

Talking points for CUs to use with members

On NCUA's action to place three corporate credit unions into conservatorship.

You may have read in the press that several "big credit unions" were taken over by the government recently. Here are some points we want you to know:

Different from every-day credit unions

These credit unions, like the two others (U.S. Central Federal Credit Union, Lenexa, KS and WesCorp Federal Credit Union, San Dimas, CA) that were placed into conservatorship in 2009, are not regular credit unions like ours that serve consumers. There are 26 wholesale institutions that do not serve consumers; they provide liquidity, investment and payments services to credit unions like ours. It was 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.

Real estate collapse takes its toll

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 as current economic downturn has dragged on, resulting in some actual losses. In the case of the corporate credit union that was written about in the press, the losses were significant enough so that the government had to step in.

Deposits covered by federal insurance

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.]

Business as usual for us

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.

Members' savings insured up to \$250,000

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.

Credit unions solid, healthy

In fact the credit union sector overall is solid and healthy. Overall earnings are on the rise. Average delinquency and charge-off rates are falling as the economy has strengthened, and are still much better than those of banks. Far fewer regular credit unions have failed than banks (43 credit unions since the beginning of '09 compared with 222 banks).

Not the root of the problem ...

It's also important to remember that while credit unions have experienced some collateral damage during this recession (from member job losses, declining home values), we did not cause the problem. Congressman Barney Frank, the chairman of the House Financial Services Committee, has said more than once that "If credit unions made all of the mortgage loans, then there would have been no subprime crisis, and therefore no economic crisis." In today's economy regular credit unions like ours that serve consumers continue to be a safe haven and offer great value.

We are well capitalized

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 nearly 10%--and in Georgia, credit unions' capital-to-asset ratio stands at 11%. That's considerably higher than the 7% industry standard for being "well capitalized." This capital means credit unions are well positioned to absorb the costs of this action by the agency with minimal outward impact on our members.

Serving members like you for 100 years

Credit unions have been serving members in the U.S. for 100 years, through good times and bad. Today nearly 92 million Americans belong to credit unions. We are safe, secure, a great value for consumers, and well positioned to remain strong.