NCUA 2011
FINANCIAL STATEMENT AUDIT
FOR

TEMPORARY CORPORATE CREDIT UNION STABILIZATION FUND

For the year ended December 31, 2011

Audited Financial Statements	Audit Report Number
Temporary Corporate Credit Union Stabilization Fund	OIG-12-07

June 22, 2012

William A. DeSarno
Inspector General

EXECUTIVE SUMMARY

PURPOSE AND SCOPE The National Credit Union Administration (NCUA) Office of Inspector General contracted with the independent public accounting firm of KPMG LLP to perform the financial statement audits of the NCUA Operating Fund, the Share Insurance Fund, the Central Liquidity Facility, the Community Development Revolving Loan Fund, and the Temporary Corporate Credit Union Stabilization Fund for the year ended December 31, 2011. The reports for the first four funds were issued on February 16, 2012 and can be found on the NCUA OIG's website. This report is issued on the NCUA Temporary Corporate Credit Union Stabilization Fund.

The purpose of the audit is to express an opinion on whether the financial statements are fairly presented. The independent firm also reviewed the internal control structure and evaluated compliance with laws and regulations, as part of their audit.

The audit was performed in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. The Inspector General contracted with KPMG LLP in June 2009 to perform the financial statement audits mentioned above. The contract was for 2009, with options for 2010 and 2011. The Inspector General was the contracting officer for this contract.

AUDIT RESULTS KPMG LLP expressed an unqualified opinion, stating that the financial statements present fairly, in all material respects, the financial position of the NCUA Temporary Corporate Credit Union Stabilization Fund at December 31, 2011, and the results of operations for the year then ended.

Although KPMG LLP did not express an overall opinion of the Funds' compliance with laws and regulations, their testing of compliance did not disclose any significant deviations.

There were no significant deficiencies found or reported by KPMG.

National Credit Union Administration Temporary Corporate Credit Union Stabilization Fund

Financial Statements as of and for the Years Ended December 31, 2011 and 2010

NATIONAL CREDIT UNION ADMINISTRATION
TEMPORARY CORPORATE CREDIT UNION STABILIZATION FUND

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KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Inspector General, National Credit Union Administration and
The National Credit Union Administration Board:

We have audited the accompanying balance sheets of the National Credit Union Administration's Temporary Corporate Credit Union Stabilization Fund (TCCUSF) as of December 31, 2011 and 2010 and the related statements of net cost, changes in net position, and statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended. These financial statements are the responsibility of the TCCUSF's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TCCUSF's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Temporary Corporate Credit Union Stabilization Fund as of December 31, 2011 and 2010, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with U.S. generally accepted accounting principles.

The information in the Required Supplementary Information is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports dated June 21, 2012, on our consideration of the TCCUSF's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

June 21, 2012

NATIONAL CREDIT UNION ADMINISTRATION
TEMPORARY CORPORATE CREDIT UNION STABILIZATION FUND

BALANCE SHEETS
As of December 31, 2011 and 2010
(Dollars in thousands)

	2011	2010
ASSETS		
INTRAGOVERNMENTAL		
Fund Balance with Treasury (Note 2)	$ -	$ 500
Investments, Net - U.S. Treasury Securities (Note 3)	284,712	372,211
Accounts Receivable - Due from the National Credit Union Share Insurance Fund	-	194
Other - Distribution Receivable due from the National Credit Union Share Insurance Fund (Note 5)	278,641	-
Total Intragovernmental Assets	563,353	372,905
PUBLIC		
Accounts Receivable - Special Premium Assessments from Insured Credit Unions, Net (Note 4)	93	2
Accounts Receivable - Guarantee Fee on Temporary Corporate Credit Union Liquidity Guarantee Program, Net (Note 4)	446	635
Accounts Receivable - Guarantee Fee on National Credit Union Administration Guaranteed Notes, Net (Note 4)	4,465	3,233
Other - Receivables from Asset Management Estates, Net (Note 6)	626,678	-
Total Public Assets	631,682	3,870
TOTAL ASSETS	$ 1,195,035	$ 376,775
LIABILITIES		
INTRAGOVERNMENTAL		
Accounts Payable - Due to the National Credit Union Share Insurance Fund	$ 2	$ -
Debt - Borrowings from the U.S. Treasury (Note 7)	3,500,000	-
Other - Accrued Interest Payable to the U.S. Treasury (Note 7)	2,477	-
Total Intragovernmental Liabilities	3,502,479	-
PUBLIC		
Accounts Payable	1,423	1,410
Other Liabilities	1,031	-
Other - Insurance and Guarantee Program Liabilities (Note 8)	2,944,207	7,833,046
Total Public Liabilities	2,946,661	7,834,456
TOTAL LIABILITIES	6,449,140	7,834,456
Commitments and Contingencies (Note 8)		
NET POSITION		
Cumulative Result of Operations (Note 1)	(5,254,105)	(7,457,681)
Total Net Position	(5,254,105)	(7,457,681)
TOTAL LIABILITIES AND NET POSITION	$ 1,195,035	$ 376,775

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
TEMPORARY CORPORATE CREDIT UNION STABILIZATION FUND

STATEMENTS OF NET COST
For the Years Ended December 31, 2011 and 2010
(Dollars in thousands)

	2011	2010
GROSS COSTS		
Interest Expense on Borrowings (Note 7 and Note 9)	$ 2,477	$ 6,285
Insurance and Guarantee Loss Expense (Note 8)	110,500	1,467,546
Imputed Costs (Note 9)	3,778	5,858
Fee on Early Retirement of Borrowings from the U.S. Treasury (Note 7 and Note 9)	-	5,811
Administrative Expenses (Note 9)	8,223	4,647
Total Gross Costs	124,978	1,490,147
LESS EARNED REVENUES		
Special Premium Revenue (Note 9)	(1,956,462)	(999,592)
Guarantee Fee Revenue - National Credit Union Administration Guaranteed Notes (Note 9)	(82,618)	(7,577)
Guarantee Fee Revenue - Temporary Corporate Credit Union Liquidity Guarantee Program (Note 9)	(6,850)	(7,964)
Gain on Early Retirement of Loans to Corporate Credit Unions	-	(3,785)
Interest Revenue - Loans	-	(3,673)
Interest Revenue - Investments (Note 3)	(205)	(293)
Total Earned Revenues	(2,046,135)	(1,022,884)
NET COST (INCOME) OF OPERATIONS	$ (1,921,157)	$ 467,263

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
TEMPORARY CORPORATE CREDIT UNION STABILIZATION FUND

STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended December 31, 2011 and 2010
(Dollars in thousands)

	2011	2010
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	$ (7,457,681)	$ (6,996,276)
BUDGETARY FINANCING SOURCES		
Other - Distribution Receivable due from the National Credit Union Share Insurance Fund (Note 5)	278,641	-
OTHER FINANCING SOURCES		
Imputed Financing (Note 9)	3,778	5,858
Total Financing Sources	282,419	5,858
Net (Cost) / Income of Operations	1,921,157	(467,263)
Net Change	2,203,576	(461,405)
CUMULATIVE RESULTS OF OPERATIONS	(5,254,105)	(7,457,681)
NET POSITION	$ (5,254,105)	$ (7,457,681)

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
TEMPORARY CORPORATE CREDIT UNION STABILIZATION FUND

STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended December 31, 2011 and 2010
(Dollars in thousands)

	2011	2010
BUDGETARY RESOURCES (Notes 10, 11, 12, and 14)		
Unobligated Balance, brought forward, January 1	$ 6,362,814	$ 5,361,945
Budget Authority		
Borrowing Authority Realized	-	5,810,000
Spending Authority from Offsetting Collections		
Collected	2,312,603	5,939,224
Change in Receivables from Federal Sources	(194)	(21,157)
Anticipated Nonexpenditure Transfers, Net	278,641	-
Permanently Not Available	-	(5,810,000)
TOTAL BUDGETARY RESOURCES	$ 8,953,864	$ 11,280,012
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred - Reimbursable	$ 5,895,619	$ 4,917,198
Unobligated Balance - Exempt from Apportionment	3,058,245	6,362,814
TOTAL STATUS OF BUDGETARY RESOURCES	$ 8,953,864	$ 11,280,012
CHANGE IN OBLIGATED BALANCES		
Obligated Balance, Net:		
Unpaid Obligations, brought forward, January 1	$ 10,091	$ 2,589
Uncollected Customer Payments from Federal sources, brought forward, January 1	(194)	(21,351)
Total Unpaid Obligated Balance, brought forward, January 1	9,897	(18,762)
Obligations Incurred, Net	5,895,619	4,917,198
Gross Outlays	(5,900,602)	(4,909,696)
Change in Uncollected Customer Payments from Federal Sources	194	21,157
TOTAL OBLIGATED BALANCES, NET, END OF PERIOD	$ 5,108	$ 9,897
OBLIGATED BALANCE, NET, END OF PERIOD:		
Unpaid Obligations, end of period	$ 5,108	$ 10,091
Uncollected Customer Payments from Federal Sources, end of period	-	(194)
TOTAL UNPAID OBLIGATED BALANCES, NET, END OF PERIOD	$ 5,108	$ 9,897
NET OUTLAYS		
Gross Outlays	$ 5,900,602	$ 4,909,696
Offsetting Collections		
Interest on Federal Securities	(205)	(293)
Non-Federal Sources	(2,312,398)	(5,938,931)
TOTAL NET OUTLAYS	$ 3,587,999	$ (1,029,528)

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Temporary Corporate Credit Union Stabilization Fund (TCCUSF) was created by Public Law 111 – 22, *Helping Families Save Their Homes Act of 2009* (Helping Families Act), enacted May 20, 2009. The TCCUSF was established as a revolving fund in the Treasury of the United States (U.S. Treasury) under the management of the National Credit Union Administration (NCUA) Board (NCUA Board). The purposes of the TCCUSF are to accrue the losses of the corporate credit union (CCU) system and, over time, assess the credit union system for the recovery of such losses.

The TCCUSF may make expenditures only in connection with the conservatorship, liquidation, or threatened conservatorship or liquidation of a CCU. Governing legislation specified that the TCCUSF would terminate 90 days after the seven year anniversary of its first borrowing from the U.S. Treasury which was June 25, 2009. With the concurrence of the U.S. Treasury, the TCCUSF's termination date was extended to June 30, 2021.

On June 18, 2009, the NCUA Board approved actions to legally obligate the TCCUSF for the costs of stabilizing the CCU system. These actions legally obligated the TCCUSF for all liabilities arising from the Temporary Corporate Credit Union Share Guarantee Program (TCCUSGP) and the Temporary Corporate Credit Union Liquidity Guarantee Program (TCCULGP). Under the TCCUSGP, the NCUA guarantees the entire share amount that member credit unions have on deposit with CCUs, subject to certain limitations. Under the TCCULGP, the NCUA guarantees the timely payment of principal and interest on certain unsecured debt of participating CCUs. The funding for the NCUA's guarantees under the TCCUSGP and TCCULGP is primarily provided by the TCCUSF.

Recent Legislation
In January 2011, *The National Credit Union Authority Clarification Act*, Public Law 111-382 (Clarification Act), amended the Federal Credit Union Act (FCU Act) by clarifying NCUA's authority to assess a premium against federally insured (insured) credit unions not only to repay TCCUSF advances but also to make TCCUSF expenditures without borrowing from the U.S. Treasury. The Clarification Act permits the NCUA Board to assess a special premium with respect to each insured credit union in an aggregate amount that is reasonably calculated to make any pending or future TCCUSF expenditures, in addition to existing authority to make assessments to repay U.S. Treasury advances. The Clarification Act also states that the NCUA Board must take into consideration any potential impact on insured credit union earnings that such an assessment may have and requires the premium be paid not later than 60 days after the date of the assessment.

Fiduciary Responsibilities

On September 24, 2010, the NCUA Board announced the Corporate System Resolution Program (CSRP). The CSRP is a multi-stage plan for stabilizing the CCU system, providing short-term and long-term funding to resolve a portfolio of residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), other asset-backed securities (ABS) and corporate bonds (collectively referred to as the Legacy Assets) held by the failed CCUs, and establishing a new regulatory framework for CCUs. Under the CSRP, the NCUA created a re-securitization program to provide long-term funding for the Legacy Assets through the issuance of the NCUA Guaranteed Notes

(NGNs) by the trusts established for this purpose (NGN Trusts). The NGNs are guaranteed by the NCUA, and backed by the full faith and credit of the United States Government. The principal funding for the NCUA's guarantees on the NGNs is provided by the TCCUSF. To the extent that required funding for the guarantees exceeds the funds available from the TCCUSF, the National Credit Union Share Insurance Fund (NCUSIF) will provide the needed funds.

As part of the CSRP, the NCUA Board liquidated five CCUs during 2010. The assets and liabilities of liquidated CCUs were placed into Asset Management Estates (AMEs), and are administered by the NCUA Board as liquidating agent, through its Asset Management and Assistance Center (AMAC), pursuant to applicable provisions of the FCU Act. To facilitate the resolution process, the NCUA Board chartered four bridge corporate credit unions (Bridge Corporates) to purchase certain assets and assume certain liabilities and member shares from the AMEs. The Bridge Corporates are private legal entities, separate from the TCCUSF and therefore are not part of the reporting entity. There is no fiduciary relationship between the TCCUSF and the Bridge Corporates. To the extent that the liabilities and shares assumed exceeded the assets purchased by the Bridge Corporates, the AMEs issued promissory notes (Promissory Notes) to the Bridge Corporates for the difference. Each Promissory Note was guaranteed by the NCUA, and primarily funded by the TCCUSF.

Fiduciary activities are the collection or receipt, management, protection, accounting, investment, or disposition by the Federal Government of cash or other assets, in which non-federal individuals or entities have an ownership interest that the Federal Government must uphold. The NCUA's AMAC conducts liquidations and performs management and recovery of assets for failed credit unions, including failed CCUs. The assets and liabilities of the AMEs and NGN Trusts are considered fiduciary in accordance with the Statement of Federal Financial Accounting Standards (SFFAS) No. 31, *Accounting for Fiduciary Activities* (SFFAS No. 31). Fiduciary assets are not assets of the Federal Government and therefore are not recognized on the Balance Sheet of the TCCUSF.

Sources of Funding

The TCCUSF has multiple sources of funding, including special premium assessments, investment interest income, guarantee fees, and borrowings from the U.S. Treasury. The NCUA Board may assess premiums to all insured credit unions, as provided by the FCU Act.

The TCCUSF may also receive additional funding from the NCUSIF under certain circumstances. As part of the Helping Families Act, when the TCCUSF has an advance outstanding from the U.S. Treasury and the NCUSIF would have otherwise paid a dividend to insured credit unions, the NCUSIF is obligated to make distributions to the TCCUSF in lieu of distributions to the insured credit unions to the maximum amount possible that does not reduce the NCUSIF's equity ratio below the normal operating level, as defined, of 1.3 percent, and does not reduce the NCUSIF's available assets ratio, as defined, below 1.0 percent.

In addition, the TCCUSF has $6.0 billion in revolving borrowing authority from the U.S. Treasury, shared with the NCUSIF. At December 31, 2011, there was $2.5 billion in available borrowing authority.

Basis of Presentation

The TCCUSF's financial statements have been prepared from its accounting records in accordance with standards promulgated by the Federal Accounting Standards Advisory Board (FASAB). FASAB is designated by the American Institute of Certified Public Accountants as the source of generally accepted accounting principles (GAAP) for federal reporting entities. The format of the financial statements and footnotes are in accordance with the form and content guidance provided in Office of

Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, revised October 27, 2011.

Basis of Accounting

In its accounting structure, the TCCUSF records both proprietary and budgetary accounting transactions. Following the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the actual collection or payment of cash.

Federal budgetary accounting recognizes the obligation of appropriations, borrowing authorities, and other funds upon the establishment of a properly documented legal liability, which may be different from the recording of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal controls over the use of federal funds and compliance with budgetary laws.

The NCUA, including the TCCUSF, is exempt from requirements under the Federal Credit Reform Act of 1990 (Section 661e(a)(1)).

Use of Estimates

The preparation of financial statements in conformity with GAAP for the Federal Government requires management to make estimates and assumptions that affect the following:

- reported amounts of assets and liabilities;
- disclosure of contingent assets and liabilities at the date of the financial statements; and
- the amounts of revenues and costs reported during that period.

Actual results could differ from estimates. Significant items subject to those estimates and assumptions include: (i) reserves for probable losses and contingencies related to Insurance and Guarantee Program Liabilities; (ii) the amount and timing of recoveries, if any, related to any claims paid in settlement of the guarantee liabilities; and (iii) allowance amounts established related to reimbursements from the failed CCUs (AMEs) for claims paid in settlement of the guarantee liabilities. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

Fund Balance with Treasury

Fund Balance with Treasury (FBWT) is the aggregate amount of the TCCUSF's accounts with the Federal Government's central accounts, from which the TCCUSF is authorized to make expenditures and pay liabilities. The entire FBWT is a revolving fund type.

Investments

Investments represent non-marketable U.S. Treasury securities purchased and reported at par value, which are overnight securities managed by the Bureau of the Public Debt (BPD). Cash balances in FBWT may be invested overnight in non-marketable U.S. Treasury securities.

Accounts Receivable

Accounts receivable represent the TCCUSF's claims for payment from other entities. Gross receivables are reduced to net realizable value by an allowance for doubtful accounts as further discussed below. The TCCUSF's accounts receivable consists of two components: Intragovernmental and Public. Intragovernmental accounts receivable due from the NCUSIF represent special premium assessments to insured credit unions that were collected by the NCUSIF on behalf of the TCCUSF, but not yet transferred to the TCCUSF for its use and benefit. Public accounts receivable represent outstanding balances of the special premiums assessed to insured credit unions and guarantee fees associated with the TCCULGP and NGNs, as described herein.

Allowance for Doubtful Accounts
An allowance for doubtful accounts represents the TCCUSF's best estimate of the amount of credit losses in an existing receivable. Based on an assessment of collectability, the TCCUSF calculates an allowance on an individual account basis for public accounts receivable. An account may be impaired or written off if it is probable that the TCCUSF will not collect all amounts contractually due. No allowance is calculated for intragovernmental accounts receivable, as these are deemed to be fully collectible.

Other - Distribution Receivable

The TCCUSF records a distribution receivable from the NCUSIF, per Section 217(e) of the FCU Act, when the TCCUSF has an outstanding advance (borrowing) from the U.S. Treasury and the NCUSIF is required to make a distribution. As such, the NCUSIF is prohibited from making the distribution to insured credit unions described in Section 202(c)(3) of the FCU Act, and instead must make its distribution to the TCCUSF.

Other - Receivables from Asset Management Estates

Receivables from AMEs include claims to recover payments made by the TCCUSF to satisfy obligations to insured shareholders and other guaranteed parties, and to recoup administrative expenses paid on behalf of AMEs. Any related allowance for losses represents the difference between the funds disbursed and the expected repayment from the AMEs pursuant to the liquidation payment priorities set forth in 12 Code of Federal Regulations (CFR) Section 709.5(b), *Payout Priorities in Involuntary Liquidation* (CFR Section 709.5(b)). Assets held by the AMEs are the main source of repayment of the TCCUSF's receivables from the AMEs. The recoveries from these AME assets are paid to the TCCUSF to the extent a receivable is due.

The allowance for losses on receivables from AMEs is based on asset recovery rates, and comes from several sources, including:

- actual or pending AME asset disposition data;
- asset valuation data based upon the performance, quality, and type of the assets in the portfolio;
- estimated liquidation costs based on information from recently failed credit unions; and
- estimated AME specific administrative expenses based upon complexity and expected duration of the AME.

Asset recovery rates are evaluated during the year, but remain subject to uncertainties because of potential changes in economic and market conditions.

Net Position and Accumulated Deficit

The TCCUSF has an accumulated deficit in its net position primarily due to the Insurance and Guarantee Program Liabilities, borrowings from the U.S. Treasury, and the allowance for losses associated with the receivables from AMEs. As allowed under the TCCUSF's enabling legislation, and incorporated into the FCU Act as Section 217(g), the financial condition of the TCCUSF may reflect a deficit. In accordance with Section 217(d) of the FCU Act, the TCCUSF may assess special premiums to recover the losses of the CCU system borne by the TCCUSF over time.

Debt – Borrowings from the U.S. Treasury

The amount of debt owed and payable by the TCCUSF is recognized at par value and consists solely of borrowings from the U.S. Treasury via BPD.

Accrued Interest Payable to the U.S. Treasury

Accrued interest payable represents interest expense incurred but unpaid on principal owed to the U.S. Treasury on borrowings.

Insurance and Guarantee Program Liabilities and Contingencies

In accordance with SFFAS No. 5, *Accounting for Liabilities of The Federal Government* (SFFAS No. 5), all federal insurance and guarantee programs, except social insurance and loan guarantee programs, should recognize a liability for the following:

- Unpaid claims incurred, resulting from insured events that have occurred as of the reporting date.
- A contingent liability when an existing condition, situation, or set of circumstances involving uncertainty as to possible loss exists, and the uncertainty will ultimately be resolved when one or more probable future events occur or fail to occur.
- A future outflow or other sacrifice of resources that is probable.

The TCCUSF records a contingent liability for probable losses relating to CCUs under the TCCUSGP and TCCULGP, as well as probable losses, if any, for the guarantees associated with the NGNs and the Promissory Notes.

Liabilities for loss contingencies also arise from claims, assessments, litigations, fines, penalties, and other sources. These liabilities are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Revenue Recognition

Exchange Revenue
Exchange revenues arise and are recognized when a Federal Government entity provides goods and services to the public or to another Federal Government entity for a price. Exchange revenue consists of special premium assessments, guarantee fee income, interest revenue, and other fees.

Non-exchange Revenue
Non-exchange revenues are inflows of resources that the Federal Government demands or receives by donation. Such revenues are recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that collection is probable (more likely than not) and the amount is reasonably estimable.

Special Premium Assessments from Insured Credit Unions
Under the statutory authority provided by the Helping Families Act, the NCUA Board may assess each insured credit union a special premium charge that shall be stated as a percentage of its insured shares as represented on the insured credit union's previous call report.

Guarantee Fees on Temporary Corporate Credit Union Liquidity Guarantee Program
For a fee, the NCUA guarantees the timely payment of principal and interest on certain unsecured debt of participating CCUs, principally funded through the TCCUSF.

Guarantee Fees on NCUA Guaranteed Notes
For a fee, the NCUA guarantees the timely payment of principal and interest on NGNs, principally funded through the TCCUSF.

Imputed Financing Sources

The TCCUSF records an imputed cost on the Statement of Net Cost and an offsetting imputed financing source on the Statement of Changes in Net Position for CSRP administrative expenses paid by the NCUA Operating Fund but not reimbursed by the TCCUSF.

Tax-Exempt Status

The TCCUSF is exempt from Federal income taxes under Section 501(c)(1) of the Internal Revenue Code.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury balances and status consisted of the following (in thousands):

	As of December 31, 2011	As of December 31, 2010
Total Fund Balance with Treasury:		
Revolving Funds	$ -	$ 500
Status of Fund Balance with Treasury:		
Unobligated Balance - Available	$ 3,058,245	$ 6,362,814
Obligated Balance Not Yet Disbursed	5,108	9,897
Non-Budgetary FBWT Accounts	(284,712)	(372,211)
Non-FBWT Budgetary Accounts	(2,778,641)	(6,000,000)
Total	$ -	$ 500

As a revolving fund, the FBWT is used for continuing business activities. The TCCUSF collects special premium assessments and guarantee fees, which are used to fund payments for the conservatorship, liquidation, or threatened conservatorship or liquidation, of CCUs, without requirement for annual appropriations. FBWT contains monies available for future obligations and current activities. Non-budgetary FBWT Accounts consist of investments, while non-FBWT Budgetary Accounts consist of borrowing authority and nonexpenditure transfers. Funds not needed for immediate liquidity are invested in overnight U.S. Treasury securities.

The FBWT account is increased by special premium assessments, guarantee fee income, proceeds from borrowings from the U.S. Treasury, interest income on investments in U.S. Treasury securities, and any recoveries from the AMEs. The FBWT account is decreased by amounts expended in support of stabilizing the CCU system, including guarantee payments, repayment of borrowings from the U.S. Treasury, and purchases of U.S. Treasury securities.

As of December 31, 2011, there was a $52.9 million credit balance for FBWT in the TCCUSF's general ledger as well as the U.S. Treasury. This credit balance was due to the purchase of an overnight U.S. Treasury security in an amount greater than funds available. The TCCUSF's FBWT and overnight U.S. Treasury security are held with the same counter party, the U.S. Treasury. NCUA offset the FBWT with the overnight investment balance, resulting in FBWT of zero dollars and a reduction of investments by $52.9 million. NCUA resolved the credit balance with the U.S. Treasury on January 3, 2012.

As of December 31, 2011 and 2010, there were no unreconciled differences between U.S. Treasury records and balances reported in the TCCUSF's general ledger.

3. INVESTMENTS

The TCCUSF invests in non-marketable daily overnight U.S. Treasury securities, which are purchased at par value. As of December 31, 2011 and 2010, the cost and market value of U.S. Treasury securities were as follows:

As of December 31, 2011 and 2010	Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investments	Other Adjustments	Market Value Disclosure
(Dollars in thousands)							
Non-Marketable, par value, 12/31/2011	$ 284,712	n/a	$ -	$ -	$ 284,712	$ -	$ 284,712
Non-Marketable, par value, 12/31/2010	$ 372,211	n/a	$ -	$ -	$ 372,211	$ -	$ 372,211

4. ACCOUNTS RECEIVABLE

Public Accounts Receivable

Special Premium Assessments from Insured Credit Unions
As of December 31, 2011 and 2010, special premium assessments that had not been paid by insured credit unions totaled $93.0 thousand and $2.0 thousand, respectively.

TCCULGP Guarantee Fee Receivable
For a fee, the NCUA guarantees the timely payment of principal and interest on certain unsecured debt of participating CCUs, principally through the TCCUSF. The TCCUSF invoices participating CCUs on a monthly basis for the guarantee fee. As of December 31, 2011 and 2010, there were $446.0 thousand and $635.0 thousand in TCCULGP guarantee fee receivable, respectively.

NGN Guarantee Fee Receivable
For a fee, the NCUA guarantees the timely payment of principal and interest on NGNs, principally through the TCCUSF. Guarantee fees on each NGN Trust are 35 basis points per year, payable monthly, on the outstanding balance of the NGNs. As of December 31, 2011 and 2010, there were $4.5 million and $3.2 million in NGN guarantee fee receivable, respectively.

Allowance for Doubtful Accounts
The allowance for doubtful accounts on public accounts receivable above as of December 31, 2011 and 2010 was zero.

5. OTHER - DISTRIBUTION RECEIVABLE

In accordance with Section 202(c)(3) of the FCU Act, *Distributions from Fund Required*, the NCUA Board shall effect a pro rata distribution from the NCUSIF to insured credit unions after each calendar year, if:

(i) any loans to the NCUSIF from the Federal Government, and any interest on those loans, have been repaid; and
(ii) the NCUSIF's equity ratio exceeds the normal operating level, as defined, of 1.3 percent; and
(iii) the NCUSIF's available assets ratio, as defined, exceeds 1.0 percent.

The amount of distribution shall equal the maximum possible amount that does not reduce the NCUSIF's equity ratio below the normal operating level, as defined, of 1.3 percent, and does not reduce the NCUSIF's available assets ratio, as defined, below 1.0 percent.

As of December 31, 2011, the TCCUSF had an outstanding advance (borrowing) from the U.S. Treasury. In lieu of the distribution to the insured credit unions, the NCUSIF shall make a distribution to the TCCUSF for the maximum amount possible that does not reduce the NCUSIF's equity ratio below the normal operating level, as defined, of 1.3 percent and does not reduce the NCUSIF's available assets ratio, as defined, below 1.0 percent.

As of December 31, 2011, the TCCUSF had a distribution receivable due from the NCUSIF of $278.6 million. The TCCUSF did not have a distribution receivable from the NCUSIF as of December 31, 2010.

6. OTHER – RECEIVABLES FROM ASSET MANAGEMENT ESTATES

As of December 31, 2011, the gross receivables from AMEs were $5.6 billion, and the related allowance for losses were $5.0 billion, for net receivables from AMEs of $626.7 million. The net receivables from AMEs represent the TCCUSF's expected reimbursements from the AMEs for claims paid by the TCCUSF during 2011 under the guarantees for the Promissory Notes, net of any recoveries, as further discussed in Note 8. The TCCUSF had no receivable from AMEs as of December 31, 2010.

The allowance for losses takes into account the NCUA's assessment of expected recovery from the AMEs that reflects the NCUA's expectations and assumptions about the recovery value of the AMEs' assets, as further discussed under fiduciary activities in Note 13.

(Dollars in thousands)		**For the Year Ended December 31, 2011**
Gross Receivables from AMEs	$	5,626,017
Allowance for Losses beginning balance		-
Increase in Allowance		4,999,339
Allowance for Losses ending balance		4,999,339
Receivables from AMEs, Net	$	626,678

7. DEBT – BORROWINGS FROM U.S. TREASURY

As of December 31, 2011, the TCCUSF owed $3.5 billion to the U.S. Treasury. During 2011, the TCCUSF incurred interest expense of $2.5 million.

During 2010, the TCCUSF borrowed and repaid a total of $4.8 billion from the U.S. Treasury. For the same period, the TCCUSF incurred interest expense of $6.3 million and fees of $5.8 million on the early retirement of the borrowings from the U.S. Treasury. The TCCUSF had no borrowings from the U.S. Treasury outstanding as of December 31, 2010.

8. OTHER LIABILITIES – INSURANCE AND GUARANTEE PROGRAM LIABILITIES

The NCUA, in its role as the guarantor, is exposed to the risk of loss from various guarantees extended to the creditors of both the AMEs and the NGN Trusts. The estimates and expectations regarding the contingent liabilities recorded on the TCCUSF's Balance Sheet related to these guarantees are based on our current assumptions about the future performance of Legacy Assets collateralizing the NGNs issued through the NGN Trusts and the recovery value of other assets held by the AMEs. Actual results could differ materially from our current estimates and expectations.

During 2011 and 2010, the TCCUSF was principally responsible for four initiatives and related guarantees to stabilize the CCU system: TCCUSGP, TCCULGP, Promissory Notes, and NGN issuances. The NCUA's guarantees on the Promissory Notes and NGNs were new initiatives in 2010 and are a direct result of the NCUA's implementation of the CSRP.

The NCUA uses both internal and external models, as well as external valuations to some extent, to estimate contingent liabilities associated with the four guarantees, as discussed herein. As shown in the table below, the TCCUSF recorded contingent liabilities on the TCCUSF's Balance Sheet of approximately $2.9 billion and $7.8 billion as of December 31, 2011 and 2010, respectively. Pursuant to the FCU Act, the NCUA is authorized to assess insured credit unions for the recovery of such losses during the life of the TCCUSF.

For the Years Ended December 31, 2010 and 2011	**TCCUSGP**	**TCCULGP**	**Promissory Notes**	**NGNs**	**TOTAL**
(Dollars in thousands)					
Beginning Balance, 1/1/2010	$ 6,365,500	$ -	$ -	$ -	$ 6,365,500
Provision for Losses	(6,318,311)	2,402,447	4,768,897	614,513	1,467,546
Insurance losses (Claims) paid	-	-	-	-	-
Recoveries/Claims on AMEs	-	-	-	-	-
Ending Balance, 12/31/2010	47,189	2,402,447	4,768,897	614,513	7,833,046
Provision for Losses	13,690	494,006	217,317	(614,513)	110,500
Insurance losses (Claims) paid	(26,611)	(13,125)	(5,679,041)	-	(5,718,777)
Recoveries/Claims on AMEs	26,611	-	692,827	-	719,438
Ending Balance, 12/31/2011	$ 60,879	$ 2,883,328	$ -	$ -	$ 2,944,207

A description of each TCCUSF initiative and the associated contingent liability is provided below.

Temporary Corporate Credit Union Share Guarantee Program

The TCCUSGP is a guarantee of shares (excluding paid-in-capital and membership capital accounts) at CCUs that began on January 28, 2009. The TCCUSGP protects the entire share account of credit unions that are members of CCUs, subject to certain limitations. On March 1, 2009, the guarantee became voluntary when CCUs were provided the option to participate in the TCCUSGP. Nearly all CCUs elected to participate. The initial expiry of the guarantee was set for December 31, 2010, however it has since been extended through December 31, 2012.

CCUs participating in the TCCUSGP do not pay a fee to the TCCUSF directly attributable to the guarantee. To fund any claims under this initiative, the TCCUSF is authorized to make special premium assessments of insured credit unions and, if necessary, draw on available borrowings from the U.S. Treasury. The TCCUSF's obligation to pay holders of guaranteed shares arises only upon the liquidation of the participating CCU.

As discussed herein, five CCUs were liquidated during 2010, which resulted in the establishment of four Bridge Corporates. Pursuant to the NCUA Board action, the participation of these Bridge Corporates in the TCCUSGP was approved. Each Bridge Corporate entered into a Letter of Understanding and Agreement with the NCUA to extend the TCCUSGP to the Bridge Corporates' shares that were assumed from the AMEs. Two Bridge Corporates were resolved through unassisted mergers with other CCUs in 2011. As of December 31, 2011, two of the Bridge Corporates remain in operation.

As a result, the TCCUSF is obligated for any liability arising from insured shares equal to the Standard Maximum Share Insurance Amount (SMSIA), as defined, and shares in excess of the SMSIA guaranteed under the TCCUSGP. To the extent that the liability exceeds the funds available from the TCCUSF, the NCUSIF will provide the needed funds.

The TCCUSF's Insurance and Guarantee Program Liability associated with the TCCUSGP as of December 31, 2011 and 2010 totaled approximately $60.9 million and $47.2 million, respectively. The expected losses from TCCUSGP is dependent upon the NCUA's expectations and assumptions about the Bridge Corporates' and other CCUs financial condition and projected operating cash flows and any expected recoveries after payment of a TCCUSGP liability. As of December 31, 2011 and 2010, the aggregate outstanding insured shares of the CCUs under the TCCUSGP were $34.0 billion and $80.0 billion, respectively. The aggregate outstanding insured shares of the CCUs represent the maximum potential, but not the expected, guarantee payments that the NCUA could be required to make under the terms of the TCCUSGP.

Temporary Corporate Credit Union Liquidity Guarantee Program

The TCCULGP was created in October 2008 to provide a guarantee on certain unsecured debt of participating CCUs. Under the terms of the TCCULGP, for a fee, the NCUA guarantees the timely payment of principal and interest on certain unsecured debt of participating CCUs, principally funded through the TCCUSF.

As of December 31, 2011 and 2010, the NCUA had made payments under the TCCULGP related to the AMEs' MTNs as described below.

Medium Term Notes
In 2009, US Central Federal Credit Union (USC) and Western Corporate Federal Credit Union issued MTNs to the public debt market. These MTNs are guaranteed by the NCUA under the TCCULGP. The MTNs were issued to fund the CCUs repayment of their loans from the NCUA Central Liquidity

Facility (CLF) under the Credit Union System Investment Program (SIP) and the Credit Union Homeowners Affordability Relief Program (CU HARP).

As of December 31, 2011 and 2010, MTNs with principal amounts of $3.5 billion and $5.5 billion, respectively, were outstanding and guaranteed under the TCCULGP, as follows:

As of December 31, 2011 and 2010
(Dollars in thousands)

Coupon	Maturity Date	2011 Amount Outstanding	2010 Amount Outstanding
1.25%; Fixed	10/19/2011	$ -	$ 1,500,000
LIBOR; Floating	10/19/2011	-	500,000
1.90%; Fixed	10/19/2012	2,000,000	2,000,000
1.75%; Fixed	11/2/2012	1,500,000	1,500,000
		$ 3,500,000	$ 5,500,000

Credit Union System Investment Program
Under the SIP, participating creditworthy natural person credit unions borrowed from the CLF and invested the proceeds in participating CCUs. Natural person credit unions participating in this initiative received a spread of 25 basis points between the borrowings from the CLF and the investment with participating CCUs. In March 2010, the SIP ended when all borrowings from the CLF were repaid by the participating natural person credit unions, whose corresponding CCU investments were repaid by the participating CCUs, primarily with proceeds from the CCUs' issuance of the MTNs.

Credit Union Homeowners Affordability Relief Program
The CU HARP was a two-year, $2.0 billion initiative to assist homeowners who are facing foreclosure on their mortgages. Under the CU HARP, participating creditworthy natural person credit unions borrow from the CLF and receive up to 100 basis points over the cost of borrowing from the CLF if they modify at-risk mortgages, primarily by lowering interest rates and corresponding monthly payments. The CU HARP program ended on December 30, 2010.

The TCCUSF's Insurance and Guarantee Program Liability associated with the TCCULGP as of December 31, 2011 and 2010 totaled approximately $2.9 billion and $2.4 billion, respectively. The TCCUSF's expected loss is based on the NCUA's assessment of the guarantee exposure on the aggregate outstanding amount of MTNs, net of expected recovery from the AMEs that reflects the NCUA's expectations and assumptions about the recovery value of the AMEs' assets, as further discussed under fiduciary activities in Note 13.

The CU HARP and SIP ended in 2010 and therefore no related contingent liability was recorded as of December 31, 2011 and 2010 for these initiatives.

Promissory Notes

In accordance with the terms of each Promissory Note agreement between the AMEs and Bridge Corporates, each Promissory Note is guaranteed by the NCUA and primarily funded by the TCCUSF. To fund any claims under this initiative, the TCCUSF is authorized to make special premium assessments as discussed herein, and if necessary, to draw on available borrowings from the U.S. Treasury. As of December 31, 2011 and 2010, the NCUA had guarantees on the Promissory Notes with an aggregate outstanding principal balance of zero and $18.2 billion, respectively. During 2011, the NCUA applied funds primarily received from the issuance of NGNs, borrowings from U.S.

Treasury, and special premium assessments, to repay the Promissory Notes of $18.2 billion. This amount included $5.7 billion in guaranty payments made by the TCCUSF.

The TCCUSF's Insurance and Guarantee Program Liability attributed to the Promissory Notes totaled approximately $4.8 billion as of December 31, 2010. This expected loss was based on the NCUA's assessment of the guarantee exposure on the aggregate outstanding amount of $18.2 billion, net of expected recovery from the AMEs that reflects the NCUA's expectations and assumptions about the recovery value of the AMEs' assets as further discussed under fiduciary activities in Note 13. As of December 31, 2011, the NCUA had no contingent liability against its guarantee of the Promissory Notes, as the program ended.

NCUA Guaranteed Notes

Beginning in October 2010, the NCUA Board, as liquidating agent of the AMEs, transferred Legacy Assets to NGN Trusts and re-securitized them through the issuance of a series of floating and fixed-rate NGNs. The NGNs have final maturities ranging from 2013 to 2021. As of December 31, 2011 and 2010, the outstanding principal balance of the NGNs was $24.7 billion and $17.3 billion, respectively. This amount represents the maximum potential, but not the expected, future guarantee payments that NCUA could be required to make.

The NCUA, principally through the TCCUSF, is obligated to make guarantee payments through the NGN Trusts to the NGN holders under certain conditions outlined in the respective indentures and related agreements with respect to timely payment of interest and ultimate principal on the NGNs, as well as any parity payments. As of a given payment date, parity payments are due when the unpaid principal balance of all Legacy Assets underlying a particular NGN Trust, after realized and implied losses, if applicable, is less than the remaining unpaid principal balance of the related NGNs after distribution of all cash collected on the Legacy Assets for such payment date.

At December 31, 2011, the estimated guarantee obligation and resultant reserve for probable losses for the guarantee of NGNs associated with 13 re-securitization transactions was zero. The gross estimated guarantee payments were approximately $5.5 billion. This is estimated to be offset in part by both: i) related reimbursements and interest from the legacy assets of the NGN Trusts received directly from contractual reimbursement rights pursuant to the NGN governing documents of approximately $3.9 billion and ii) indirectly by collections under CFR Section 709.5(b) from the AMEs' interests in Legacy Assets of approximately $1.6 billion that are estimated to remain after all obligations of the NGN Trusts are satisfied.

At December 31, 2010, the TCCUSF had an estimated guarantee obligation of approximately $0.6 billion associated with five NGN re-securitization transactions, which was comprised of approximately $3.4 billion in estimated guarantee payments, partially offset by estimated related reimbursements and interest from i) the aggregate remaining assets of all the NGN Trusts to be received directly from contractual reimbursement rights pursuant to the NGN governing documents of approximately $2.2 billion and ii) indirectly under CFR Section 709.5(b) from the AMEs' interest in Legacy Assets of approximately $0.6 billion that are estimated to remain after all obligations of the NGN trusts are satisfied.

Potential guarantor reimbursements by the NGN Trusts to the NCUA are subordinate to payments on the NGNs in accordance with the respective indentures. As such, reimbursements to the NCUA will not occur until the applicable NGN has been repaid in full. After the NGNs are repaid in full, any cash flows received on those Legacy Assets underlying the NGN Trusts are directed toward reimbursements until the NCUA is reimbursed in full. The NCUA earns interest on any guarantee payments not yet reimbursed by the NGN Trusts at a rate equal to the interest rate on the associated NGNs.

Guarantee fees are senior in the NGN Trust payment waterfall in accordance with the respective indentures. It is expected that the NCUA will receive a guarantee fee payment from the NGN Trusts on each NGN payment date. The guarantee fee amount due to the NCUA, at each monthly payment date is equal to 35 basis points per year on the outstanding NGN balance prior to the distribution of principal on the payment date.

The TCCUSF's Insurance and Guarantee Program Liability attributed to the NGNs as of December 31, 2011 and 2010 was zero and approximately $614.5 million, respectively. The TCCUSF's expected net guarantee obligation is based on the estimated guarantee payments, net of estimated guarantor reimbursements from the NGN Trusts and expected recoveries from the AMEs, as further discussed under fiduciary activities in Note 13.

The NCUA's estimated guarantee payments, guarantor reimbursements, and the recovery value of the AMEs' economic residual interests in the NGN Trusts are derived using an external model that distributes estimated cash flows of the Legacy Assets transferred to the NGN Trusts in the priority of payments pursuant to the indenture of each NGN Trust. The estimated cash flows incorporate the NCUA's assumptions about discount rates.

The estimated cash flows of the Legacy Assets transferred to the NGN Trusts are also derived from the external model that incorporates the NCUA's expectations and assumptions about the estimated cash flows from the collateral that comprise the Legacy Assets, and the priority of payments and estimated cash flows of the Legacy Assets pursuant to the governing documents for the respective Legacy Assets.

The external model produces estimated cash flows of collateral underlying the Legacy Assets by incorporating the NCUA's expectations and assumptions about prepayments, defaults and loss severity of the collateral consisting of residential and commercial mortgage loans and other assets. Assumptions about prepayments, defaults and loss severity are developed based on the characteristics and historical performance of the collateral, as well as assumptions about macroeconomic variables such as unemployment rates and housing prices.

9. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Program costs and revenues are separated between Intragovernmental and Public to facilitate government-wide financial reporting. Intragovernmental revenue and expenses arise from transactions with other federal entities, including imputed costs for CSRP administrative expenses paid by the NCUA Operating Fund but not reimbursed by the TCCUSF. Public revenue and expenses arise from transactions with persons and organizations outside of the Federal Government. The associated costs and revenue of the TCCUSF’s initiatives for the years ended December 31, 2011 and 2010 are provided below. When guarantee payments are made for the TCCUSF’s initiatives, the TCCUSF obtains funds from special premium assessments, available cash, investments, and borrowings from the U.S. Treasury.

For the Year Ended December 31, 2011

Intragovernmental Costs and Exchange Revenue	USC Capital Note	TCCUSGP	TCCULGP	Promissory Notes	NGNs	Other	TOTAL
(Dollars in thousands)							
Intragovernmental Costs	$ -	$ -	$ -	$ -	$ -	$ 6,255	$ 6,255
Public Costs	-	13,690	494,006	217,317	(614,513)	8,223	118,723
Total	-	13,690	494,006	217,317	(614,513)	14,478	124,978
Intragovernmental Exchange Revenue	-	-	-	-	-	(205)	(205)
Public Exchange Revenue	-	-	(6,850)	-	(82,618)	(1,956,462)	(2,045,930)
Total	-	-	(6,850)	-	(82,618)	(1,956,667)	(2,046,135)
Net Cost/(Income)	$ -	$ 13,690	$ 487,156	$ 217,317	$ (697,131)	$ (1,942,189)	$ (1,921,157)

For the Year Ended December 31, 2010

Intragovernmental Costs and Exchange Revenue	USC Capital Note	TCCUSGP	TCCULGP	Promissory Notes	NGNs	Other	TOTAL
(Dollars in thousands)							
Intragovernmental Costs	$ 2,934	$ -	$ -	$ -	$ -	$ 15,020	$ 17,954
Public Costs	-	(6,318,311)	2,402,447	4,768,897	614,513	4,647	1,472,193
Total	2,934	(6,318,311)	2,402,447	4,768,897	614,513	19,667	1,490,147
Intragovernmental Exchange Revenue	-	-	-	-	-	(293)	(293)
Public Exchange Revenue	-	-	(7,964)	-	(7,577)	(1,007,050)	(1,022,591)
Total	-	-	(7,964)	-	(7,577)	(1,007,343)	(1,022,884)
Net Cost/(Income)	$ 2,934	$ (6,318,311)	$ 2,394,483	$ 4,768,897	$ 606,936	$ (987,676)	$ 467,263

USC Capital Note

During 2009, the TCCUSF received a $1.0 billion Capital Note investment in USC from the NCUSIF. This action made the TCCUSF responsible for managing an intragovernmental relationship with the U.S. Treasury and a public relationship with USC. Intragovernmental costs represents interest expense incurred on the $1.0 billion borrowing from the U.S. Treasury of $2.9 million for the year ended December 31, 2010. There were no costs associated with this initiative for the year ended December 31, 2011.

Other

For the years ended December 31, 2011 and 2010, intragovernmental costs of $6.3 million and $15.0 million included interest expense on borrowings, imputed costs, and the fee on the early retirement of borrowings from the U.S Treasury. Public exchange revenue of $2.0 billion and $1.0 billion consists primarily of special premium assessments invoiced during the years ended December 31, 2011 and 2010, respectively.

10. TERMS OF BORROWING AUTHORITY USED

On June 23, 2009, the NCUA entered into a Memorandum of Understanding (MOU) with the U.S. Treasury to establish the terms and conditions for borrowing from the U.S. Treasury. This MOU is reviewed and updated annually. Interest is payable annually on the anniversary of the first advance, which was June 25, 2009. The interest rate resets on each anniversary at a rate equal to the average market yield on the outstanding marketable obligations of the United States with maturities equal to 12 months. The interest rate per the MOU was 0.165 percent and 0.375 percent at December 31, 2011 and 2010, respectively, with a maturity of June 25, 2016. Early repayment of any advance shall be at a price determined by the U.S. Treasury per the current MOU.

11. AVAILABLE BORROWING AUTHORITY, END OF PERIOD

The TCCUSF shares its $6.0 billion borrowing authority from the U.S. Treasury with the NCUSIF. During 2011, the TCCUSF borrowed $3.5 billion from the U.S. Treasury, which remains outstanding as of December 31, 2011. During 2010, the TCCUSF borrowed $4.8 billion from the U.S. Treasury, which was repaid by December 31, 2010. The TCCUSF also repaid $1.0 billion to the U.S. Treasury in 2010 for borrowings from 2009. At December 31, 2011 and 2010, the TCCUSF, together with the NCUSIF, had $2.5 billion and $6.0 billion in available borrowing authority from the U.S. Treasury, respectively.

12. DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources discloses total budgetary resources available to the TCCUSF and the status of resources as of December 31, 2011 and 2010. Activity affecting budget totals of the overall Federal Government budget is recorded in the TCCUSF's Statement of Budgetary Resources. As of December 31, 2011 and 2010, the TCCUSF's resources in budgetary accounts totaled $9.0 billion and $11.3 billion, respectively.

Undelivered orders were $1.2 million at December 31, 2011 and $8.7 million at December 31, 2010. All liabilities are covered by budgetary resources, excluding the Insurance and Guarantee Program Liabilities. All obligations incurred by the TCCUSF are reimbursable, meaning that obligations will be ultimately reimbursed from the special premium assessments to insured credit unions and from other collections. The TCCUSF is exempt from OMB apportionment control.

Budgetary resources listed on the TCCUSF's financial statements and the budgetary resources found in the budget of the Federal Government differ because the TCCUSF's financial statements are prepared as of December 31, 2011, rather than as of September 30, 2011, the Federal Government's fiscal year end.

13. FIDUCIARY ACTIVITIES

The NCUA's fiduciary activities, in accordance with SFFAS No. 31, involve the collection or receipt, management, protection, accounting, investment, or disposition by AMEs and NGN Trusts of cash and other assets. Fiduciary assets are not assets of the Federal Government. Fiduciary activities are not recognized on the financial statements, but are reported in the notes to the financial statements in accordance with SFFAS No. 31.

The NCUA Board, as liquidating agent of the AMEs, disburses funds for obligations owed by and collects money due to the AMEs.

The Bridge Corporates, as previously discussed herein, were established to function in a temporary capacity and were formed by the NCUA Board as chartered private enterprises to purchase and assume selected assets, liabilities and member shares of the AMEs resulting from the five CCU liquidations that occurred in 2010. The Bridge Corporates were established to provide uninterrupted services to the natural person credit unions and CCUs that were members of the now failed CCUs.

At the time of liquidation in 2010, the AMEs had an aggregate deficit of approximately $7.2 billion, which represents the difference between the value of the AMEs' assets and the contractual or settlement amount of the claims and member shares recognized by the NCUA Board as the liquidating agent.

The liquidation of the CCUs and the creation of the Bridge Corporates also resulted in the issuance of $36.0 billion in Promissory Notes by the AMEs to the Bridge Corporates. The Promissory Notes represented reimbursements to the Bridge Corporates for the difference between assets purchased and liabilities and member shares assumed from the AMEs.

As previously discussed herein, in an effort to maximize recoveries and minimize losses to the AMEs and all insured credit unions, the NCUA provided guarantees on the various obligations of the AMEs, including the Promissory Notes and the MTNs. In addition, in order to facilitate the orderly liquidation of the Legacy Assets held by the AMEs, the NCUA provided guarantees on the NGNs issued through a series of re-securitization transactions. During the year ended December 31, 2011 and 2010, the NCUA completed eight NGN transactions with net proceeds received of $10.6 billion and five NGN transactions with net proceeds received of $17.8 billion, respectively. The majority of proceeds from the NGN issuances were used to partially repay the Promissory Notes owed by the AMEs to the Bridge Corporates. As of December 31, 2011 and 2010, the aggregate outstanding amount of the Promissory Notes was zero and $18.2 billion, respectively.

The schedules of fiduciary activity and the fiduciary net assets/liabilities of the AMEs and the NGN Trusts for the years ended December 31, 2011 and 2010 are presented below. The preparation of these schedules requires the NCUA Board, in its role as the liquidating agent, to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses of the AMEs and the NGN Trusts.

Schedule of Fiduciary Activity

(Dollars in thousands)	For the Year Ended December 31, 2011 AMEs	NGN Trusts	Eliminations	TOTAL
Fiduciary Net Liabilities, Beginning of Year	$ 7,339,784	$ -	$ -	$ 7,339,784
Net Realized Losses upon Liquidations	-	-	-	-
Revenues				
Interest on Loans	(25,525)	-	-	(25,525)
Income from AMEs on Re-Securitized Assets	-	(337,666)	337,666	-
Income from Investment Securities	(528,065)	-	-	(528,065)
Other Fiduciary Revenues	(180,937)	-	-	(180,937)
Expenses				
Professional and Outside Services Expenses	78,584	-	-	78,584
Interest Expense on Borrowings and NGNs	151,609	255,048	-	406,657
Payments to NGN Trusts	337,666	-	(337,666)	-
Guarantee Fees	6,850	82,618		89,468
Other Expenses	10,266	-	-	10,266
Net Change in Recovery Value of Assets and Liabilities	290,111	-	-	290,111
Increase in Fiduciary Net Liabilities	140,559	-	-	140,559
FIDUCIARY NET LIABILITIES, END OF THE PERIOD	$ 7,480,343	$ -	$ -	$ 7,480,343

Schedule of Fiduciary Activity

(Dollars in thousands)	For the Year Ended December 31, 2010 AMEs	NGN Trusts	Eliminations	TOTAL
Fiduciary Net Liabilities, Beginning of Year	$ -	$ -	$ -	$ -
Net Realized Losses upon Liquidations	7,193,716	-	-	7,193,716
Revenues				
Interest on Loans	(8,861)	-	-	(8,861)
Income from AMEs on Re-Securitized Assets	-	(40,801)	40,801	-
Income from Investment Securities	(144,155)	-	-	(144,155)
Other Fiduciary Revenues	(2,369)	-	-	(2,369)
Expenses				
Professional and Outside Services Expenses	7,980	-	-	7,980
Interest Expense on Borrowings and NGNs	99,208	33,358	-	132,566
Payments to NGN Trusts	40,801	-	(40,801)	-
Other Expenses	3,258	7,443	-	10,701
Net Change in Recovery Value of Assets and Liabilities	150,206	-	-	150,206
Increase in Fiduciary Net Liabilities	7,339,784	-	-	7,339,784
FIDUCIARY NET LIABILITIES, END OF THE PERIOD	$ 7,339,784	$ -	$ -	$ 7,339,784

The schedule of fiduciary activity includes revenues earned on the investments including Legacy Assets, loans, real estate and other investments, and expenses incurred in orderly liquidation of the AMEs, including interest expense on borrowings and the NGNs. The Net Change in Recovery Value of Assets and Liabilities includes the realized and unrealized gains and losses on the Legacy Assets, loans, real estate, investments and other assets and liabilities.

Schedule of Fiduciary Net Assets/Liabilities	As of December 31, 2011			
(Dollars in thousands)	AMEs	NGN Trusts	Eliminations	TOTAL
Fiduciary Assets				
Cash and Cash Equivalents	$ 709,700	$ 349,061	$ -	$ 1,058,761
Legacy Assets	383	-	-	383
Legacy Assets/Investments Collateralizing the NGNs	24,547,781	155,447	-	24,703,228
Loans	362,926	-	-	362,926
Receivable from AMEs	-	24,164,790	(24,164,790)	-
Other Fiduciary Assets	258,963	-	-	258,963
TOTAL FIDUCIARY ASSETS	25,879,753	24,669,298	(24,164,790)	26,384,261
Fiduciary Liabilities				
Accrued Expenses	(66,440)	(16,231)	-	(82,671)
Promissory Notes	-	-	-	-
MTNs	(3,500,000)	-	-	(3,500,000)
NGNs	-	(24,653,067)	-	(24,653,067)
Due to NGN Trusts	(24,164,790)	-	24,164,790	-
Unsecured Claims and Payables	(2,849)	-	-	(2,849)
Due to TCCUSF	(5,626,017)	-	-	(5,626,017)
TOTAL FIDUCIARY LIABILITIES	(33,360,096)	(24,669,298)	24,164,790	(33,864,604)
TOTAL FIDUCIARY NET ASSETS / (LIABILITIES)	$ (7,480,343)	$ -	$ -	$ (7,480,343)

Schedule of Fiduciary Net Assets/Liabilities	As of December 31, 2010			
(Dollars in thousands)	AMEs	NGN Trusts	Eliminations	TOTAL
Fiduciary Assets				
Cash and Cash Equivalents	$ 2,263,242	$ 211,911	$ -	$ 2,475,153
Legacy Assets	13,415,065	-	-	13,415,065
Legacy Assets Collateralizing the NGNs	16,958,268	-	-	16,958,268
Loans	800,076	-	-	800,076
Receivable from AMEs	-	17,349,791	(17,349,791)	-
Other Fiduciary Assets	364,989	-	-	364,989
TOTAL FIDUCIARY ASSETS	33,801,640	17,561,702	(17,349,791)	34,013,551
Fiduciary Liabilities				
Accrued Expenses	(47,897)	(10,321)	-	(58,218)
Promissory Notes	(18,189,414)	-	-	(18,189,414)
MTNs	(5,500,000)	-	-	(5,500,000)
NGNs	-	(17,551,381)	-	(17,551,381)
Notes Payable - Other	(206)	-	-	(206)
Due to NGN Trusts	(17,349,791)	-	17,349,791	-
Unsecured Claims	(54,116)	-	-	(54,116)
TOTAL FIDUCIARY LIABILITIES	(41,141,424)	(17,561,702)	17,349,791	(41,353,335)
TOTAL FIDUCIARY NET ASSETS / (LIABILITIES)	$ (7,339,784)	$ -	$ -	$ (7,339,784)

The schedule of fiduciary net assets reflects the expected recovery value of the AMEs' assets, including the Legacy Assets collateralizing the NGNs issued through the NGN Trusts, and the settlement value of valid claims against the AMEs outstanding at December 31, 2011 and 2010. Certain claims against the AMEs including the Promissory Notes and the MTNs, as well as the NGNs, are guaranteed by the NCUA as previously discussed herein.

Fiduciary assets include cash, investments including Legacy Assets collateralizing the NGNs, consumer and mortgage loans, investments in credit union service organizations, buildings, fixtures, furniture, equipment and other investments. Fiduciary assets are recorded at values that the NCUA expects to recover based on market information and external valuations such as appraisals, as well as internal and external models incorporating the NCUA’s current assumptions regarding numerous factors, including prepayments, defaults, loss severity and discount rates.

Fiduciary liabilities include the Promissory Notes, MTNs and NGNs and related accrued interest expense, unsecured claims and accrued liquidation costs. Fiduciary liabilities related to borrowings and claims are recorded at their contractual or settlement amounts as agreed by the NCUA and the creditors. Accrued liquidation costs reflect the NCUA's estimates and assumptions regarding the timing and associated costs to dispose of the AME assets. Our future estimate of liquidation costs, as well as the actual amounts, could differ materially from our current estimates and assumptions.

Unless expressly guaranteed by the NCUA and backed by the full faith and credit of the United States, the AMEs' unsecured creditors could only expect to be paid if recoveries from the assets of the AMEs are sufficient to be distributed to the unsecured creditors in order of priority as set forth in CFR Section 709.5(b).

14. RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET

The Reconciliation of Net Cost of Operations to Budget explains the difference between the budgetary net obligations and proprietary net cost of operations during the period ended December 31, 2011, and 2010. As of December 31, 2011, and 2010, the Reconciliation of Net Cost of Operations to Budget consisted of the following:

Reconciliation of Net Cost of Operations to Budget
(Dollars in Thousands)

	As of December 31, 2011	As of December 31, 2010
Resources Used to Finance Activities:		
Unobligated Balance, brought forward, January 1	$ 6,362,814	$ 5,361,945
Borrowing Authority Realized	-	5,810,000
Spending Authority from Offsetting Collections		
Collected	2,312,603	5,939,224
Change in Receivables from Federal Sources	(194)	(21,157)
Permanently not available	-	(5,810,000)
Nonexpenditure Transfers, Net	278,641	-
Total Budgetary Resources	8,953,864	11,280,012
Less Unobligated Balance - Exempt from Apportionment	(3,058,245)	(6,362,814)
Total Obligations Incurred	5,895,619	4,917,198
Imputed Financing	3,778	5,858
Total Resources Used to Finance Activities	5,899,397	4,923,056
Resources Used to Fund Items Not Part of the Net Cost of Operations:		
Collection of Loan Principal	-	(4,810,000)
Other Collections	(266,468)	(106,340)
Change in Federal Accounts Receivable	194	21,157
Change in Budgetary Resources Obligated for Goods and Services Not Yet Received	7,473	(8,681)
Change in Receivable from AMEs	(5,626,017)	-
Change in Uncollected Customer Payments	(1,133)	3,409
Other Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations	1,032	-
Total Resources Used to Fund Items Not Part of the Net Cost of Operations	(5,884,919)	(4,900,455)
Costs Included in the Net Cost of Operations That Do Not Require Resources During the Reporting Period:		
Reserve for Guarantee Liabilities	110,500	1,467,546
Revenue Recognized		
Interest Collected - on Investments	(205)	(293)
Interest Collected - on Loans	-	(3,673)
Fee on Early Retirement of Loans to CCUs	-	(3,785)
Guarantee Fees	(89,468)	(15,541)
Special Premiums	(1,956,462)	(999,592)
Total Costs That Do Not Require Resources	(1,935,635)	444,662
Net Cost of Operations	$ (1,921,157)	$ 467,263

15. SUBSEQUENT EVENTS

In accordance with SFFAS No. 39, *Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statements on Auditing Standards* (SFFAS No. 39), subsequent events have been evaluated through June 21, 2012, which is the date the financial statements were available to be issued. The following events, subsequent to the finalization of the December 31, 2011 financial statements warrant identification.

On March 15, 2012, the TCCUSF received $278.6 million from the NCUSIF satisfying the distribution receivable due as of December 31, 2011.

On April 18, 2012, the TCCUSF repaid $300.0 million of debt borrowed from the U.S Treasury.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Risk Assumed Information

Contingent Liability

As discussed previously herein, the purpose of the TCCUSF is to accrue the losses of the CCU system and, over time, assess insured credit unions for the recovery of such losses. The NCUA identifies CCUs at risk of failure through the supervisory and examination process, and estimates losses based upon macroeconomic trends and CCU's financial condition and operations.

The contingent liability for expected losses from the CCU system recognized by the TCCUSF pursuant to SFFAS No. 5 was approximately $2.9 billion and $7.8 billion at December 31, 2011 and 2010, respectively. As discussed in Note 8, the TCCUSF's contingent liability is related to four initiatives established by the NCUA to stabilize the CCU system consisting of the TCCUSGP, TCCULGP, the Promissory Notes, and NGN issuances.

At December 31, 2011 the TCCUSF had accrued for losses of the CCU system of approximately $7.9 billion consisting of approximately $2.9 billion in contingent liability and $5.0 billion in allowance for losses against receivables from the AMEs. At December 31, 2010, the TCCUSF had accrued for losses of the CCU system of approximately $7.8 billion, consisting solely of a contingent liability, as there was no receivable due from the AME in 2010 and therefore no associated allowance for loss.

As discussed in Notes 6 and 8, during 2011, the TCCUSF made guarantee payments of $5.7 billion related to the guarantee of the Promissory Notes. As of December 31, 2011, the TCCUSF had gross receivables from the AMEs of $5.6 billion, against which an allowance for losses of approximately $5.0 billion was established.

Fees and Premiums

Under the TCCULGP and NGN initiatives, the TCCUSF is entitled to guarantee fees on a monthly basis for providing associated guarantees as previously discussed in Notes 4 and 8. As of December 31, 2011, the estimated TCCUSF guarantee fees for the remaining term of the TCCULGP and the NGNs, which will lessen the expected losses recognized by TCCUSF, are $4.3 million and $380.8 million, respectively. As of December 31, 2010, the estimated value of TCCUSF guarantee fees for the remaining term of the TCCULGP and the NGNs, which will lessen the expected losses recognized by TCCUSF, are $11.2 million and $284.0 million, respectively.

In addition, the NCUA Board, under the FCU Act, may assess insured credit unions special premiums to cover payments for the conservatorship, liquidation, or threatened conservatorship or liquidation of

CCUs. The TCCUSF assessed a special premium of $2.0 billion and $1.0 billion in 2011 and 2010, respectively. The NCUA Board expects to assess additional special premiums on insured credit union periodically for the recovery of losses over the remaining term of the TCCUSF.

Sensitivity, Risks and Uncertainties of the Assumptions

As discussed in Note 8, the NCUA estimates the expected losses from the four initiatives using various methodologies including internal models, market information and external valuations such as appraisals, and internal and external models that incorporate the NCUA's expectations and assumptions about the financial condition and operations of the Bridge Corporates, CCUs and the AMEs, as well as the anticipated recovery value, if any, of the AMEs' assets and the Legacy Assets collateralizing the NGNs.

The development of assumptions for key input variables of the estimation models and external valuations is a highly subjective process that involves significant judgment. Future values are difficult to estimate, especially over longer timeframes. Key assumptions in the modeling include borrower status, prepayments, default, loss severity, discount rates, forward interest rate curves, house price appreciation forecasts, legal and regulatory changes, property locations, and unemployment expectations. Assumptions also vary by asset type and vintage. The assumptions developed for the estimation models are periodically evaluated by the NCUA to determine the reasonableness of those assumptions over time.

Temporary Corporate Credit Union Share Guarantee Program

The TCCUSF has insured CCU member shares totaling $34.0 billion and $80.0 billion as of December 31, 2011 and 2010, respectively. The expected loss of $60.9 million and $47.2 million at December 31, 2011 and 2010, respectively, is attributed to the Bridge Corporates and other CCUs, which is dependent upon the NCUA's expectations and assumptions about the Bridge Corporates' and other CCUs financial condition and projected operating cash flows and expected recoveries from liquidated CCUs after a payment under the TCCUSGP. These are dependent on the ultimate outcome of the credit union system-led resolution to the Bridge Corporates and completion of the CSRP. Actual resolution of the remaining Bridge Corporates and other CCUs experiencing financial difficulties, and the ultimate losses to be incurred by the TCCUSF could differ materially from the assumptions made as of December 31, 2011 and 2010.

Temporary Corporate Credit Union Liquidity Guarantee Program and the Promissory Notes

The expected losses from the guarantee under the TCCULGP and the Promissory Notes are largely dependent upon the expected recovery, if any, from the AMEs and reflect the NCUA's expectations and assumptions about the recovery value, if any, of the AMEs' assets as previously discussed under fiduciary activities in Note 13. As of December 31, 2011, the aggregate outstanding amount of the MTNs and the Promissory Notes was $3.5 billion and zero, respectively. As of December 31, 2010, the aggregate outstanding amount of the MTNs and the Promissory Notes was $5.5 billion and $18.2 billion, respectively.

As discussed in Note 8s and Note 13, the TCCUSF made guarantee payments of $5.7 billion in 2011. It is expected that the TCCUSF would make guarantee payments with respect to the remaining MTNs due in October and November 2012.

As discussed in Notes 8 and 13, in the event of a guarantee payment on the MTNs under the TCCULGP and the Promissory Notes, the TCCUSF is entitled to reimbursements from the AMEs, to the extent there are remaining assets, in accordance with the priority of payments specified in CFR Section 709.5(b). The amount and timing of reimbursements, if any, from the AMEs are based on the NCUA

Board's expectations and assumptions about its ability, as the liquidating agent, to liquidate the AME assets, such as loans, investments in credit union service organizations, buildings, fixtures, furniture, equipment, economic residual interests in the NGN Trusts, and other investments.

The expected recovery values of the AMEs' assets are derived using market information and external valuations, such as appraisals and internal and external models that incorporate the NCUA's assumptions about prepayments, defaults, loss severity and discount rates that differ by borrower status, asset types and other factors. In particular, the AMEs' economic residual interests in the NGN Trusts are sensitive to the assumptions made by the NCUA as further discussed below. Recovery amounts, if any, of the AME assets and ultimate gross claims to be paid by the TCCUSF, net of any reimbursements from the AMEs, could differ materially from the assumptions made as of December 31, 2011 and 2010.

NCUA Guaranteed Notes

As discussed in Note 8, the principal balance of the NGNs was $24.7 billion and $17.3 billion as of December 31, 2011 and 2010, respectively. This amount represents the maximum potential future guarantee payments that NCUA could be required to make without consideration of any possible recoveries under the terms of the guarantee or from the AMEs. The losses from the guarantee of NGNs are expected to be significantly less than the above maximum potential exposure, and such losses are based on the estimated guarantee payments, net of estimated guarantor reimbursements, if any, from the NGN Trusts and expected recoveries, if any, from the AMEs. The NCUA's estimate of the expected recovery from the AMEs reflects the NCUA's expectations and assumptions about the recovery value of the AMEs' assets as discussed above, which include AMEs' economic residual interests in the NGN Trusts.

As discussed in Note 8, the NCUA's estimated guarantee payments, guarantor reimbursements, and the recovery values, if any, of the AMEs' economic residual interests in the NGN Trusts are derived using an external model that distributes estimated cash flows of the Legacy Assets transferred to the NGN Trusts in the priority of payments pursuant to the governing documents of each NGN Trust. The estimated cash flows incorporate the NCUA's assumptions about discount rates.

The estimated cash flows of the Legacy Assets transferred to the NGN Trusts are also derived from the external model that incorporates the NCUA's expectations and assumptions about the estimated cash flows from the collateral underlying the Legacy Assets, and the priority of payments and estimated cash flows of the Legacy Assets pursuant to the governing documents for the respective Legacy Assets.

The external model produces estimated cash flows of collateral underlying the Legacy Assets by incorporating the NCUA's expectations and assumptions about prepayments, defaults and loss severity of the collateral consisting of residential and commercial mortgages and other assets. Assumptions about prepayments, defaults and loss severity are developed based on the characteristics and historical performance of the collateral, as well as assumptions about macroeconomic variables such as unemployment rate and housing prices, among other factors.

The tables below represent the composition of Legacy Assets collateralizing the 13 NGN Trusts with an aggregate unpaid principal balance of $34.3 billion and recovery value of approximately $24.5 billion as of December 31, 2011. As of December 31, 2010, the aggregate unpaid principal balance and recovery value of the Legacy Assets collateralizing the five NGN Trusts outstanding was $19.1 billion and $17.0 billion, respectively.

Asset Type and Credit Rating[1]		Based on Recovery Value				Based on Unpaid Principal Balance			
		2011		2010		2011		2010	
RMBS	AAA	71%	3%	68%	7%	79%	2%	68%	6%
	AA		7%		10%		4%		10%
	A		3%		7%		2%		7%
	BBB		5%		4%		3%		4%
	Below Investment Grade		82%		72%		88%		73%
	NA		0%		0%		0%		0%
CMBS	AAA	19%	16%	25%	18%	13%	17%	25%	18%
	AA		15%		19%		15%		19%
	A		44%		44%		44%		43%
	BBB		15%		17%		14%		17%
	Below Investment Grade		10%		1%		11%		1%
	NA		0%		2%		0%		2%
ABS[2]	AAA	6%	23%	7%	25%	5%	18%	7%	24%
	AA		18%		19%		15%		18%
	A		33%		29%		27%		29%
	BBB		7%		25%		6%		26%
	Below Investment Grade		19%		3%		34%		3%
	NA		0%		0%		0%		0%
Agency	Agency	3%	100%	NA	NA	2%	100%	NA	NA
Corporate	AAA	2%	0%	NA	NA	2%	0%	NA	NA
	AA		2%		NA		2%		NA
	A		27%		NA		21%		NA
	BBB		28%		NA		23%		NA
	Below Investment Grade		1%		NA		5%		NA
	NA		41%		NA		49%		NA

1 Credit rating is based on the lowest rating published by the Standard & Poor's, Moody's and Fitch, where available.

2 The collateral underlying the ABS included in the tables above is primarily student loans.

While certain parts of the credit market have seen recent improvements, the performance of asset- and mortgage-backed securities, such as the Legacy Assets remains uncertain. The longer-term outlook for borrower and loan performance is uncertain. Uncertainty around housing prices, interest and unemployment rates, legal and regulatory actions, and the relationship of these factors to prepayment, loss severity, default and delinquency rates will likely change over time. Legacy Asset performance continues to be challenging to predict, and the external model used to derive the expected losses to the TCCUSF from the guarantee of the NGNs is sensitive to assumptions made about Legacy Asset performance. For example, changing the assumptions for reasonably possible variations in certain macroeconomic factors such as a decline in housing prices from its most recent peak in the external model would have resulted in the NCUA's expected losses, net of estimated guarantor reimbursements and the economic residual interests in the NGN Trusts (but exclusive of the estimated guarantee fees for the remaining term of the NGNs) associated with 13 re-securitization transactions to be zero under one scenario, and approximately $1.3 billion in another scenario, as compared to no expected net losses on the NGN guarantees recognized on the TCCUSF’s Balance Sheet as of December 31, 2011. The NCUA estimated the net expected losses associated with five re-securitization transactions to be zero under one scenario, and approximately $1.3 billion in another scenario, as compared to $614.5 million in expected losses on the NGN guarantees recognized on the TCCUSF's Balance Sheet as of December 31, 2010.

The estimates of the NCUA's guarantee payments under the NGNs require significant judgment and will change over time. Forecasting borrower behavior and changes in the macroeconomic environment is inherently difficult. Historical trends are not indicative of future performance. Even under so-called normal conditions, leading economic experts have great difficulty predicting economic conditions with any degree of certainty. The assumptions used to estimate the cash flows of the NGNs, Legacy Assets underlying the NGNs, and collateral underlying the Legacy Assets will require continued calibration and refinement.

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Independent Auditors' Report on Internal Control Over Financial Reporting

Inspector General, National Credit Union Administration and
The National Credit Union Administration Board:

We have audited the balance sheets of the National Credit Union Administration's Temporary Corporate Credit Union Stabilization Fund (TCCUSF) as of December 31, 2011 and 2010 and the related statements of net cost, and changes in net position, and statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated June 21, 2012.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the TCCUSF is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2011 audit, we considered the TCCUSF's internal control over financial reporting by obtaining an understanding of the TCCUSF's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the TCCUSF's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the TCCUSF's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the third paragraph of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2011 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Exhibit I presents the status of the prior year significant deficiency.

This report is intended solely for the information and use of the addressees, TCCUSF's management, Office of Management and Budget (OMB), the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

June 21, 2012

STATUS OF PRIOR YEAR FINDINGS

Exhibit I

2010 Finding	Deficiency Type	2011 Status
Lack of sufficient preparation of the accounting and reporting of the Corporate System Resolution Program	Significant Deficiency	Closed

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Independent Auditors' Report on Compliance and Other Matters

Inspector General, National Credit Union Administration and
The National Credit Union Administration Board:

We have audited the balance sheets of the National Credit Union Administration's Temporary Corporate Credit Union Stabilization Fund (TCCUSF) as of December 31, 2011 and 2010, and the related statements of net cost, changes in net position, and statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated June 21, 2012.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the TCCUSF is responsible for complying with laws, regulations, and contracts applicable to the TCCUSF. As part of obtaining reasonable assurance about whether the TCCUSF's financial statements are free of material misstatement, we performed tests of the TCCUSF's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to the TCCUSF. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of certain of our tests of compliance described in the third paragraph of this report, disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

This report is intended solely for the information and use of the addressees, TCCUSF's management, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

June 21, 2012