

# NCUA LETTER TO CREDIT UNIONS

**NATIONAL CREDIT UNION ADMINISTRATION  
1775 Duke Street, Alexandria, VA 22314**

**DATE: March 2012**                      **LETTER NO.: 12-CU-03**  
**TO: All Federally Insured Credit Unions**  
**SUBJ: Temporary Corporate Credit Union Share Guarantee  
Expires December 31, 2012**

Dear Board of Directors and Chief Executive Officers:

We are entering the final phase in the successful stabilization of the corporate credit union system.

By the end of this year, all products and services offered by conserved corporate credit unions will be seamlessly transitioned to other providers – with no interruption of service to members.

In the meantime, all ongoing corporate credit unions are meeting NCUA's higher regulatory standards for capital, investments, and governance.

**Now that the corporate credit union system is sustaining stable operations, we can confidently move forward without a government guarantee on all corporate credit union deposits.**

This letter serves as a reminder:

- **The Temporary Corporate Credit Union Share Guarantee Program will end, as previously scheduled, on December 31, 2012.**

## **Why Is the Share Guarantee Temporary?**

The Share Guarantee was designed as a temporary additional level of protection for corporate credit union members beyond the current \$250,000 standard maximum share insurance amount. The NCUA Board adopted the Share Guarantee in March 2009 to remove uncertainty about the safety of deposits in corporate credit unions at a time when liquidity and credit concerns had adversely affected the entire marketplace.

The Share Guarantee preserved funding to ensure an uninterrupted flow of services to natural person credit unions while NCUA developed the corporate credit union resolution and reform programs. Most importantly, it helped provide an extended, stable period for NCUA to institute the new corporate regulatory regime and achieve an orderly resolution of the five conserved corporate credit unions.

### **How Will Accounts be Protected?**

All qualifying shares, including existing deposits and new qualifying deposits, will remain fully covered under the Share Guarantee until December 31, 2012.

When the Share Guarantee expires on January 1, 2013, NCUA coverage on deposits in corporate credit unions will be limited to the standard maximum share insurance amount of \$250,000.

Below are three examples showing how NCUA coverage will apply going forward:

- A credit union maintains \$1,000,000 in an overnight account at a participating corporate. Beginning on January 1, 2013, the \$750,000 above the standard maximum share insurance amount will not be guaranteed or insured.
- A credit union presently has a \$2,000,000 two-year share certificate at a participating corporate, with a maturity of June 30, 2013. The certificate is covered by share insurance of \$250,000, and the remaining balance of \$1,750,000 will be covered by the Share Guarantee through December 31, 2012.
- A credit union plans to purchase a \$5,000,000 one-year share certificate at a participating corporate on May 15, 2012, with a maturity of May 14, 2013. The certificate will be covered by share insurance of \$250,000, and the remaining balance of \$4,750,000 will be covered by the Share Guarantee through December 31, 2012.

### **What Should Credit Unions Do Now?**

Through this reminder, NCUA is providing credit unions who conduct business with corporates ample time to evaluate their current corporate account holdings. Before the Share Guarantee expires, you should determine whether to make any adjustments necessary to meet your credit union's risk tolerance.

NCUA strongly encourages you to work with your corporate to explore options that best meet your credit union's specific needs.

## **What Resources Are Available?**

The NCUA website offers additional information to assist you:

- You will find an explanation of the Share Guarantee in Corporate Credit Union Guidance Letter 2009-01 at <http://www.ncua.gov/Resources/Pages/LCCU2009-01.aspx>.
- For an explanation of the limits of insurance coverage, click <http://www.ncua.gov/DataApps/Pages/SI-Tools.aspx>.

The expiration of the Share Guarantee at the end of this year will mark the successful conclusion of a critical component in the corporate stabilization program. We will soon reach the final milestone in returning the corporate system back to normal business operations. We understand that this has been a challenging transition, and we appreciate your patience and cooperation.

Sincerely,

/s/

Debbie Matz  
Chairman