Frequently Asked Questions
Relating to the
NCUA Conservatorship Actions for US Central and WesCorp

Q1. Why did NCUA conserve U.S. Central and WesCorp?	NCUA placed U.S. Central and WesCorp into conservatorship to conserve the credit unions' assets and to protect the Share Insurance Fund and the interests of the members. NCUA took control to: reduce the systemic exposure given the estimated loss projections in both corporate credit unions; exert greater direct control over and improve the transparency of financial information; and maintain the confidence of member credit unions and payment system counterparties given the expected losses and credit rating downgrades.
Q2. What will happen to the operations of U.S. Central and WesCorp? Will they be liquidated? Will services be affected?	It is the agency's goal not to disrupt normal business transactions with these two institutions. With continued support from members, it will be business as usual relative to mission critical services of both U.S. Central and WesCorp. Each corporate credit union's final resolution will be driven by many factors including: (1) performance and operating results for these institutions and their distressed assets; (2) exploring different options to deal with the distressed assets; and (3) NCUA Board response to recommendations made through the rule making process pertaining to the organizational and regulatory framework governing corporate credit unions.
Q3. Will NPCU deposits in U.S. Central, WesCorp, and the remaining CCU's that "opted in" still be fully guaranteed through December 31, 2010?	Yes.
Q4. Can you provide an update on the liquidity situation at these CCUs?	Recent stabilization efforts have been successful at paying off nearly all external borrowings (e.g., FHLB, FRB) in the CCU network, and in particular, at these two CCUs. Nevertheless, the continued unprecedented downward spiral and the lack of a normally functioning MBS market is clearly a factor regarding the continued declining "market valuations" for MBS. **Since CCUs hold**

	significant concentrations of various MBS, this trend diminishes both their liquidity generation and payment systems access capabilities. Your continued support by taking advantage of the share guarantee program and CU SIP will help keep liquidity stable and allow for loss mitigation.
Q5. What can a natural person credit union do to provide additional support to NCUA's corporate credit union stabilization efforts?	As previously reported, details regarding the available stabilization programs are located on NCUA's website: www.ncua.gov. NCUA continues to encourage member credit unions to invest in corporate credit unions to maintain liquidity and stability in these challenging and unprecedented economic times.
Q6. How do these conservatorships affect the payment systems operations of both institutions?	The actions were designed to ensure no disruption of payment systems between these institutions, the Federal Reserve Banks, and other counterparties.
Q7. How can I withdraw my funds from these CCUs?	The procedures for depositing and withdrawing funds remain unchanged. However, NCUA strongly encourages credit unions to maintain liquidity in the corporate credit union system, including U.S. Central and WesCorp. The support of natural person credit unions is necessary to mitigate potential losses from the distressed assets held by these corporate credit unions. By taking advantage of the share guarantee, credit unions will provide the liquidity needed to ensure the situation can be managed to provide the least cost resolution for all credit unions.
Q8. Will NCUA fire the management and board of directors at U.S. Central and WesCorp?	As with any conservatorship, NCUA assumes direct control of these institutions by removing the board of directors and acting in their place. NCUA's actions in these cases include changes in senior management at these two institutions. NCUA has hired well-qualified external Conservatorship Managers to run operations under NCUA guidance. All operational staff integral to the daily mission

	critical functions, such as payment systems and liquidity management, are being retained to ensure business as usual operations.
Q9. Who will manage U.S. Central and WesCorp?	Chief Executive Officers are in place. Both have excellent knowledge, skills and abilities and will lead these institutions under direct NCUA supervision. NCUA will disclose their names after they have made arrangements with their current employers.
Q10. Doesn't this make the January 2009 ANPR superfluous? It seems that NCUA has already made up its mind on what the future structure of the corporate system should be?	No. The ANPR remains a vital component in the process to determine the future role of the corporate credit union system. NCUA is evaluating the role corporate credit unions play in the credit union system, including membership structure and the types of services offered. Based on credit union system needs and input from the ANPR, NCUA will be considering changes to the various prudential regulatory requirements applicable to corporate credit unions, including capital requirements, investments authorities, risk management requirements, and corporate governance.
Q11. Do these conservatorships mitigate future losses, or are additional premium assessments possible?	The NCUA Board will continue to evaluate the reserve and funding level of the NCUSIF and determine additional premiums as necessary. The ultimate cost to all insured credit unions will be determined based on the actual performance of these securities which will be driven by the economy. NCUA's analysis, including our assessment of an NCUA-engaged independent review, estimates the total credit losses (by holding to maturity) on all corporate securities at $10.8 billion, with an upper range of $16 billion. Assigning estimated credit losses on these securities at the individual corporate credit union level, and accounting for each corporate credit union's capital results in an NCUSIF reserve of $5.9 billion. NCUA is confident this reserve should be sufficient to resolve the cost of the estimated credit losses on these bonds, but

	economic uncertainties and declining market conditions could result in greater than estimated losses.
Q12. Why didn't NCUA conserve both institutions earlier? What's changed?	NCUA continues to execute an orderly and deliberate process to respond to the prolonged, unprecedented dislocation in the Mortgage Backed Security (MBS) market and the world economy. NCUA's analysis shows the estimated credit losses on the securities that exceed capital available in individual institutions is concentrated primarily in these two corporate credit unions. Conservatorship of these two corporate credit unions at this time is intended to preserve confidence in the corporate system and enable measures to better address resolution costs. NCUA's actions are intended to preserve options to allow for a least cost resolution of credit losses in the corporate credit union investment portfolios.
Q13. Was the NCUA-engaged independent review a reason for the conservatorship actions?	The agency considered many factors related to these two institutions in deciding upon conservatorship. One factor was the range of estimated credit losses on the corporate credit union bonds provided by the credit unions' internal and external portfolio reviews, as well as the independent reviews conducted by NCUA staff and external vendors. Significant differences were seen in these results, depending on the scope of the review and the portion of the portfolio that was assessed. In some cases, potentially misleading positive results were seen when only a small or select portion of the portfolio was segmented for the external review. Other factors included the likelihood for further credit deterioration of corporate securities, decreasing confidence of external counterparties, uncertain future funding from external sources, and negative economic factors affecting all financial institutions.

Q14. Did NCUA change the CRIS ratings at these CCUs?	As with natural person credit unions, agency ratings are confidential supervisory matters that are not disclosed.
Q15. Aren't many other retail CCUs dependent on U.S. Central?	Yes. This is one of the reasons NCUA is ensuring the continuation of member services by taking this action. NCUA is acting to preserve the liquidity environment and to provide for a continuation of mission critical services that retail corporate credit unions have come to rely upon.
Q16. Does NCUA anticipate conserving other CCUs?	NCUA does not publicly share potential NCUA Board decisions/actions until such decisions are made public. The NCUA Board will take any additional actions necessary to protect the NCUSIF and interests of the members. While any future administrative actions relative to corporate credit unions will be handled on a case by case basis, the material risk to the NCUSIF is primarily concentrated in these two institutions.
Q17. What happens to the Paid in Capital (PIC) and/or Membership Capital Accounts (MCA) at retail corporate credit unions?	US Central and WesCorp will record losses that absorb the PIC and MCA accounts they currently have on deposit. Each member credit union will need to record the loss of that investment and account for it appropriately. A fundamental axiom of the NCUSIF and credit union system is that members share in the risks at their credit union. While we understand it is frustrating for member credit unions to recognize these risks, it is how the system works.
Q18. Don't these huge, public conservatorships give the credit union system a "black eye?" Doesn't it make credit unions look like they are part of the same financial mess as all other institutions?	World markets are facing unprecedented dislocation. Liquidity challenges are impacting the financial services industry, including credit unions. The intent of the NCUA Board is to conserve the credit unions' assets, to protect the NCUSIF, to protect the interests of the credit unions' members, and to ensure public confidence by infusing and ensuring available

	liquidity and maintaining mission critical services.
Q19. Since most CCUs (including these two) signed “supervisory agreements”, does the NCUA Board’s action mean they violated the agreement?	The actions were taken to conserve the credit union’s assets, to protect the NCUSIF, and to protect the interests of the credit unions’ members. Specific supervisory issues relative to any institution are confidential.
Q20. What alternatives did NCUA consider before it decided on conservatorship?	All available administrative and supervisory remedies have been considered. The NCUA Board, after significant deliberation and consideration, determined conservatorship was necessary at this juncture.
Q21. Has NCUA changed its stance regarding the potential use of TARP funds to pay for losses at U.S. Central or WesCorp?	As of this date, the Treasury Department has not demonstrated the intent to make TARP funds available to credit unions or NCUA for capital infusions. NCUA continues to pursue TARP funds for their originally intended purpose, to purchase troubled assets via a public and private system until normalized market functionality returns.
Q22. FASB has announced it will make changes to the fair value accounting standards in the next few weeks. Why didn’t NCUA wait to see if those changes may have impacted the financial position of these corporate credit unions?	NCUA reviewed the proposed changes that FASB is considering and evaluated the effect these changes may have on the individual corporate credit unions conserved. Under both the current standards and the proposed standards, the estimated credit losses on the impaired portfolios need to be recognized as other-than-temporary losses and charged to expense. FASB’s proposed changes handle the market loss on the impaired portfolio as an item of Other Comprehensive Income that is recognized on the balance sheet but not expensed in the current period. The credit loss impact on the financial statements causes significant concern there would be no positive affect of delaying the actions for FASB’s final decision.