NCUA Legal Recoveries Will Top $3 Billion

Agency to Receive $575 Million from Goldman Sachs Settlement

ALEXANDRIA, Va. (April 11, 2016) – With the completion of a settlement with Goldman Sachs, the National Credit Union Administration will have recovered more than $3 billion from Wall Street firms that sold faulty mortgage-backed securities to five corporate credit unions.

NCUA joined the U.S. Department of Justice and other governmental plaintiffs in a $5 billion settlement that includes $575 million to settle NCUA's claims against the investment firm. The settlement resolves two lawsuits filed by NCUA as liquidating agent for three corporate credit unions—U.S. Central, WesCorp and Southwest—against Goldman Sachs for losses incurred as a result of the purchases of the faulty securities by the corporate credit unions, which later failed.

"Credit unions are benefitting from an aggressive litigation strategy NCUA continues to follow in order to hold responsible parties accountable," Matz said. "NCUA remains committed to fulfilling its statutory responsibilities to protect the credit union system and to pursuing recoveries against Wall Street firms that contributed to the corporate crisis. Our goal is to minimize net losses of the corporate crisis and provide a future rebate to credit unions."

Net proceeds from recoveries obtained by the agency are used to pay claims against five failed corporate credit unions, including those of the Temporary Corporate Credit Union Stabilization Fund.

NCUA was the first federal financial institutions regulator to recover losses from investments in faulty securities on behalf of failed financial institutions.

Seven years ago, the credit union system faced a crisis when the faulty mortgage-backed securities purchased by five corporate credit unions plunged in value. These losses led to the failure of those corporate credit unions and left the entire credit union system with billions of dollars in losses. When purchased by the failed corporate credit unions, the vast majority of the securities issued by Goldman Sachs had triple-A ratings, but they have since been significantly downgraded.

"NCUA's Board extends our thanks and appreciation to the attorneys here at the agency and at the Department of Justice who worked closely together to resolve this litigation," Matz said.

NCUA still has litigation pending against several other financial institutions, including Credit Suisse, RBS Securities, and UBS Securities, alleging they sold faulty mortgage-backed securities to four corporate credit unions: WesCorp, U.S. Central, Southwest and Members United. The agency recently announced it had accepted offers of judgment from Credit Suisse and UBS with respect to litigation filed in New York on behalf of Southwest and Members United, although that litigation has not yet been dismissed. Other claims against those banks remain in Kansas and California. NCUA also has pending litigation against various RMBS trustees and LIBOR banks related to corporate credit union losses.

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 United States,

NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of more than 102 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions. At MyCreditUnion.gov and Pocket Cents, NCUA also educates the public on consumer protection and financial literacy issues.

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"Protecting credit unions and the consumers who own them through effective regulation"

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