

NCUA LETTER TO CREDIT UNIONS

**NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314**

DATE: April 7, 2011 **LETTER NO.:** 11-CU-05

TO: Federally Insured Credit Unions

SUBJ: Planning and Preparedness for a Potential
Government Shutdown

Dear Board of Directors:

The purpose of this letter is to provide you with information related to planning for a potential shutdown of the federal government. Any government shutdown may have a significant effect on the operations of your credit union, especially for credit unions primarily serving federal employees. You should therefore prepare to respond to members' questions and their financial needs in the event of a closure of the federal government.

Specifically, I urge you to take the following actions to make certain that your credit union maintains a state of readiness for this potential event:

- Ensure policies provide flexibility to respond to members' financial needs in the event of a federal government shutdown;
- Prepare for service interruptions if a shutdown affects access to credit union offices and branches located in federal buildings;
- Take steps to prudently work with members affected by a shutdown, including providing advances to individuals receiving direct deposits from the federal government;
- Develop contingency plans for what will happen with respect to participation in government programs in the event of a shutdown. For example, some credit unions offer loans backed by the Federal Housing Administration (FHA). Individual credit unions will therefore need to decide whether to proceed with scheduled FHA loan closings and whether to hold and guarantee new FHA loans until any impasse on federal spending ends; and

- Communicate your credit union's response plans and efforts before, during and after any shutdown to keep members, volunteers and employees informed.

Consistent with standards of safety and soundness, credit unions should also work with their members to address any financial difficulties that a shutdown may create. Working constructively with credit union borrowers who may experience financial difficulty as a result of any shutdown is in the long-term best interest of both the credit union and the member. Credit unions may therefore consider offering special programs to assist members who may need short-term loans or other financial assistance. Credit unions may also create loan programs with special loan terms and rates. Additionally, credit unions may offer payment flexibility for existing loans to federal employees affected by any shutdown.

NCUA operations are not funded through congressional budget appropriations. Therefore, NCUA will continue to operate business as usual in the event of a shutdown. As always, individual deposits at credit unions will also remain protected up to \$250,000 before, during and after any shutdown.

If you have any questions or concerns, please contact your NCUA Regional Office or State Supervisory Authority.

Sincerely,

/s/

Debbie Matz
Chairman