



## **NCUA Media Release**

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# **NCUA Files Third Suit in String Against Securities Firms to Recover Billions**

***Recoveries Will Benefit All Federally Insured Credit Unions***

**ALEXANDRIA, Va. (July 18, 2011)** – The National Credit Union Administration filed another suit today in California against RBS Securities, Inc. alleging violations of federal and state securities laws and misrepresentations in the sale of securities to the failed Western Corporate Federal Credit Union (WesCorp).

This law suit follows two similar legal proceedings filed in the Federal District Court of Kansas June 20 against J.P. Morgan Securities, LLC, and RBS. Anticipating a total of five to 10 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.

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

“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. We expect to file additional actions, seeking damages in the billions of dollars. Those who caused the problems in the wholesale credit unions should pay for the losses now being paid by retail credit unions.”

This action seeks damages in excess of \$629 million, totaling more than \$1.5 billion when added to the damages sought in the previous filings.

NCUA’s new suit against RBS claims the sellers and underwriters of the questionable securities made numerous material misrepresentations in the offering documents. These misrepresentations caused WesCorp 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 WesCorp insolvent. The combined suits are the culmination of lengthy investigations into the circumstances surrounding the purchases of these securities.

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, WesCorp, Southwest Corporate, Members United Corporate, and Constitution Corporate.

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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.”

You may view a copy of the complaint visit the court’s website or the Pacer reporting service.

*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.*

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