

**National Credit Union Administration**

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## NCUA Media Release

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# NCUA Conserves U.S. Central and Western Corporate Credit Unions

**March 20, 2009, Alexandria, Va.** -- The National Credit Union Administration Board today placed U.S. Central Federal Credit Union, Lenexa, Kansas, and Western Corporate (WesCorp) Federal Credit Union, San Dimas, California, into conservatorship to stabilize the corporate credit union system and resolve balance sheet issues. These actions are the latest NCUA efforts to assist the corporate credit union network under the Corporate Stabilization Plan.

The two corporate credit unions were placed into conservatorship to protect retail credit union deposits and the interest of the National Credit Union Share Insurance Fund (NCUSIF), as well as to remove any impediments to the Agency's ability to take appropriate mitigating actions that may be necessary. Service continues uninterrupted at both U.S. Central Corporate Federal Credit Union and WesCorp, and members are free to make deposits and access funds.

The Federal Credit Union Act authorizes the NCUA Board to appoint itself conservator when necessary to conserve the assets of a federally insured credit union, preserve member assets and protect the NCUSIF.

Corporate credit unions do not serve consumers. They are chartered to provide products and services to the credit union system. These products and services will continue uninterrupted and there is no direct impact by NCUA's actions on the 90 million credit union members nationwide. Credit unions that serve consumers remain very strong, with net worth exceeding 10 percent of assets, healthy growth in assets, membership, and loan portfolios despite the difficult economy.

U.S. Central has approximately \$34 billion in assets and 26 retail corporate credit union members. WesCorp has \$23 billion in assets and approximately 1,100 retail credit union members. The member accounts of both credit unions are guaranteed under provisions of

the previously announced NCUA Share Guarantee Program, through December 31, 2010. The Program extends NCUSIF coverage to all funds held by the two corporate credit unions.

Following initial actions taken by the NCUA Board January 28, 2009 (see NCUA Letter to Credit Union No. 09-CU-02 <http://www.ncua.gov/letters/letters.html>), NCUA staff completed a detailed analysis and stress test of the mortgage and asset backed securities held by all corporate credit unions, including US Central and WesCorp. Specifically, this review determined that an unacceptably high concentration of risk resided only in the two conserved corporate credit unions. Securities held by US Central and WesCorp deteriorated further since late January 2009, contributing to diminished liquidity and payment system capacities, as well as further loss of confidence by member credit unions and other stakeholders.

Additional mortgage and asset backed security analysis and assessment of the two credit unions by NCUA staff enabled NCUA to refine NCUSIF's required reserve for potential loss. The findings indicated an overall estimated reserve level, previously announced by NCUA, had increased from \$4.7 to \$5.9 billion. The specific computation and the impact of the refined reserve level are addressed in NCUA Letter No: 09-CU-06, which NCUA issued and posted online today at <http://www.ncua.gov/letters/letters.html>.

NCUA is hosting a webcast Monday, March 23 at 2 p.m. to provide the credit union community with an update on the corporate credit union stabilization program.

The central short-term objective of NCUA's Corporate Stabilization Program has been to increase liquidity in corporate credit unions. Since the NCUA Board first began taking stabilization actions, liquidity has demonstrated marked improvement. The reliance on external borrowing has declined from \$11.8 billion to \$2.1 billion.

NCUA believes that the actions to conserve the two corporates, in tandem with established plans to enhance liquidity and generally stabilize the corporate network, represent the most cost effective and prudent alternative available to the credit union industry. The final stage in the overall stabilization program involves the Advanced Notice of Proposed Rulemaking initiated by the NCUA Board in January. The credit union industry is expected to provide suggestions on possible future regulatory reforms to the corporate credit union network.

NCUA will continue to take any and all steps necessary to preserve a well-functioning system of corporate credit unions and to protect the assets of natural person credit unions and their members during the ongoing broader financial market dislocation.

The National Credit Union Administration charters and supervises federal credit unions. NCUA, with the backing of the full faith and credit of the U.S. government, operates and manages the National Credit Union Share Insurance Fund, insuring the accounts of nearly 89 million account holders in all federal credit unions and the majority of state-chartered credit unions. NCUA is funded by credit unions, not federal tax dollars.