BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: July 13, 2011

FROM: Office of the Executive Director

SUBJ: Request for the Temporary Corporate Credit Union Stabilization Fund (TCCUSF) to borrow up to $4.0 billion from the U.S. Treasury

ACTION REQUESTED: Board approval for the Temporary Corporate Credit Union Stabilization Fund (Stabilization Fund) to borrow up to $4.0 billion from the U.S. Treasury to retire the Asset Management Estate (AME) promissory notes to the bridge corporate credit unions and to address any additional cash needs that may arise from the ultimate resolution of the bridge corporate credit unions. The NCUA Board delegate to the Executive Director the authority to borrow amounts needed to meet the obligations of the Stabilization Fund through December 31, 2011, not to exceed $4 billion.

DATE ACTION REQUESTED: July 21, 2011

OTHER OFFICES CONSULTED: Office of General Counsel, Asset Management Assistance Center, Office of Examination and Insurance, Office of Corporate Credit Unions, Office of the Chief Financial Officer

VIEWS OF OTHER OFFICES CONSULTED: Concur.

BUDGET IMPACT, IF ANY: None.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

RESPONSIBLE STAFF MEMBERS: Larry Fazio, Deputy Executive Director; Mary Ann Woodson, Chief Financial Officer, Mike Barton, President, Asset Management and Assistance Center

SUMMARY: As part of the corporate resolution plan, five corporate credit unions were placed into AMEs, and four successor bridge corporate credit unions were established. Individual AMEs established promissory notes, totaling $36 billion, with their successor bridge corporate credit union until assets in the AMEs could be monetized, including the sale of legacy assets in the form of NCUA Guaranteed Notes (NGNs).

The sale of the NGNs is now complete with proceeds totaling $28.3 billion. These proceeds, as well as principal and interest payments received on legacy assets prior to securitization, and the monetization of other AME assets have been used to pay down the promissory notes. Although the monetization of the other AME assets is still ongoing, it is anticipated that a borrowing of between $3.1 and $3.5 billion will be needed from the U. S. Treasury to retire the promissory notes. This is separate from other liabilities coming due later this year such as $2 billion in Medium Term Notes. Funding needed to retire these liabilities will be brought to the Board later this year.

Per Special Activities Delegation 30, Board authorization is required prior to borrowing funds from U.S. Treasury. The delegation reads:

> Authority to take all actions necessary to administer the Temporary Corporate Credit Union Stabilization Fund, with authority to redelegate, including but not limited to, authority to pay all administrative expenses, to borrow from the Secretary of the Treasury from time to time with prior authorization from the Board, to repay advances made to the Stabilization Fund, to invest Stabilization Fund assets, and to transmit certification of expenditures to the appropriate Congressional committees. June 18, 2009 Open Board Meeting.

In addition to amounts needed to retire the promissory notes, staff requests that the Board authorize the Executive Director to borrow funds, should they be needed later this year, for the final resolution of the bridge corporate credit unions. For example, funds may be needed to resolve any retained earnings deficits in the bridge corporates or for the resolution of any assets and liabilities now in the bridge corporates that are not transferred to any successor organization. Staff requests the Executive Director be given the delegated authority to borrow up to $4.0 billion from the U. S. Treasury prior to December 31, 2011.

Recommendation and Certification:

We recommend that the NCUA Board approve the borrowing of up to $4.0 billion to retire the promissory notes with the bridge corporate credit unions and to provide additional funding, should it be necessary, for the final resolution of the bridge corporate credit unions.

By approving this action, the Board certifies the authorization of the funds borrowed from the U.S. Treasury are for such services connected to the conservatorship, liquidation, or threatened conservatorship or liquidation, of a corporate credit union AND that absent the existence of the Stabilization Fund, the Board would have committed to the same obligations and made the identical payments out of the National Credit Union Share Insurance Fund.

Further, by approving this action, the Board instructs the Executive Director, pursuant to Special Activities Delegation 30, to borrow those funds he determines are necessary, not to exceed $4.0 billion, and transmit the required certifications to appropriate Congressional committees.