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Tennessee Corporate Says 2009 Losses Won't Eat Into Members' Capital

NASHVILLE, Tenn. - Volunteer Corporate CU last week reported losses for 2009 grew to \$19.4 million, from \$6 million for 2008, mostly due to its exposure to U.S. Central FCU - but VolCorp, one of the few adequately capitalized corporates, does not expect the additional losses to cause it to deplete its members' capital.

In a Feb. 9 letter to members, Rick Veach [<http://www.cujournal.com/search?zkdo=search&script=zksearch&query=%22rick%20veach%22>], president of the \$1.6 billion corporate, said the 2009 results include the depletion of the rest of its capital in U.S. Central on Dec. 31, but VolCorp continues to hold \$54.1 million of capital. That should allow VolCorp to maintain a 4.02% capital ratio, one of the few corporates to remain over NCUA's minimum 4% threshold for corporates.

All but a few corporates now are in noncompliance with NCUA minimum capital rules, prompting NCUA to issue an extraordinary regulatory order suspending the minimum capital rules for corporates.

Veach [<http://www.cujournal.com/search?zkdo=search&script=zksearch&query=%22veach%22>] told members he is confident going forward because of the elimination of VolCorp's U.S. Central exposure, the reduction in unrealized losses on its investments to \$2.3 million from \$10.9 million; the addition of new members and strong operating earnings, about \$3.2 million for 2009.

The elimination of \$20.9 million of capital in U.S. Central in 2008 and 2009 wreaked havoc on VolCorp's finances, according to Leach. "Had we not had the losses associated with U.S. Central during 2008 and 2009, the last two years would have been very positive," he said in his letter.



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