National Credit Union Administration
1775 Duke Street
Alexandria, Va. 22314
www.ncua.gov

Office of Public &
Congressional Affairs
(703) 518-6336
dsmall@ncua.gov

NCUA Media Release

NCUA Files Fourth Suit in String Against Securities Firms to Recover Billions

Recoveries Will Benefit All Federally Insured Credit Unions

ALEXANDRIA, Va. (Aug 9, 2011) – The National Credit Union Administration filed suit today in California against New York firm Goldman Sachs & Co. alleging violations of federal and state securities laws, as well as misrepresentations in the sale of securities to now-failed U.S. Central and Western Corporate federal credit unions.

"NCUA continues to carry out our responsibility to do everything reasonable in our power to seek maximum recoveries," said NCUA Board Chairman Debbie Matz. "By these actions we intend to hold responsible parties accountable. Those who caused the problems in the wholesale credit unions should pay for the losses now being paid by retail credit unions."

As liquidating agent for the failed corporate credit unions, NCUA has a statutory duty to seek recoveries from responsible parties to minimize cost to its insurance funds and the credit union industry.

This action seeks damages in excess of $491 million from Goldman Sachs, bringing the total sought in the four lawsuits filed to date to nearly $2 billion.

NCUA's new suit against Goldman Sachs claims the sellers and underwriters of the questionable securities made numerous material misrepresentations in the offering documents. These misrepresentations caused the corporate credit unions to believe the risk of loss associated with the investment was minimal, when in fact the risk was substantial.

The mortgage-backed securities experienced dramatic, unprecedented declines in value, effectively rendering five corporates insolvent. The combined suits are the culmination of lengthy investigations into the circumstances surrounding the purchases of these securities.

This law suit follows three similar legal proceedings, two filed in the Federal District Court of Kansas June 20 against J.P. Morgan Securities, LLC, and RBS Securities, and one in the Federal District Court in Central California also against RBS July 18. Anticipating a total of five to10 actions, additional lawsuits may follow in order to recover losses from the purchase of securities that caused the failures of five, large wholesale credit unions.

- MORE -

Any recoveries from these legal actions would reduce the total losses resulting from the failure of the five corporate credit unions. The five wholesale credit unions placed into NCUA conservatorship and now liquidated are: U.S. Central, Western Corporate, Southwest Corporate, Members United Corporate, and Constitution Corporate.

Corporate credit unions are wholesale credit unions that provide various services to retail credit unions, which in turn serve consumers, or natural persons. Natural person credit unions rely on corporate credit unions to provide them such services as check clearing, electronic payments and investments.

"While the credit union industry generally fared better than the rest of the financial world over the last few years, the corporate credit union collapse remains the largest crisis ever faced by credit unions," said Matz. "Fortunately, given the liquidity in the system, the average consumer is insulated from these past losses. However, it remains our statutory duty to replenish the insurance fund that protects consumer deposits by seeking recoveries."

This lawsuit was filed today in the U.S. District Court for the Central District of California. NCUA will provide electronic copies of the complaint once available. To request a copy of the complaint, send an email to pacamail@ncua.gov.

NCUA is the independent federal agency created by the U.S. Congress to regulate, charter and supervise federal credit unions. With the backing of the full faith and credit of the U.S. Government, NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of more than 90 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

- NCUA -