

BEFORE THE DISTRICT OF COLUMBIA  
BOARD OF ZONING ADJUSTMENT

2009 MAY 11 PM 12:38

IN RE:

APPLICATION OF THE  
D. C. TEACHERS FEDERAL CREDIT UNION

BZA Case No. 17842  
(901-903 D Street, N.E.)

APPLICANT'S REQUEST FOR CONTINUANCE

COMES Now the Applicant D.C. Teachers Federal Credit Union, by and through its undersigned attorney, to request a continuance of the matter for the reasons stated as follows:

1. The next scheduled Board of Zoning Adjustment (BZA) hearing is set for Tuesday, May 5, 2009 at 9:00 am.
2. Although the applicant has presented architectural plans to the Advisory Neighborhood Commission 6A (ANC 6A), additional time is needed for the development and the review of a workable time table for implementation of proposed improvements in this matter.
3. The drawings, drafted on March 10th, had to be revised to show all the proposed improvements and were redone within the applicant's architect's schedule of other projects.
4. By letter dated April 22, 2009 from Commissioner David Holmes of ANC 6A03, a request has been made for a delay in the hearing.
5. This request is not opposed and is supported by the applicant to allow for additional time to compile with the ANC's request for a timetable for the proposed improvement projects.
6. The applicant is committed to a working with the ANC in this matter toward the adoption of reasonable proposals for improvements to the subject property.
7. No written proffer could be developed until the applicant could complete a review of its budget given recent developments growing out of the country's housing crisis due to

BOARD OF ZONING ADJUSTMENT

District of Columbia

CASE NO. 17842

EXHIBIT NO. 35

Board of Zoning Adjustment  
District of Columbia  
CASE NO.17842  
EXHIBIT NO.35

meltdown of mortgage and asset backed securities that has adversely affected all financial institutions, including all credit unions nationwide.

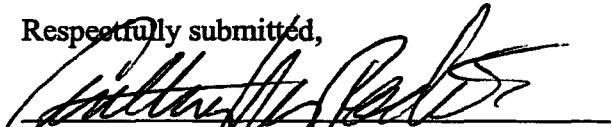
8. Recently, on March 19, 2009, the Federal Regulatory agency for all U.S. Credit Unions, the National Credit Union Administration, issued an assessment notice of stabilization following its take over of both the U.S. Central FCU and the Western Corporate FCU under a conservatorship. See copy of Letter No.: 09-CU-06, attached hereto and made a part hereof as Exhibit "1."

9. During April, 2009, the Board of Directors for the D.C. Teachers Credit Union had to take emergency action to budget for the expenditure of \$382,619.81, in order to account for its external auditors' determination of the D.C. Teacher's share of new expenses required for the assessments related to these Federal seizures.

10. This was an extraordinary and unforeseen expense item, not considered by the applicant as of its last appearance before the BZA in this case.

11. Accordingly, the Applicant requests that the hearing be continued until June 9, 2009 at 9:00am in order to provide the parties with sufficient time to prepare a timetable for project completion of the proposed improvement to the subject property in this case.

Respectfully submitted,



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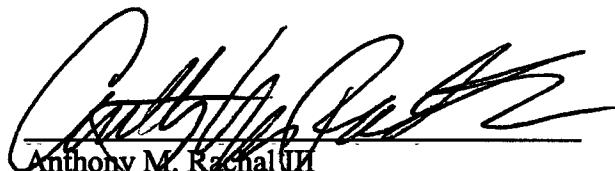
**CERTIFICATE OF SERVICE**

I hereby certify that a copy of this Request for Continuance was served this 4th day of May, 2009, by facsimile, first-class mail postage prepaid, and by e-mail to:

Mr. Clifford Moy, Secretary  
Board of Zoning Adjustment  
441 Fourth Street, N.W., Suite 210S  
Washington, D.C. 20001  
(202) 727-6072 (Fax)

And

Mr. David Holmes, Commissioner 6A03  
Advisory Neighborhood Commission 6A  
Box 75115  
Washington, D.C. 20013  
Holmes6a3@gmail.com



Anthony M. Rachal III

# NCUA LETTER TO CREDIT UNIONS

## NATIONAL CREDIT UNION ADMINISTRATION 1775 Duke Street, Alexandria, VA 22314

**DATE:** March 2009

**LETTER NO.:** 09-CU-06

**TO:** Federally Insured Credit Unions

**SUBJ:** Corporate Stabilization Program – Conservatorship of  
U.S. Central FCU and Western Corporate FCU

Dear Board of Directors:

On March 19, 2009, the NCUA Board took additional actions to further stabilize the corporate credit union system and bring the credit union community closer to resolution of the issues facing the system. The first step in the stabilization program was to increase liquidity throughout the entire credit union system, especially within the corporate credit unions. The actions discussed in this letter are the next step in the stabilization program. Since the initial actions approved by the NCUA Board on January 28, 2009, as outlined in NCUA Letter to Credit Unions 09-CU-02, NCUA staff completed a detailed review and contracted with a third party to provide independent confirmation of NCUA's analysis and stress testing of the mortgage and asset backed securities held by corporate credit unions. NCUA has determined that further actions were necessary.

### Control of U.S. Central FCU and WesCorp FCU

NCUA's analysis of individual corporate credit union portfolios demonstrates the incidence of expected credit losses greater than total capital is concentrated primarily in two corporate credit unions. As a result, the NCUA Board has taken control of both institutions: U.S. Central FCU and Western Corporate (WesCorp) FCU, and placed them into conservatorship. Operation of both corporate credit unions will continue uninterrupted. The remaining 26 corporate credit unions show a level of portfolio risk that NCUA considers manageable from the standpoint of capital adequacy. With the National Credit Union Share Insurance Fund's (NCUSIF) full share guarantee in effect in both institutions through December 31, 2010, members can continue to invest in both institutions without risk of loss.

### Revised NCUSIF Liability Estimate

The continuing analysis of the securities provided more detailed information that helped NCUA refine the assumptions used in determining the NCUSIF's required reserve for potential loss.

The revised assumptions show the overall reserve level increased to \$5.9 billion from the \$4.7 billion estimated on January 28, 2009. The computation and impact of the revised reserve level will be discussed later in this letter.

### **Maintenance of Liquidity**

As discussed by NCUA in various public forums surrounding the corporate stabilization effort, the key short-term objective has been, and remains, to increase liquidity in corporate credit unions. The increased liquidity reduces the likelihood of having to sell the securities at adverse prices in the current non-functioning market. This avoids the scenario of absorbing significantly higher losses now, versus the cost of holding the securities to maturity.

Recent trends indicate that liquidity in the entire corporate credit union system is improving and external borrowings are being repaid. Since the first phase of the stabilization action, liquidity in the corporate credit unions holding the majority of the distressed securities has improved with deposits increasing from \$59.1 billion to \$71.3 billion. At the same time, credit unions are utilizing the Credit Union System Investment Program (CU SIP) to provide funding to corporate credit unions. As a result, a significant portion of the corporate credit union system's external borrowings has been paid, which was one of the early objectives of the stabilization plan. Since January 28, external borrowings in the same corporate credit unions have declined from \$11.8 billion to \$2.1 billion.<sup>1</sup> This is a direct reflection of the cooperative spirit of the credit union system. Despite this increase, the foundational stresses on liquidity in the system remain and seasonal trends could result in liquidity becoming short in the near term. NCUA urges the credit union community to continue placing excess liquidity in corporate credit unions so the positive momentum continues. This remains a critical piece to the success of the stabilization and resolution effort while minimizing the cost to natural person credit unions.

### **Analysis Performed and Impact on the Reserve and Cost to Credit Unions**

NCUA continues to perform its own analysis of the securities and has contracted with a third party to provide independent confirmation and refinement of the results of NCUA's assessment. The results confirm NCUA's analysis that potential credit losses on all securities could approach upwards of \$16 billion, with a most reasonable estimate in the current environment of \$10.8 billion. NCUA modeled the impact on each corporate credit union. The modeling shows the losses at U.S. Central and WesCorp present immediate capital concerns to a level necessitating the action by NCUA to assume control of the two institutions.

The additional analysis provides a higher degree of confidence in key assumptions and estimates NCUA used to determine the amount of the liability the NCUSIF must record as part of the stabilization action. The key assumptions impacted are the amount of potential credit loss on the securities and the likelihood of having to perform on the NCUSIF share guarantee.

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<sup>1</sup> The funds that remain outstanding to external lenders have a significant prepayment penalty that offsets the risk of retaining these borrowed funds.

The model NCUA is using to determine the liability remains unchanged, but the assumptions have been adjusted using this more definitive information.

The revised total liability for the NCUSIF increases from \$4.7 billion to \$5.9 billion using the updated assumptions. This increased reserve comes at an additional cost to all credit unions. The results will translate into an additional charge per credit union of 10 basis points of earnings and 9 basis points of net worth on average.

If your credit union has already reflected the stabilization expense on the financial statements, the accounts will need to be adjusted for the increase in the NCUSIF's recorded liability estimate. The individual expense for the stabilization action should be calculated based on insured shares of \$100,000 in two parts:

- 1) Multiply insured shares as of December 31, 2008, by 0.30% to arrive at the projected premium expense.
- 2) Multiply insured shares as of December 31, 2008, by 1% to arrive at the NCUSIF Deposit. Multiply the NCUSIF Deposit by 69% percent to arrive at the revised impairment expense. Previously, this was estimated at 51% of the deposit.

Refer to Accounting Bulletin 09-1 issued in February 2009 for more details.

### **Next Steps**

As discussed earlier, the risk of loss to the NCUSIF is primarily concentrated in U.S. Central and WesCorp. To protect the interests of the NCUSIF and all credit unions, NCUA has conserved both institutions. This provides NCUA with full control of the current and future operation of both entities. Services offered by both corporate credit unions will continue uninterrupted.

During the coming weeks and months, NCUA will continue to take whatever action is necessary to minimize the adverse impact of the U.S. financial and economic turmoil on credit unions. In relation to the corporate credit union system, NCUA plans the following:

- A. Seek ways to reduce the cost impact on the credit union community from the stabilization action;
- B. Determine the least cost alternative to absorb the losses within the system;
- C. Explore alternate methods to manage the distressed assets held by the corporate credit unions; and
- D. Restructure the existing corporate system based on input from stakeholders and future safety and soundness considerations.

### **Conclusion**

NCUA believes the plans established and the actions taken present the least cost alternative to the credit union community under the current legal authority and requirements. NCUA's primary goal is to minimize the adverse impact on natural person credit unions and their members so credit unions remain a vibrant and healthy sector of the U.S. financial system. The current plan NCUA has in place provides the framework for minimizing the financial impact on credit unions and allows the credit union industry control of several of the variables, including the level of liquidity in the system.

The NCUA Board remains committed to working with the credit union community to find alternatives to minimize the impact on credit unions. The Board is open to any alternative that is legal, responsible, and reasonable. Under the current legal authority and system structure, NCUA remains firm in its belief the actions taken represent the least cost alternative and least disruption to the overall credit union and U.S. financial system.

Sincerely,

/s/

Michael E. Fryzel  
Chairman