

TENNESSEE CREDIT UNION LEAGUE

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Date: February 16, 2009
To: Member Credit Unions
From: Thomas F. Gaines, President
Re: **Corporate Intervention Update**

As a member of CUNA's Corporate Task Force, I was in Washington Wednesday, Thursday, and part of Friday last week. Together with CUNA's senior staff, we continue to evaluate and press for alternatives to lessen the financial impact of NCUA's corporate intervention actions on credit unions.

We are continuing to pursue legislation that would permit credit unions to meet their insurance fund assessment over five years (consistent with the FDIC). An amendment to that affect was attached to a House bill that makes the increase in deposit insurance to \$250,000 permanent. The bill and amendment were passed by committee with a recommendation for floor action. It essentially passed the first, but vital step. Next will be House floor action followed by the Senate.

In addition, we are working with NCUA to expand borrowing and capital investment authority of the CLF. This could help finance MBS paper through the NCUSIF, and remove it from corporate balance sheets.

Finally, we are working toward participation in the TARP program. Therefore, our push is for the NCUA to be more aggressive in dealing with the Treasury for credit unions to sell or finance this paper as toxic assets.

As you probably know, the amount of assessment will be for the \$1 billion cash/capital injection into U.S. Central, and the estimated \$3.7 billion to support the extension of deposit insurance to all non-capital deposits in the corporate system. The uncertainty is on the deposit insurance side of the intervention. Currently, an outside firm is evaluating the portfolios of five corporates that have sizeable investment portfolios, and could have problems similar to U.S. Central. As a result of that evaluation, the amount required to support the extension of corporate deposit insurance could rise or fall. We should know the results from this evaluation in the next few weeks.

By the end of the first quarter we should have a much more stable understanding of the assessment requirements for the increased deposit insurance.

I remain convinced that it was necessary to improve the capital and liquidity position of U.S. Central and to stabilize the deposit base for all corporates. At issue is the amount of assessment, and how to handle it with the least damage to credit unions. - We must be careful to recognize that until these securities are no longer on the balance sheets of the corporates, the danger remains that additional capital and cash contributions may be required.

A special session on the corporate intervention is being scheduled for Monday morning at the GAC.