Corporate Credit Union Conservatorships

Based on a comprehensive analysis of the entire corporate system, resolution actions involve placing under federal conservatorship a total of five corporate credit unions, two of which have been under NCUA's direct control since 2009. On September 24, 2010, the NCUA Board placed the three other corporate credit unions into conservatorship. This document summarizes the actions taken and provides relevant details regarding the conserved corporates.

### Corporate Credit Unions Conserved September 24, 2010

| Corporate | Assets (June 2010) | Location | Number of Members |
|---|---|---|---|
| Members United Corporate | $8.2B | Warrenville, IL | 2,076 |
| Southwest Corporate | $7.9B | Plano, TX | 1,410 |
| Constitution Corporate | $1.2B | Wallingford, CT | 176 |

The above conservatorships bring the total number of conserved corporates to five including U.S. Central (USC) and Western Corporate (WesCorp) and the total assets in conservatorship by NCUA as of September 24, 2010, to approximately $72B. These five corporates hold more than 90% of the total impaired securities ("legacy assets"), predominately private-label mortgage-backed securities, in the corporate credit union system.

These corporate credit unions are considered critically undercapitalized and/or have large negative net economic value (NEV) ratios. Moreover, the institutions have significant ongoing exposure to additional other-than temporary impairment (OTTI) charges and, thus, no real prospect of recapitalizing absent extraordinary government intervention.

The legacy asset resolution involves securitizing the legacy assets. To implement the securitization, the legacy assets must be transferred into a securitization trust. Under generally accepted accounting principles this requires the recognition of the market losses associated with the securities. Recognition of that loss fully depletes remaining capital in the conserved corporates, including those that were still showing book capital. Credit unions will be given a claim receipt for depleted capital. The claim receipt will provide an assertion of a claim for an “error in accounting estimate” and eliminate the need for individual credit unions to take specific action in this regard. For any other additional claims, a fact sheet which graphically illustrates this process is available on NCUA’s website.

## Services Provided by Conserved Corporate Credit Unions

NCUA will implement a “Good Bank/Bad Bank” model to facilitate the corporate resolution process. The conserved corporates will be placed into asset management estates (i.e., “bad banks”) where the legacy assets and contributed capital accounts will remain in isolation until final resolution of bond losses.

The core operations of conserved corporates, largely involving payments systems and guaranteed share accounts will be paid out to bridge corporates (i.e., “good banks”) newly chartered by the NCUA Board. These bridge corporates will continue to provide the payments services that credit unions rely on without interruption. Additionally, these corporates will service existing loans and will provide new loans primarily for settlement purposes. Bridge corporates will operate for a targeted period of 24 months to allow member credit unions to orderly transition to new service providers.

## Future of Conserved Corporate Credit Unions

The five conserved corporates are not financially viable as they are critically undercapitalized and, as mentioned above, have no prospect of becoming adequately capitalized absent extraordinary government intervention. These institutions will not be allowed to recapitalize.