BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: January 9, 2009

FROM: Central Liquidity Facility

SUBJ: Public Notice: Central Liquidity Facility (CLF) Document Modifications

ACTION REQUESTED: Board approval of:

- Delegation to CLF President Owen Cole of authority to sign an amendment to the Repayment, Security and Credit Reporting Agreement currently in place between US Central FCU (USC) and the CLF (Amendment), together with an Assignment Agreement (Assignment) between USC and CLF; and
- Publication in Federal Register of Public Notice describing the Amendment and the Assignment.

DATE ACTION REQUESTED: January 22, 2009.

OTHER OFFICES CONSULTED: Office of General Counsel

VIEWS OF OTHER OFFICES CONSULTED: Concur.

BUDGET IMPACT, IF ANY: None.

RESPONSIBLE STAFF MEMBER: Jeremy F. Taylor, Senior Capital Markets Specialist.

SUMMARY: These documents are designed to achieve a change in the way current loans outstanding from the CLF are booked by corporates and by USC by allowing both USC and participating corporates to assign the loans, without recourse, to the CLF. At present, these loans are booked as assets by both USC and the corporates; in addition, each has an obligation to guarantee the performance of the loan. Removing the loans from the books of USC and participating corporates via the Assignment will alleviate pressure on corporate balance sheets created by holding these assets. The Amendment will have the effect of changing the way loans are administered in the future as well: although USC will retain its role as master servicer and the relevant corporate will continue to service the loan, loans will be booked exclusively as an asset of the CLF. In connection with this change, the corporate servicing the loan will agree in an ancillary agreement with USC (to which CLF is not a party) to subordinate any claims it may have to collateral also pledged to secure the CLF indebtedness.

The change with respect to existing and future CLF loans is consistent with the statutory intent that corporate credit unions serve as agent members of the CLF, as contrasted with their role, up to now, as principals to the loan transactions. All corporate credit unions are required to follow Generally Accepted Accounting Principles (GAAP) and thus their accounting treatment of the loans assigned to CLF will be consistent with GAAP. The timing of this change is particularly appropriate now, considering that, absent the change, the implementation of the SIP and HARP programs will inflate the balance sheets of the corporate credit unions and result in a reduction of their capital ratios that is unnecessary given their role as agents of the CLF in connection with its lending to natural person credit unions.

In accordance with provisions in §725.21, staff recommend publishing notice of the changes, with appendices containing the Amendment and the Assignment in the Federal Register.

RECOMMENDED ACTION: Recommend the Board delegate authority to the CLF President to sign the Amendment and the Assignment and to publish the Public Notice in the Federal Register.

ATTACHMENT: Public Notice.