

Corporate Stabilization Bid: Is It Enough?

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WASHINGTON – The Senate overwhelmingly passed the bill containing funding for the corporate credit union bailout yesterday but one major question emerges as the bill is sent over to the [House](#) for its concurrence: is it enough?

The Senate bill would allow NCUA to stretch out the recapitalization of the [National CU Share Insurance Fund](#) to as long as eight years and create a [Corporate CU Stabilization Fund](#) authorized to borrow \$6 billion from the U.S. Treasury. It also authorizes NCUA to borrow \$6 billion from the Treasury, and as much as \$30 billion on an emergency basis, to stem a systemic crisis.

"We would have preferred something like \$10 billion," said [Brad Thaler](#), senior lobbyist for [NAFCU](#), of the nominal \$6 billion borrowing power afforded by NCUA. "After all, what are they estimating the cost (of the corporate bailout) at now, \$5.9 billion?"

He noted that for NCUA to exceed the \$6 billion borrowing limit and tap into the emergency funding it has to first obtain approval from the [FDIC](#), the Federal Reserve, the Treasury, as well as the Obama administration.

NCUA, which took over two troubled corporate giants, U.S. Central FCU and WesCorp FCU in March 20, has set the cost of the corporate bailout at \$5.9 billion, but several other corporates are also teetering and have had their capital eroded below regulatory minimums by the failure of U.S. Central, while they are still grappling to determine losses on their mortgage-backed securities portfolios. In addition, NCUA is watching several troubled natural person credit union giants closely in hopes they will not have to pump new capital into those institutions.

The Senate bill would provide significant relief for credit unions by allowing them to stretch out their share of the corporate bailout costs over eight years. For those who recorded the entire cost or most of it in the first quarter they would be allowed to reverse out some of those charges.

Passage of the Senate bill comes as the House Financial Services Committee is preparing to hold hearings on the corporate bailout, expected in two weeks. NCUA Chairman [Michael Fryzel](#) and representatives of CUNA and NAFCU are expected to testify on the causes of the U.S. Central and WesCorp failures, the condition of the industry and NCUA's oversight.