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NCUA Media Release

NCUA FILES NOTICE OF CLAIM FOR LOSSES AT U.S. CENTRAL FCU

July 1, 2010, Alexandria, Va. – The National Credit Union Administration (NCUA), in its role as Conservator of US Central Federal Credit Union, yesterday filed a “notice of claim” with Travelers Casualty & Surety Co. to preserve NCUA’s right to the full amount of coverage provided under US Central’s Directors and Officers Liability policy.

June 30 was the deadline to file this notice of claim with US Central’s liability insurer in order to preserve NCUA’s right to seek recoveries under the policy. Filing of the notice to meet the applicable policy deadline is a preliminary step. NCUA will take the time necessary to complete its investigation and decide at a later date whether or not to initiate civil litigation against any individual directors or officers.

As part of the claim process, individual notices (known as “demand letters”) were also served on 18 former US Central directors and officers.

The demand letters allege that breaches of fiduciary duties of care and loyalty contributed to US Central losses exceeding the \$10 million Travelers policy limit, which was in effect from 2005 to 2009. Demand letters were sent to the following individuals: David W. Brehmer, Kathryn E. Brick, O. William (Bill) Cheney, David A. Dickens, Larry D. Eisenhauer, Edward J. Fox III, John R. Franklin, Kathy L. Garner, James A. Hansen, Joseph P. Herbst, Roshara J. Holub, Francis Lee, Connie M. Loveless, Gregory S. Moore, Robert A. Siravo, Bradford L. Thomas, Charles E. Thomas, and William A. Walby.

The demand letters were served upon these 18 former directors and officers after an initial investigation by an independent law firm.

NCUA’s Inspector General is also required by law to conduct an independent Material Loss Review of the circumstances surrounding the losses at US Central. This review has two purposes:

1) Determine the causes of US Central's losses absorbed by NCUA's Corporate Stabilization Fund; and

2) Assess NCUA's supervision of US Central.

The Material Loss Review is currently in the field work stage, which involves gathering and analyzing voluminous amounts of data and information. A full report will be issued by the Inspector General when the review is complete.

NCUA will take action, if appropriate, against responsible parties as a result of NCUA's investigation and the Inspector General's Material Loss Review.

The National Credit Union Administration charters and supervises federal credit unions. NCUA, with the backing of the full faith and credit of the U.S. government, operates and manages the National Credit Union Share Insurance Fund, insuring the accounts of 90 million account holders in all federal credit unions and the majority of state-chartered credit unions. NCUA is funded by credit unions, not federal tax dollars.

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