

Talking points for CUs to use with members re: NCUA's action to place U.S. Central and WesCorp into conservatorship.

You may have read in the press that two “big credit unions” were taken over by the government on Friday. Here are some points we want you to know:

- These two credit unions (U.S. Central Federal Credit Union, Lenexa, KS and WesCorp Federal Credit Union, San Dimas, CA) are not regular credit unions like ours that serve consumers. There are a small number (28) of wholesale institutions that do not serve consumers; they provide liquidity, investment and payments services to credit unions like ours. It was two of these “corporate” credit unions that were placed into conservatorship, which means they are still operating normally but the U.S. government has taken them over.
- Because of the nature of what they do, these corporate credit unions operate in the capital markets and hold highly rated, invest grade securities. But like so many others in those markets, they have seen the value of their investments decline in the current economic downturn, resulting in some actual losses. In the case of these two corporate credit unions that were written about in the press, the losses were significant enough so that the government had to step in.
- The deposits that regular credit unions have in these corporates are federally insured up to \$250,000 and backed by the full faith and credit of the U.S. government. And the U.S. government has also guaranteed deposits beyond \$250,000 in these institutions. [So as you can see, the excess funds we have invested in these corporate credit unions are fully protected.]
- What does all this mean for members of our credit union? It's business as usual. The same level of quality service you receive from our credit union will continue. Our service to you is not affected by these government actions.
- And of course your own funds here are perfectly safe. Our credit union is also federally insured up to \$250,000 by the National Credit Union Share Insurance Fund and backed by the full faith and credit of the U.S. Government, just as the FDIC does for bank deposits. No credit union member has ever lost a dime of federally insured funds.
- In fact the credit union sector overall is solid and healthy. The industry's federal regulator, Michael Fryzel, said as much on Friday when addressing the corporate situation: “Credit unions that serve consumers remain very strong,”
- Similarly, Congressman Barney Frank, the chairman of the House Financial Services Committee, said recently that “If credit unions made all of the mortgage loans, then there would have been no subprime crisis, and therefore no economic crisis.” And just a week ago, the Wall Street Journal published a big feature

pointing out that while some of these “corporate” credit unions have had problems, in today’s economy regular credit unions like ours that serve consumers continue to be a safe haven and offer great value.

- Also on the point of safety: Credit unions like ours are very well capitalized. Our capital cushion is stronger than you would find at most banks. As an industry, our average capital-to-assets ratio is more than 10%. That’s considerably higher than the 7% industry standard for being “well capitalized” and higher than the banking industry’s average of about 9%. This 10% capital means credit unions are well positioned to absorb the costs of this action by the agency (which intends to charge higher deposit insurance premiums) with minimal outward impact on our members.
- Credit unions have been serving members in the U.S. for 100 years, through good times and bad. We are well positioned to remain strong.