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Media Release

FOR IMMEDIATE RELEASE

Board Approves Corporate Stabilization Efforts

Alexandria, Va., January 28, 2009 – The National Credit Union Administration Board today approved a series of actions designed to enhance and support a corporate credit union system facing unprecedented strains on liquidity and capital due to extraordinary market disruptions and the current economic climate. Corporate credit unions provide investment and liquidity services to consumer-owned natural person credit unions.

Through these actions, natural person credit union members are provided important safeguards by drawing upon the significant aggregate levels of capital already within the credit union system.

NCUA is acting to add stability to and strengthen corporate credit unions utilizing a three-pronged approach designed to: 1. maintain liquidity, 2. strengthen capital and 3. restructure the corporate system.

Using all available resources to achieve these objectives, the NCUA Board approved the following:

- Guarantee uninsured shares at all corporate credit unions through February 2009, and establish a voluntary guarantee program for uninsured shares of all corporate credit union through December 31, 2010;
- Issue a \$1 billion capital note to U.S. Central Corporate Federal Credit Union (U.S. Central);
- Issue an Advance Notice of Public Rulemaking (ANPR) on restructuring the corporate credit union system; and
- Declare a premium assessment to restore the National Credit Union Share Insurance Fund (NCUSIF) equity ratio to 1.30 percent, which will be collected in 2009.

The NCUSIF is issuing a temporary guarantee of member shares in corporate credit unions through February and will extend the guarantee on a voluntary basis to all corporate credit unions through December 31, 2010. (This guarantee is in addition to the temporary corporate credit union *liquidity* guarantee program announced on October 16, 2008.)

Additionally, to immediately stabilize the corporate credit union system, the NCUSIF

is issuing a capital note injecting \$1 billion into U.S. Central, thereby providing reserves to offset anticipated realized losses on some of the mortgage- and asset-based securities held by U.S. Central.

Corporate credit unions are restricted to investing in highly rated securities, and their interest rate risk exposure is constrained by net economic value limits. Historically, these securities could be readily sold in the market or used for collateralized borrowing to obtain liquidity, and the value of securities experienced little or no loss. However, credit markets are disrupted world-wide, resulting in depressed pricing, inactive trading of debt securities, and a severe contraction of wholesale lending. Like financial institutions worldwide, corporate credit unions are not immune to the effects of these conditions. Corporate investment portfolios have diminished significantly as a basis for collateralizing borrowings, increasing liquidity pressures.

Beginning in 2007, NCUA implemented supervisory actions for affected corporate credit unions to restrict purchases of mortgage-related securities, restrict terms of investments to not exceed four months, establish commercial paper and medium-term note programs, and acquire third-party stress test modeling of their mortgage related securities.

Previous NCUA actions to address the situation include approval of USC's conversion of membership capital to paid-in capital, implementing a temporary corporate credit union liquidity guarantee program on new unsecured debt obligations, obtaining a temporary lifting of the appropriations cap on the Central Liquidity Facility (CLF), negotiating assistance from both the Federal Reserve and Treasury, and sending letters of support to the Federal Home Loan Banks. Using CLF lending authority in concert with the Treasury, NCUA also initiated the Credit Union System Investment Program (CU SIP) and Credit Union Homeowners Affordability Relief Program (CU HARP). These programs provide additional liquidity resources to CCUs, with the first offering funding nearly \$5 billion in January 2009. The next offering is scheduled to fund in early February 2009.

Restructuring the corporate system

Today, the NCUA Board also issued an ANPR, with a 60 day comment period, that includes the entire range of areas of potential reform and restructuring related to the Corporate Credit Union system. Simultaneously issuing the ANPR with the announcement of the guarantee program demonstrates NCUA's commitment to reform the system and achieve proper accountability.

Documents relating to the Board actions concerning NCUA's Corporate Stabilization Program are available online at <http://www.ncua.gov/Resources/CorporateStabilization/index.aspx>

"The corporate credit union system is an integral part of the credit union industry for over three decades, and has enabled credit unions to better provide services to almost 90 million consumers. I call upon the credit union industry to work with NCUA in this important cooperative effort, and remain confident of our ultimate success in creating a more viable and stable corporate network," commented NCUA Chairman Michael Fryzel.

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.

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