

CenCorp Member Communications

1/28/09 Important Corporate Credit Union Announcements

US Central and the NCUA made announcements regarding Corporate credit unions that will impact credit unions throughout the country. We believe it is important that you are aware of these developments.

To read more [Click Here](#).

1/29/09 Corporate Credit Union Announcement - Update 1

The NCUA Letter to Credit Unions discusses the NCUSIF premium assessment to credit unions. It is not clear to us how these numbers were derived and how this assessment would work.

To read more [Click Here](#).

1/29/09 Important Corporate Credit Union Announcements - Update 2

Many of the questions that CenCorp has received on the previous announcements have involved (1) the NCUSIF premium assessment and (2) current information on the Corporate System and accounting.

To read more [Click Here](#).

2/9/09 NCUSIF Guarantee Status

Your deposits at CenCorp are guaranteed by the NCUSIF through February 2009. CenCorp anticipates extending this through December 2010.

To read more [Click Here](#).

2/11/09 NCUSIF Guarantee Status and Fitch Rating Actions

As expected, Fitch announced some rating changes related to the recent actions on corporate credit unions by the NCUA.

To read more [Click Here](#).

2/20/09 CenCorp's Financial Results

CenCorp's audited year-end financial statements are normally available in early February of the following year. US Central announced preliminary unaudited financial results in January 2009 that included higher than expected investment losses.

To read more [Click Here](#).

2/27/09 NCUSIF Guarantee of Your CenCorp Deposit Accounts Extended

CenCorp had previously communicated to you that we were working with the NCUA on the documentation necessary to extend the NCUSIF guarantee of your deposit accounts at CenCorp beyond February 28, 2009. CenCorp has submitted the necessary documents to the NCUA for this extension.

To read more [Click Here](#).

3/2/09 NCUSIF Guarantee of Your CenCorp Deposit Accounts Extended - Updated

The NCUA has posted the names of the Corporate Credit Unions that have opted to extend the deposit guarantee.

To read more [Click Here](#).

3/4/09 CenCorp's Response to the Corporate System ANPR

The NCUA issued an Advance Notice of Proposed Rulemaking (ANPR) earlier in the year that seeks comment on the future role of the Corporate system. The ANPR asks a series of questions about specific aspects of the Corporate system, many of which are not familiar to members.

To read more [Click Here](#).

3/11/09 CenCorp's Response to the Corporate System ANPR Available for Review

As previously communicated, CenCorp was preparing a response to the NCUA's Advance Notice of Proposed Rulemaking (ANPR) on the future role of the Corporate system. This document is completed.

To read more [Click Here](#).

3/16/09 CenCorp's Year-end Financial Results and Recent Accounting Issues

We have been informed by US Central that their audit will be delayed further.

To read more [Click Here](#).

3/22/09 US Central and WesCorp Conservatorships

After business hours on Friday (3/20/09), the NCUA placed US Central and WesCorp into conservatorship.

To read more [Click Here](#).

3/25/09 Impact of the US Central Conservatorship on Your CenCorp MCSD Account

The NCUA indicated on their Webcast on Monday (March 23, 2009) that they consider the capital that Corporates have contributed at US Central to be impaired. CenCorp has received inquiries from members regarding the potential impairment of their Member Capital Share Deposit (MCSD) accounts at CenCorp.

To read more [Click Here](#).



Important Corporate Credit Union Announcements

US Central and the NCUA made announcements regarding Corporate credit unions that will impact credit unions throughout the country. We believe it is important that you are aware of these developments. In summary, the primary points announced were:

- US Central expects an estimated \$1.2 billion in investment losses in 2008.
- NCUA will infuse \$1.0 billion in capital into US Central to help offset the impact of the investment losses.
- Deposits at Corporates are being guaranteed by the NCUSIF through February 2009, and may be extended through December 2010.
- A NCUSIF premium assessment of approximately 48 basis points in 2009 is expected.

More specific information is available in the NCUA's [Media Release](#) and [Letter to Credit Unions](#). Other information on the Corporate Stabilization Program is available at (<http://www.ncua.gov/CorporateStabilizationProgram.html>). The NCUA actions will strengthen and provide stability to the Corporate System by increasing capital and ensuring adequate liquidity.

From an operational standpoint, CenCorp will continue to provide you with your existing settlement, deposit and other services. As noted above, your deposit accounts at CenCorp have been guaranteed by the NCUSIF through the end of February 2009. CenCorp currently anticipates participating in the voluntary program to extend this guarantee through 2010.

CenCorp became aware of this information this afternoon. We are still reviewing the details of these announcements and the financial impact. We expect to communicate additional information tomorrow (1/29/09).

If you have any questions, please contact Bill Walby or Ron Boehnlein at (248) 304-3004 or (248) 304-3008, respectively.

Corporate Credit Union Announcement Update 1 (1/29/09)

As noted in our communication last evening (reprinted below), CenCorp planned for additional communications on the Corporate-related announcements late yesterday. This is a follow-up to that communication.

The NCUA Letter to Credit Unions (page 6) discusses the NCUSIF premium assessment to credit unions. It is not clear to us how these numbers were derived and how this assessment would work. We have contacted the NCUA. A conference call with the NCUA has been scheduled for noon today. We plan on getting clarification on this issue and will communicate it to you as soon as possible.

In the interim, if you have any questions, please contact Bill Walby or Ron Boehnlein at (248) 304-3004 or (248) 304-3008, respectively.

Initial Communication (1/28/09)

US Central and the NCUA made announcements regarding Corporate credit unions that will impact credit unions throughout the country. We believe it is important that you are aware of these developments. In summary, the primary points announced were:

- US Central expects an estimated \$1.2 billion in investment losses in 2008.
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- A NCUSIF premium assessment of approximately 48 basis points in 2009 is expected.

More specific information is available in the NCUA's [Media Release](#) and [Letter to Credit Unions](#). Other information on the Corporate Stabilization Program is available at <http://www.ncua.gov/CorporateStabilizationProgram.html>. The NCUA actions will strengthen and provide stability to the Corporate System by increasing capital and ensuring adequate liquidity.

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Corporate Credit Union Announcement Update 2 (1/29/09)

Many of the questions that CenCorp has received on the previous announcements have involved (1) the NCUSIF premium assessment and (2) current information on the Corporate System and accounting. Additional information on each of these topics is presented below.

NCUSIF Premium Assessment

Several members had questions regarding the financial impact on credit unions that was included in the NCUA's Letter to Credit Unions yesterday. CenCorp participated on a conference call with the NCUA earlier today about this and other issues. In summary, the NCUA performs an actuarial-type calculation of how much capital is required in the NCUSIF to meet its obligations and maintain an equity ratio of 1.3%. The NCUSIF has been able to maintain adequate funding in recent years without a premium assessment because earnings on NCUSIF funds have been in excess of expenses.

The latest NCUSIF calculation includes an estimate of the funds needed to guarantee the deposits at Corporates and the capital infusion to US Central, in addition to the traditional operations of the NCUSIF. The calculation determined that the current NCUSIF funds available are below the estimated amount needed to bring the NCUSIF equity ratio to 1.30%. The NCUA determined that a premium assessment to credit unions in 2009 is necessary and estimated it at a total of 62 basis points on insured shares. The actual premium assessed in 2009 may change from the estimate. The NCUA is expected to provide additional information to clarify this and the accounting for the assessment.

Current Information on the Corporate System and Accounting

As background, credit unions throughout the country own the 26 Corporate credit unions. US Central is owned by 26 Corporate credit unions, including CenCorp.

The \$1.2 billion in additional investment losses at US Central (unaudited) and the \$1.0 billion capital infusion from the NCUSIF announced yesterday will directly impact US Central's capital. Prior to these announcements, US Central's capital consisted of the following (in billions):

Retained Earnings	\$0.70
Paid-in-Capital from Corporates	0.75
Member Capital Shares from Corporates	1.23
Total Capital	<u><u>\$2.68</u></u>

The \$1.2 billion investment loss at US Central is nearly equal to the combined retained earnings and paid-in-capital (PIC) at US Central. CenCorp has previously contributed \$23 million in PIC at US Central (approximately 3% of US Central PIC) and member capital shares. CenCorp's capital, before any adjustment for the items noted above, consisted of \$112 million in retained earnings and \$113 million in member capital share deposits.

The mark-to-market accounting rules for investment securities are complex. One provision requires an investment that shows *any* loss to be written down to its current market value, even if the market value is significantly less than the actual loss that is expected to be realized. US Central estimates the actual losses to be realized at \$420 million. This is less than the \$1.2 billion recognized for accounting purposes.

The 2008 audits at US Central and CenCorp are in process. These US Central items may require an impairment charge at CenCorp. The amount is not known at this time. As the accounting and audit results become known, these will be communicated to you.

If you have any questions, please contact Bill Walby or Ron Boehnlein at (248) 304-3004 or (248) 304-3008, respectively.

Communication Update 1 (1/29/09)

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The NCUA Letter to Credit Unions (page 6) discusses the NCUSIF premium assessment to credit unions. It is not clear to us how these numbers were derived and how this assessment would work. We have contacted the NCUA. A conference call with the NCUA has been scheduled for noon today. We plan on getting clarification on this issue and will communicate it to you as soon as possible.

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- NCUA will infuse \$1.0 billion in capital into US Central to help offset the impact of the investment losses.
- Deposits at Corporates are being guaranteed by the NCUSIF through February 2009, and may be extended through December 2010.
- A NCUSIF premium assessment of approximately 48 basis points in 2009 is expected.

More specific information is available in the NCUA's [Media Release](#) and [Letter to Credit Unions](#). Other information on the Corporate Stabilization Program is available at

<http://www.ncua.gov/CorporateStabilizationProgram.html>. The NCUA actions will strengthen and provide stability to the Corporate System by increasing capital and ensuring adequate liquidity.

From an operational standpoint, CenCorp will continue to provide you with your existing settlement, deposit and other services. As noted above, *your deposit accounts at CenCorp have been guaranteed by the NCUSIF through the end of February 2009*. CenCorp currently anticipates participating in the voluntary program to extend this guarantee through 2010.

CenCorp became aware of this information this afternoon. We are still reviewing the details of these announcements and the financial impact. We expect to communicate additional information tomorrow (1/29/09).

If you have any questions, please contact Bill Walby or Ron Boehnlein at (248) 304-3004 or (248) 304-3008, respectively.

NCUSIF Guarantee Status

As communicated to you previously, your deposits at CenCorp are guaranteed by the NCUSIF through February 2009. CenCorp anticipates extending this through December 2010. The NCUA is currently working on the documentation necessary for CenCorp to extend this guarantee. CenCorp expects to receive the documentation on February 17, 2009 and have the extended guarantee in place before the end of the month.

In light of the recent actions on corporate credit unions by the NCUA, it is expected that the rating agencies will announce further revisions of the credit ratings of corporate credit unions. Though further ratings actions would be perceived negatively, they would have little significance given the current NCUSIF deposit guarantee.

If you have any questions, please contact either Bill Walby or Ron Boehnlein at (248) 304-3004 or (248) 304-3008, respectively.

NCUSIF Guarantee Status and Fitch Rating Actions

As communicated to you previously, your deposits at CenCorp are guaranteed by the NCUSIF through February 2009. CenCorp anticipates extending this through December 2010. The NCUA is currently working on the documentation necessary for CenCorp to extend this guarantee. CenCorp expects to receive the documentation on February 17, 2009 and have the extended guarantee in place before the end of the month.

In light of the recent actions on corporate credit unions by the NCUA, it is expected that the rating agencies will announce further revisions of the credit ratings of corporate credit unions. Though further ratings actions would be perceived negatively, they would have little significance given the current NCUSIF deposit guarantee.

Update – February 11, 2009

As expected, Fitch announced some rating changes related to the recent actions on corporate credit unions by the NCUA. The ratings of several corporate credit unions, including CenCorp, were changed. CenCorp's Individual Rating was revised to B/C from A/B. To view the Fitch rating actions, click [Press Release](#) below.

If you have any questions, please contact either Bill Walby or Ron Boehnlein at (248) 304-3004 or (248) 304-3008, respectively. [Press Release](#)

FITCH TAKES RATING ACTIONS ON CORPORATE CREDIT UNIONS

Fitch Ratings-New York-10 February 2009: In light of the National Credit Union Administration's (NCUA) recent actions to stabilize and support the corporate credit union system, Fitch Ratings has upgraded the Support ratings and Support Floor ratings for all corporate credit unions to '1' and 'A+', respectively. A complete list of ratings follows this release.

The NCUA has publicly stated that in addition to its recent capital contribution to U.S. Central Federal Credit Union (USC), the NCUA will infuse capital as necessary into all corporate credit unions in the form of cash contributions from the National Credit Union Share Insurance Fund (NCUSIF) to provide stability to the system. The NCUA has also announced that it is soliciting industry comments and developing plans to restructure the corporate credit union system.

Fitch has also taken rating actions on the individual corporate credit unions, as economic turmoil and credit market disruptions have reduced the liquidity in the corporate credit union system and threaten to generate sizeable realized losses in some of their investment portfolios. By their nature as nonprofit cooperative institutions, corporate credit unions are highly leveraged institutions that generate lean earnings. Meaningful realized security losses, including other-than-temporary impairment charges, could impair the capital positions of corporate credit unions. Additionally, Fitch's rating actions consider the corporate credit unions' exposure to potential write-downs of their paid-in-capital (PIC) and PIC II investments in USC following its reported \$1.1 billion loss for 2008 and the associated intervention by the NCUA.

The long-term and short-term ratings are at their Support Floors so they are assigned a Stable Outlook. The Individual Rating assesses an institution without incorporating any external support and therefore has no floor.

The varying degree of notching between the Individual ratings of each company largely reflects the risk of loss from each respective company's investment portfolio and its USC PIC exposure relative to its capital position. In some cases, Fitch expects realized losses to be significant, particularly for those corporate credit unions holding mortgage- and asset-backed securities with exposure to home equity, sub-prime, and Alt-A products. Regarding the PIC investments in USC, while it has yet to be determined how and when the corporate credit unions should account for the potential loss on their investment in USC, Fitch is assuming that the corporate credit unions will need to write off their PIC II investment entirely and perhaps a small portion of PIC I, which would also have a material impact on capital.

Fitch has taken the following rating actions:

Central Corporate Credit Union

- Long-term IDR downgraded to 'A+' from 'AA-';
- Short-term IDR affirmed at 'F1+;
- Short-term debt affirmed at 'F1+';
- Support upgraded to '1' from '4';
- Support floor revised to 'A+' from 'B';
- Individual downgraded to 'B/C' from 'A/B'.

Constitution Corporate Federal Credit Union

- Long-term IDR affirmed at 'A+';
- Short-term IDR upgraded to 'F1+' from 'F1';
- Short-term debt upgraded to 'F1+' from 'F1';
- Support upgraded to '1' from '4';
- Support floor revised to 'A+' from 'B';
- Individual downgraded to 'D/E' from 'B'.

Eastern Corporate Federal Credit Union

- Long-term IDR downgraded to 'A+' from 'AA-';
- Short-term IDR affirmed at 'F1+';
- Short-term debt affirmed at 'F1+';
- Support upgraded to '1' from '4';
- Support floor revised to 'A+' from 'B';
- Individual downgraded to 'B/C' from 'A/B'.

First Corporate Credit Union

- Long-term IDR downgraded to 'A+' from 'AA-';
- Short-term IDR affirmed at 'F1+';
- Short-term debt affirmed at 'F1+';
- Support upgraded to '1' from '4';
- Support floor revised to 'A+' from 'B';
- Individual downgraded to 'C' from 'A/B'.

Mid-Atlantic Corporate Federal Credit Union

- Long-term IDR downgraded to 'A+' from 'AA-';
- Short-term IDR affirmed at 'F1+';
- Support upgraded to '1' from '4';
- Support floor revised to 'A+' from 'B';
- Individual downgraded to 'B/C' from 'A/B'.

Members United Corporate Federal Credit Union

- Long-term IDR affirmed at 'A+';
- Short-term IDR upgraded to 'F1+' from 'F1';
- Short-term debt upgraded to 'F1+' from 'F1';
- Support upgraded to '1' from '4';
- Support floor revised to 'A+' from 'B';
- Individual downgraded to 'C/D' from 'B'.

Southeast Corporate Federal Credit Union

- Long-term IDR downgraded to 'A+' from 'AA-';
- Short-term IDR affirmed at 'F1+';
- Short-term debt affirmed at 'F1+';
- Support upgraded to '1' from '4';
- Support floor revised to 'A+' from 'B';
- Individual downgraded to 'C' from 'B'.

Southwest Corporate Federal Credit Union

- Long-term IDR affirmed at 'A+';
- Short-term IDR upgraded to 'F1+' from 'F1';
- Short-term debt upgraded to 'F1+' from 'F1';
- Support upgraded to '1' from '4';
- Support floor revised to 'A+' from 'B';
- Individual downgraded to 'C/D' from 'B'.

Fitch has also placed all Individual ratings on Rating Watch Negative.

The Rating Outlook is Stable for all long-term IDRs.

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site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.

CenCorp's Financial Results

CenCorp's audited year-end financial statements are normally available in early February of the following year. US Central announced preliminary unaudited financial results in January 2009 that included higher than expected investment losses. US Central's audit is currently in process and is not expected to be completed until later in March 2009.

CenCorp has invested capital at US Central. The value of this capital is dependent on, among other things, the magnitude of the investment losses recorded at US Central. CenCorp plans to delay the release of its 2008 year-end financial statements until US Central's audit is completed. If you have any questions, please contact Bill Walby at (248) 304-3004.



NCUSIF Guarantee of Your CenCorp Deposit Accounts Extended

CenCorp had previously communicated to you that we were working with the NCUA on the documentation necessary to extend the NCUSIF guarantee of your deposit accounts at CenCorp beyond February 28, 2009. CenCorp has submitted the necessary documents to the NCUA for this extension. The guarantee is effective through December 2010.

The NCUA plans to post the names of the Corporate Credit Unions that have opted to extend the deposit guarantee in early March 2009. CenCorp will add a link to this announcement when the list is posted to the NCUA Website (www.ncua.gov).

If you have any questions, please contact either Bill Walby or Ron Boehnlein at (248) 304-3004 or (248) 304-3008, respectively.

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CenCorp had previously communicated to you that we were working with the NCUA on the documentation necessary to extend the NCUSIF guarantee of your deposit accounts at CenCorp beyond February 28, 2009. CenCorp has submitted the necessary documents to the NCUA for this extension. The guarantee is effective through December 2010.

The NCUA plans to post the names of the Corporate Credit Unions that have opted to extend the deposit guarantee in early March 2009. CenCorp will add a link to this announcement when the list is posted to the NCUA Website (www.ncua.gov).

March 2, 2009 Update

The NCUA has posted the names of the Corporate Credit Unions that have opted to extend the deposit guarantee. To view the list, click on the NCUA [Press Release](#) link.

If you have any questions, please contact either Bill Walby or Ron Boehnlein at (248) 304-3004 or (248) 304-3008, respectively.

CenCorp's Response to the Corporate System ANPR

The NCUA issued an Advance Notice of Proposed Rulemaking (ANPR) earlier in the year that seeks comment on the future role of the Corporate system. The ANPR asks a series of questions about specific aspects of the Corporate system, many of which are not familiar to members.

To assist members that wish to respond to the ANPR, CenCorp is (1) working with a group of credit unions and the MCUL on an ANPR response document, (2) preparing an ANPR letter that provides background information and presents CenCorp's response to the provisions in the ANPR, and (3) fielding member questions. We expect the documents to be available for your review on EDGE On-line no later than March 13, 2009. Comments are due to the NCUA by April 6, 2009.

In the interim, if you have any questions regarding the ANPR or CenCorp's response, please contact Bill Walby at (248) 304-3004.

CenCorp's Response to the Corporate System ANPR Available for Review

As previously communicated, CenCorp was preparing a response to the NCUA's Advance Notice of Proposed Rulemaking (ANPR) on the future role of the Corporate system. This document is completed. It provides background information on CenCorp operations and CenCorp's response to the questions contained in the ANPR. To view CenCorp's response click on the link below.

Members are encouraged to let their opinions be known individually. Responses are due to the NCUA by April 6, 2009.

If you have any questions regarding the ANPR or CenCorp's response, please contact Bill Walby at (248) 304-3004.

View [CenCorp's ANPR Response](#)

CenCorp's Year-end Financial Results and Recent Accounting Issues

CenCorp's year-end audit has historically been completed about a month after year-end. As CenCorp communicated last month, the completion of the audit this year was delayed pending the resolution of the accounting issues involving the investment losses at US Central. CenCorp's intent was to issue its audited financial statements shortly after US Central's audit was completed. This was expected in March 2009. We have been informed by US Central that their audit will be delayed further. [Read More](#)

US Central and WesCorp Conservatorships

After business hours on Friday (3/20/09), the NCUA placed US Central and WesCorp into conservatorship. The operations of both organizations will continue without interruption under the direction of NCUA. There will be no change in the daily services that CenCorp provides to you as a result of these actions. The NCUSIF guarantee of CenCorp shares continues. [Read More](#)

Impact of the US Central Conservatorship on Your CenCorp MCSD Account

The NCUA indicated on their Webcast on Monday (March 23, 2009) that they consider the capital that Corporates have contributed at US Central to be impaired. CenCorp has received inquiries from members regarding the potential impairment of their Member Capital Share Deposit (MCSD) accounts *at CenCorp*. [Read More](#)