<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACH</td>
<td>Stands for Automated Clearing House and relates to electronic payments processing.</td>
</tr>
<tr>
<td>ALM</td>
<td>Stands for Asset Liability Management. A structured process for assessing risks related to matching timing, interest rate, repricing of a credit union's assets and liabilities.</td>
</tr>
<tr>
<td>AMAC</td>
<td>NCUA's Asset Management Assistance Center. AMAC oversees liquidation payouts, managing assets acquired from liquidations and management of recoveries for the National Credit Union Share Insurance Fund. AMAC also provides assistance and advice pertaining to conservatorships, real estate and consumer loans, appraisals, bond claim analysis and reconstructing accounting records.</td>
</tr>
<tr>
<td>ARK concept (from playbook)</td>
<td>A framework to ensure continued payment system processing for credit unions displaced by the liquidation of the corporates.</td>
</tr>
<tr>
<td>Asset Management Estate</td>
<td>Entity established to oversee assets and other property acquired from a failed institution. Commonly organized through NCUA's Asset Management Assistance Center created through the exercise of the NCUA Board's statutory authorities providing broad supervisory and management powers over the credit union's assets and operations. These powers include the ability to facilitate fund and disposition of assets. Also known as a liquidation estate.</td>
</tr>
<tr>
<td>Asset Write Downs</td>
<td>Assets are &quot;written down&quot; when price is adjusted downward in formal recognition of expected losses. Suppose, for example, a change in economic environment causes management to recognize that an asset with a book value of $100 is now worth only $60. Changing the carrying value from $100 to $60 is a &quot;write down.&quot; Regulatory or accounting conventions force some assets to be &quot;marked to market&quot; -- that is to have their prices changed up or down to reflect changing economic circumstances.</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>The governing group of volunteers charged with the fiduciary responsibility of establishing policies and providing strategic direction of a credit union. As outlined in the Federal Credit Union Act, this group must consist of an odd number of individuals not less than 5 and not more than 15.</td>
</tr>
<tr>
<td>Bridge Bank / Bridge Corporate</td>
<td>A new charter issued for the purpose of continuing payments systems processing after a charter previously providing those services has been liquidated (the good bank in a good bank / bad bank process).</td>
</tr>
<tr>
<td>Capital Stress Test</td>
<td>Stress tests are use to gauge the impact of a change in economic environment on the capital position of financial institutions. In Spring 2009, for example, federal banking regulators conducted stress tests on the capital positions of large complex banking institutions to insure they held sufficient capital to weather credit losses expected during the ongoing recession.</td>
</tr>
</tbody>
</table>
The Central Liquidity Facility (CLF) was created by Congress in 1979 to improve the general financial stability of the credit union industry by meeting the liquidity needs of individual credit unions. This proved stability encourages savings, supports consumer and mortgage lending, and helps provide basic financial resources to all segments of the economy. Credit unions needed their own source of funds to meet their liquidity needs in the same way that the Federal Reserve System “discount window” provided access to loans for banks. In practice, the CLF was created to serve as a back-up source of liquidity for both Federal and state-chartered credit unions.

Concentration Risks

The risk that an over-specialization in one type of product, service, geographic area, industry, credit rating, etc., makes a credit union vulnerable to negative consequences from a single or related series of events.

Conservatorships

An administrative action authorized by the NCUA Board where a credit union's board of directors is removed and NCUA takes their place. In conservatorship, the NCUA Board has broad statutory authorities and management powers, including the disposition of assets.

Corporate Credit Union

A credit union for natural person credit unions, providing correspondent services.

Deleveraging

The act of paying off borrowings.

Emergency Borrowing Authority

A limited authority provided to NCUA in the 2009 Helping Families Save Their Homes Act. It increased NCUA's base borrowing authority to $30 billion dollars subject to an approval process. This authority sunsets on December 31, 2010.

Federal Credit Union Act

The enabling legislation, passed in 1934, for federal credit unions, federal insurance, the National Credit Union Administration, and the Central Liquidity Facility.

Good Bank / Bad Bank Model

A structured process for isolating non-performing assets or services (bad bank) and simultaneously creating a new charter to house the performing assets or services (good bank). The new charter can be either a bridge institution, or an ongoing concern.
Glossary of Terms

Governance

Governance or corporate governance means practices and procedures that comply with applicable chartering acts and other federal law, rules, and regulations, and must be consistent with the safe and sound operations of a company. Each credit union must follow the corporate governance practices and procedures of the applicable law of the jurisdiction in which the credit union's principal office is located, to the extent not inconsistent with federal law. Generally, each credit union designates in its bylaws the body of law elected for its corporate governance practices and procedures.

Guaranteed Share Account

A share account in which the amount in excess of the limit insured by the NCUSIF is guaranteed by the Stabilization Fund pursuant to the Temporary Corporate Credit Union Share Guarantee Program.

Insolvency

When the value of the shares of a credit union exceed the value of its assets.

Legacy Assets

Legacy assets include distressed securities that have incurred actual significant losses or have exposure to significant future losses. Additionally, securities that may be out of compliance with the proposed regulatory changes to Part 704.

Liquidation

The process of closing a credit union, whether voluntary or involuntary, that provides for an orderly and expeditious distribution of the assets to the members.

Medium Term Notes (MTN)

MTMs are traditional fixed-income (i.e., debt) instruments with maturities typically ranging from 1 to 10 years. These notes are "traditional" in that they are sold at par with fixed coupon rates (as opposed to discount instruments which are sold at prices below par and offer implicit interest rates equal to the capital gain (par minus purchase price) divided by purchase price.

Membership Capital (MCs)

Membership capital means funds contributed by members that: are adjustable balance with a minimum withdrawal notice of 3 years or are term certificates with a minimum term of 3 years; are available to cover losses that exceed retained earnings and paid-in capital; are not insured by the NCUSIF or other share or deposit insurers; and cannot be pledged against borrowings.

Merger

The legal combination of two entities.

Moral Hazard

Moral hazard occurs when a party insulated from risk may behave differently than it would behave if it were fully exposed to the risk. Moral hazard arises because an individual or institution does not take the full consequences and responsibilities of its doings, and therefore has a tendency to act less carefully than it alternately would, leaving another party to hold some responsibility for the consequences of those actions. For example, a person with insurance against automobile theft may be less cautious about locking his or her car, because the negative consequences of vehicle theft are (partially) the responsibility of the insurance company.
## Glossary of Terms

### Mortgage-Backed Securities
A mortgage-backed security (MBS) is an asset-backed security or debt obligation that represents a claim on the cash flows from mortgage loans, most commonly on residential property. First, mortgage loans are purchased from banks, mortgage companies, and other originators. Then, these loans are assembled into pools. This is done by government agencies, government-sponsored enterprises, and private entities, which may offer features to mitigate the risk of default associated with these mortgages. Mortgage-backed securities represent claims on the principal and payments on the loans in the pool, through a process known as Securitization. These securities are usually sold as bonds, but financial innovation has created a variety of securities that derive their ultimate value from mortgage pools.

### National Credit Union Administration
The National Credit Union Administration (NCUA) is the independent federal agency that charters and supervises federal credit unions. NCUA, backed of the full faith and credit of the U.S. government, operates the National Credit Union Share Insurance Fund (NCUSIF) insuring the savings of 90 million account holders in all federal credit unions and many state-chartered credit unions.

### National Credit Union Share Insurance Fund
The National Credit Union Share Insurance Fund (NCUSIF) is the federal fund created by Congress in 1970 to insure member's deposits in federally insured credit unions. The insurance limit was temporarily increased from $100,000 to $250,000 per individual depositor on October 3, 2008. Administered by the National Credit Union Administration, the NCUSIF is backed by the “full faith and credit” of the U.S. Government.

### NCUA
The National Credit Union Share Insurance Fund (NCUSIF) is the federal fund created by Congress in 1970 to insure member's deposits in federally insured credit unions. The insurance limit was temporarily increased from $100,000 to $250,000 per individual depositor on October 3, 2008. Administered by the National Credit Union Administration, the NCUSIF is backed by the “full faith and credit” of the U.S. Government.

### Net Economic Value
NEV is the difference between the sum of the present values of all cash flows from assets and the sum of the present values of all cash flows from liabilities. Conceptually, NEV is an attempt to gauge the true economic value of book capital. Specifically, NEV is a proxy or estimated value used for capital when the sensitivity of capital to changes in prevailing interest rates is calculated. In practice, base values of NEV are typically compared under up/down 300 basis points scenarios as a measure of risk.

### NPCU / Natural Person Credit Union
A financial cooperative that serves consumers sharing an occupational, associational, or community common bond.

11/01/10 CSR-3.1
Other Than Temporary Impairment (OTTI)

When a security will not return all principal it is considered impaired and the credit union must determine the amount of the impairment. When that impairment is determined to not be temporary, the portion of the impairment due to credit losses must run through the income statement. The portion of the impairment due to market losses is reflected in the equity portion of the balance sheet as other comprehensive income.

PACA

The Office of Public and Congressional Affairs (PACA) provides information to the public, credit unions, Congress, credit union league and trade organizations, the media and NCUA employees about NCUA and its functions, Board actions and other matters. PACA keeps the NCUA Board and staff informed of pending federal legislation and serves as a liaison with members of Congress and congressional committee staff members.

Paid In Capital (PIC)

Paid-in capital means accounts or other interests of a corporate credit union that: are perpetual, non-cumulative dividend accounts; are available to cover losses that exceed retained earnings; are not insured by the NCUSIF or other share or deposit insurers; and cannot be pledged against borrowings.

Part 704

NCUA's Rule governing corporate credit unions - 12 CFR 704.

Pass-Through Corporates

A retail corporate relying to a great extent on the wholesale corporate for back-office and investment processes.

Privately Issued Mortgage-Backed Securities

A mortgage-backed security issued by an entity other than a government sponsored enterprise (Fannie Mae / Freddie Mac).

Purchase & Assumption

An administrative remedy where a continuing entity purchases specific assets and assumes specific liabilities of a liquidating entity.

Regulatory Capital

Capital levels that must be maintained pursuant to regulatory requirements.

Residual Interest

Also know as Equity Interest. The residual interest in each SPE initially will be owned by the asset management estate or estates that transferred legacy assets to such SPE. This residual interest, so long as it continue to be owned by an asset management estate, will entitle the estate to any remaining cash flow from the legacy assets transferred to such SPE after satisfaction of the SPE's payment obligations to investors in the guaranteed securities and other senior liabilities. Ownership of the residual interest also will entitle the holder thereof to collapse the securitization transaction and acquire ownership of any remaining legacy assets held by the SPE if and when all guaranteed securities have been fully repaid. Alternatively, an asset management estate holding a residual interest in an SPE may decide to sell such interest to one or more third party investors for additional consideration, but this would terminate any further interest if may otherwise have been entitled to in respect of the legacy assets held by such SPE.
Glossary of Terms

**Retail Corporate Securitization**

A corporate credit union serving natural person credit unions.

Securitization is a process in structured finance designed to distribute risk by pooling assets and issuing new securities backed by the cash flows from the asset pool. Conceptually, it is similar to spinning off a profitable business into a separate entity. The owner trades all future profits/losses for cash today. Buyers invest in the success and/or failure of the unit and receive a premium (usually in the form of interest) in return. In most securitizations, investor rights to cash flows are divided into tranches: investors in senior tranches accept lower risk of default in return for lower interest payments while junior tranche investors assume a higher risk in return for higher interest.

**Securitization Trust**

Trust established for the purpose of securitizing legacy asset cash flows. The asset management estates will transfer their legacy assets to newly formed trusts or other special purpose entities (SPEs), each of which will issue and sell fixed income securities to investors. The asset management estates will receive the net proceeds realized from the issues of these securities in consideration for their transfer of legacy assets to the SPEs. Cash flows generated by the legacy assets transferred to each SPE will be used to make principal and interest payments on the securities issued by the SPE to investors. To the extent that the legacy assets do not generate sufficient funds to cover interest and principal obligations on the securities, the NCUA will guarantee the timely payment of interest and principal on such securities.

**Stabilization Fund**

A borrowing facility and assessment authority authorized under the 2009 Helping Families Save Their Homes Act, to allow the NCUA Board the ability to segregate costs associated with stabilizing the corporate credit union system. Segregating the costs into one fund improves the transparency of NCUA’s stabilization actions. The effect is that natural person credit unions will pay for the costs of stabilizing the corporate credit union system over time.

**Subordinate Capital**

Subordinate capital are those capital accounts that are depleted first to absorb losses.

**Temporary Corporate Credit Union Share Guarantee Program (TCCUSGP)**

A stabilization initiative implemented by the NCUA Board to stem the outflow of natural person credit union deposits from corporate credit unions who carried large amounts of non-performing residential mortgage-backed securities.

**Temporary Corporate Credit Union Stabilization Fund**

A borrowing facility and assessment authority authorized under the 2009 Helping Families Save Their Homes Act, to allow the NCUA Board the ability to segregate costs associated with stabilizing the corporate credit union system. Segregating the costs into one fund improves the transparency of NCUA’s stabilization actions. The effect is that natural person credit unions will pay for the costs of stabilizing the corporate credit union system over time.
## Glossary of Terms

**Tranche**

In French, tranche refers to a slice, section, series, or portion. Each tranche is characterized by a unique set of characteristics – maturity, interest (coupon) rate, interest payment date – to cater to the needs of different investors. A single bond, such as collateralized mortgage obligation (CMO), may contain several tranches, each with its own priority of principal repayment and CUSIP number. For example, a typical CMO comprises four tranches: 'A' (fast pay), 'B' (medium pay), 'C' (slow pay), and 'Z' (no coupon but receives cash flow from the collateral remaining after the previous three tranches have been satisfied).

**U.S. Central**

The wholesale corporate credit union.

**Weighted Average Life (WAL)**

A financial term. The weighted-average life (WAL) of an amortizing loan or amortizing bond, is the average time until a dollar of principal is repaid.

**Wholesale Corporate**

A corporate credit union serving retail corporate credit unions.