



NCUA
National Credit Union Administration

Office of Examination & Insurance
Asset Management Assistance Center
Office of the Chief Financial Officer

Corporate System Resolution Update

Board Meeting Briefing
March 17, 2022

Corporate System Resolution Background

- **Corporate System Resolution Program Goals**
 - Stabilization: Liquidity Support Programs
 - Resolution: NCUA Guaranteed Notes (NGN), Bridges, and Asset Management Estates (AME)
 - Reform: New Corporate Rules
- **Remaining Resolution Components**
 - Liquidation of Securities
 - Litigation
 - Corporate AME Distributions

Legacy Asset and NGN Performance

Description	December 2011 ¹ (in Billions)	December 2021 (in Billions)
Legacy Asset Unpaid Principal Balance	\$34.3	\$2.0
Total Legacy Asset Net Realizable Value	\$24.5	\$0.9
Total Legacy Asset Market Value	\$19.3	\$0.9
NGN Investor Outstanding Balance	\$24.7	\$0.0
Realized Legacy Asset Losses ²	\$3.6	\$9.7
Projected Lifetime Legacy Asset Losses ²	\$13.2 to \$16.4	\$9.7

1. Point in time after which all NGNs had been issued.
2. Includes losses of approximately \$1 billion on non-securitized assets held by the failed corporate credit unions.

Corporate System Resolution Costs¹

Description	December 2021 (in Billions)
Projected Lifetime Legacy Asset Losses	\$9.7
Guaranty Fees and Excess Interest ²	\$1.0
Legal Recovery Proceeds (Net) ³	\$3.8
Total Projected Resolution Costs (Net)	\$4.9
Net Projected Loss to Federally Insured Credit Unions	\$2.0
Net Projected Loss to \$5.6 Billion in Depleted Corporate Capital ⁴	\$2.9

1. Point in time estimates based on best available information under base scenario.
2. Losses are partially offset by guaranty fees on the NGNs and excess interest collected from the legacy assets due to over-collateralization.
3. Does not include potential future legal recoveries.
4. Includes both depleted corporate capital and loss of retained earnings.

Legal Recoveries

➤ Net recoveries to date have exceeded \$3.8 billion.

Settlement Party (amounts in millions)	Gross Recovery	Total Fees/Expenses	Net Recovery
Citigroup	20.5	-5.2	15.3
Deutsche Bank	145.0	-36.8	108.2
HSBC	5.3	-1.5	3.8
Bank of America/Merrill Lynch/Countrywide	165.0	-42.3	122.7
Residential Capital	9.1	-2.3	6.8
JP Morgan/Bear Stearns	1,417.5	-343.5	1,074.0
RBS	139.1	-36.9	102.2
Wachovia	53.0	-15.1	37.9
Barclays	325.0	-92.8	232.2
Morgan Stanley	225.0	-57.4	167.6
Goldman Sachs	575.0	-160.7	414.3
Credit Suisse	60.1	-12.9	47.2
UBS	79.3	-18.0	61.4
RBS	1,100.0	-280.8	819.2
Nomura	3.1	-1.0	2.1
UBS	445.0	-111.9	333.1
Credit Suisse	400.0	-100.4	299.6
Total	5,167.0	-1,319.6	3,847.4

Remaining Resolution Components

- **Remaining Resolution Components**
 - Liquidation of Securities
 - Litigation
 - Corporate AME Distributions

Liquidate Remaining Securities

- **Objectives**
 - Perform orderly liquidation and strive to achieve best value for asset management estates and Share Insurance Fund given current market conditions
 - Sell securities not subject to legal holds, utilizing bids wanted in competition, and other processes
 - Allow securities with short expected remaining lives to mature naturally

Legacy Asset Sales^{1,2}

- Bid wanted in competition sales process with thirty-five broker/dealers
- Demonstrates broad market participation for good execution and best value received

Estate	Number Sold	Face Value (in Millions)	Book Value (in Millions)	Proceeds (in Millions)
US Central	279	\$3,169	\$2,481	\$2,641
WesCorp	319	\$1,853	\$1,531	\$1,652
Members United	144	\$556	\$450	\$478
Southwest	244	\$568	\$436	\$462
Constitution	69	\$96	\$91	\$93
Total	1,055	\$6,242	\$4,989	\$5,326

1. Numbers may not add due to rounding.
2. Results through December 2021.

To date, sales proceeds have exceeded book value by \$337 million

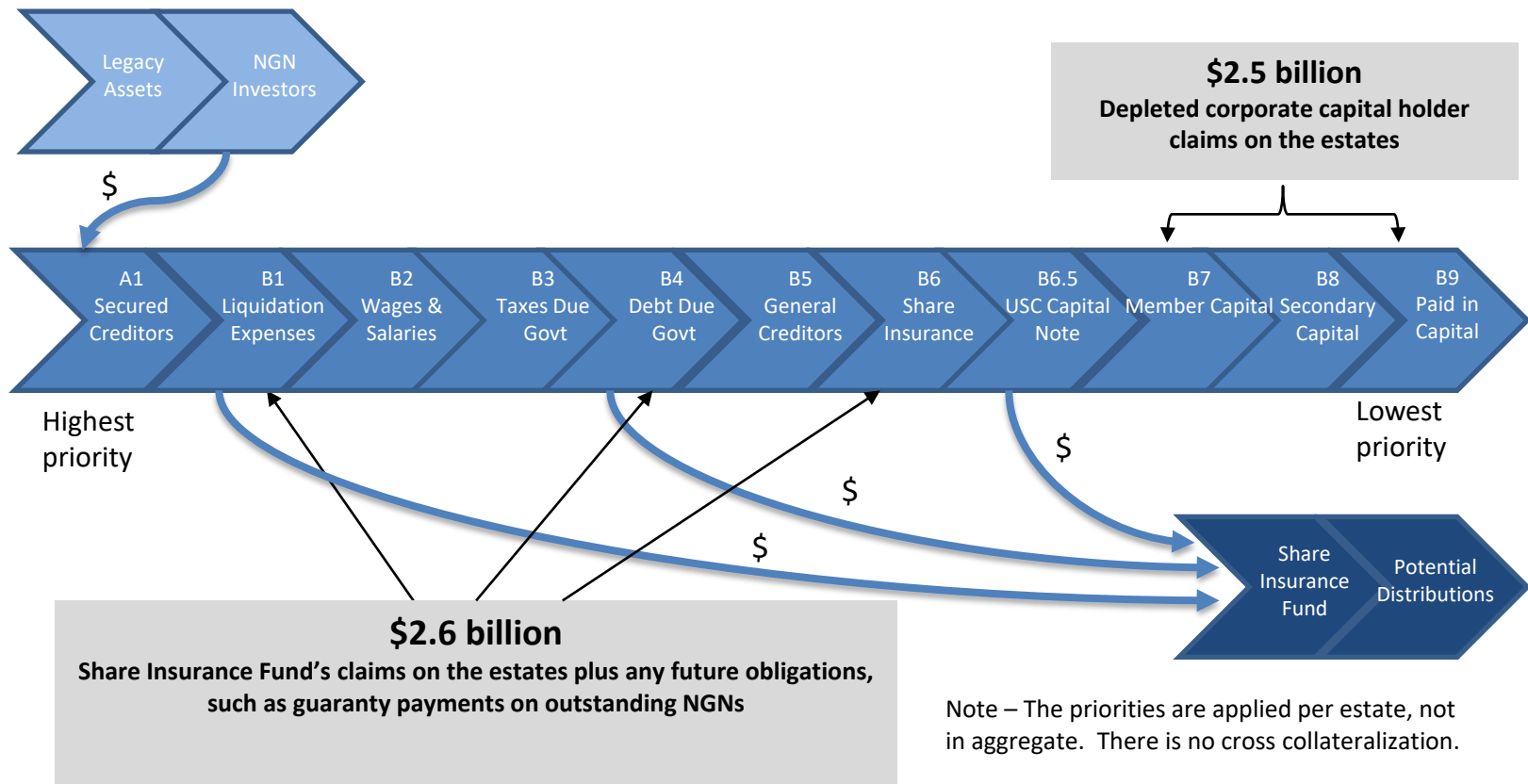
Remaining Legacy Assets^{1,2,3}

- 182 legacy assets with estimated market value of \$873M
- 36% of remaining assets by market value are on legal hold

Estate	Available for Sale			Legal Holds			Total		
	Bond Count	Face Value	Market Value	Bond Count	Face Value	Market Value	Bond Count	Face Value	Market Value
US Central	44	\$662	\$351	24	\$357	\$180	68	\$1,019	\$531
WesCorp	31	\$628	\$129	23	\$127	\$102	54	\$755	\$231
Member United	16	\$63	\$35	3	\$5	\$2	19	\$68	\$37
Southwest	27	\$94	\$38	3	\$17	\$14	30	\$111	\$52
Constitution	9	\$19	\$10	2	\$12	\$12	11	\$31	\$22
Total	127	\$1,466	\$563	55	\$518	\$310	182	\$1,984	\$873

1. Numbers may not add due to rounding. Dollar values shown in millions.
2. Updated with activity through March 9, 2022.
3. There are 260 legacy assets with zero face value not included here.

Asset Management Estates – Payout Priorities¹



1. NCUA regulations § 709.

Corporate Distributions

- **AME Payout Priorities per NCUA Rules and Regulations 709**
 - All senior claims have been paid or provided for through B6 level for US Central, Members United, Southwest and Constitution
 - Distributions to continue, subject to available cash, every six months—in Q1 and Q3 until program completed
- **Summary of Member Capital Account (MCA) and Paid in Capital (PIC) Claims and Distributions**
 - Constitution MCA holders receive first distribution
 - Members United MCA holders claims are now 100% paid
 - Southwest members receive first pro-rata liquidating dividend
 - WesCorp capital holders will not receive a distribution as the SIF has a \$2.6 billion senior claim

Member Capital Account (MCA) and Paid in Capital (PIC) Claims

- The Cumulative % of Member Capital Account and Paid in Capital claims paid to date for these four estates are US Central at 65%, Members United at 86%, Southwest at 100% and Constitution at 24%

Amount (in Millions)	US Central	Members	Southwest	Constitution	Total ¹
Original MCA Claims	\$1,686	\$493	\$404	\$67	\$2,649
Original PIC Claims ²	\$300	\$79	\$0	\$0	\$379
Total Original MCA & PIC Claims	\$1,986	\$572	\$404	\$67	\$3,028
- Total MCA & PIC Claims Paid	-\$1,286	-\$493	-\$404	-\$16	-\$2,199
Remaining MCA & PIC Claims	\$700	\$79	\$0	\$51	\$830
Proj. Future MCA & PIC Distributions ³	\$522	\$79	\$0	\$29	\$630

1. WesCorp is not projected to repay any of their MCA or PIC balances, which total \$1.14 billion.
2. PIC claims have the lowest payout priority of all claims.
3. Members AME projects a liquidating dividend of \$45 million and Southwest AME projects an additional dividend of \$122 million.

Q1 2022 Paid Claims and Distribution (MCA Claim Repayments & Liquidating Dividends)

Amount (\$ in Millions)	Active NP & Corp Credit Unions ¹	Asset Management Estates ²	Non-CU & Voluntary Liquidation ³	Total
US Central AME	\$225.9	\$129.4	\$5.4	\$360.7
Members United AME	\$96.4	\$0.8	\$0.4	\$97.6
Southwest AME ⁴	\$208.9	\$0.0	\$0.9	\$209.8
Constitution AME	\$15.8	\$0.0	\$0.0	\$15.8
Subtotal: Extinguishment of MCA Claims & Liquidating Dividend⁴	\$547.0	\$130.2	\$6.7	\$683.9
USC AME MCA distribution to Corporate AMEs for further capital/dividend distributions	\$0.0	-\$114.9	\$0.0	-\$114.9
Total: Funds to the industry	\$547.0	\$15.2	\$6.7	\$569.0

*Amounts may not add due to rounding

1. Active Natural Person and Corporate Credit Unions
2. Asset Management Estates are Credit Unions closed through a Purchase & Assumption or liquidation.
3. Includes leagues, affiliates and CUSOs along with Credit Unions that closed under their own accord.
4. Southwest AME's distribution is a liquidating dividend (not a capital distribution).

Office Contact Page

Please contact our office with any questions:

Asset Management Assistance Center

DLMS@ncua.gov

(512) 231-7900