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## NCUA Media Advisory

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# NCUA Initiates Pilot Loss Share Program

**November 17, 2010, Alexandria, Va.** -- The National Credit Union Administration Board today authorized the creation of a Loss Share Pilot Program as a potential option for resolving large, complex problem credit unions at the lowest cost to the National Credit Union Share Insurance Fund.

This tool is intended to facilitate resolution of large credit unions that are no longer viable as free-standing institutions. Taking a page from the Federal Deposit Insurance Corporation (FDIC), which has used loss share agreements extensively in conjunction with failed bank purchase and assumption agreements, NCUA anticipates that losses will be reduced and loans will retain more value when remaining with an operating financial institution. Under the FDIC program, the acquiring financial institutions purchase and service pools of loans, and FDIC reimburses the acquiring financial institution a percentage of any loan losses.

“This pilot represents an innovative and sensible effort by NCUA to minimize losses to the NCUSIF and foster a lower-cost, market-based solution to the problems associated with failures,” noted NCUA Chairman Debbie Matz. “By drawing on the experiences of FDIC, and tailoring the program to the unique nature of credit unions and the distinct structure of the NCUSIF, I am confident that the pilot program will be a worthwhile initiative. I look forward to carefully evaluating the results.”

Loss share agreements could potentially defer NCUSIF losses or even reduce losses if loan value increases. FDIC experience has also shown that loss sharing can add clarity about risk in an acquiring institution’s loan portfolio. As part of its pilot NCUA will evaluate the cost benefits of overseeing loss share agreements that have 8 to 10 year time horizons.

In addition to its own experience in conducting the pilot, NCUA will incorporate best practices and lessons learned from the evolution of FDIC's loss share program. At the conclusion of the pilot, expected to be in mid-2011, the NCUA Board will decide whether to make the loss share program permanent.

Development of the pilot will commence immediately.

*NCUA is the independent federal agency that regulates, charters and supervises 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 over 90 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.*

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