

Corporate System Resolution

National Credit Union Administration
Town Hall Meeting

Corporate Crisis Corrective Action Phases

1. Stabilize System Liquidity

2. Resolve Problem Credit Unions

3. Reform Corporate System

CORPORATE RULE
STRONGER REGULATORY FRAMEWORK

Part 704

Corporate Credit Unions

❖ Purposes

- Prevent unacceptable risk
- Facilitate successful business model

Key Elements of Rule

- ❖ Capital and PCA requirements
- ❖ Investment and ALM safeguards
- ❖ CUSO activities
- ❖ Governance

Importance of Public Comment

- ❖ Eliminated cash flow mismatch test
- ❖ Prohibited private label RMBS and subordinated securities
- ❖ Additional proposals in November

Where We Go From Here

❖ Implementation issues

❖ Effective dates

LEGACY ASSET PLAN

LEAST COST SOLUTION & SOUND PUBLIC POLICY

Guiding Principles

Drivers for Strategy

- **Prevent interruption of payment services to natural person credit unions and their 90 million consumers**
- **Preserve confidence in the credit union system**
- **Manage to the least long-term cost consistent with sound public policy**
- **Facilitate an orderly transition to a new regulatory regime and future state for the corporate credit union system based on natural person credit union choice**

Basic Overall Strategy

Isolate

- Using Good Bank/Bad Bank Strategy
- Transfer Title to Securitization Trust

Fund

- Securitization Trust Sells NCUA Guaranteed Notes
- Locked-in Funding Allows Long-Term Solution

Transition

- Operations Transferred to Bridge Corporate
- Continued Service to Natural Person Credit Unions

Securitization

NCUA Guaranteed
Notes

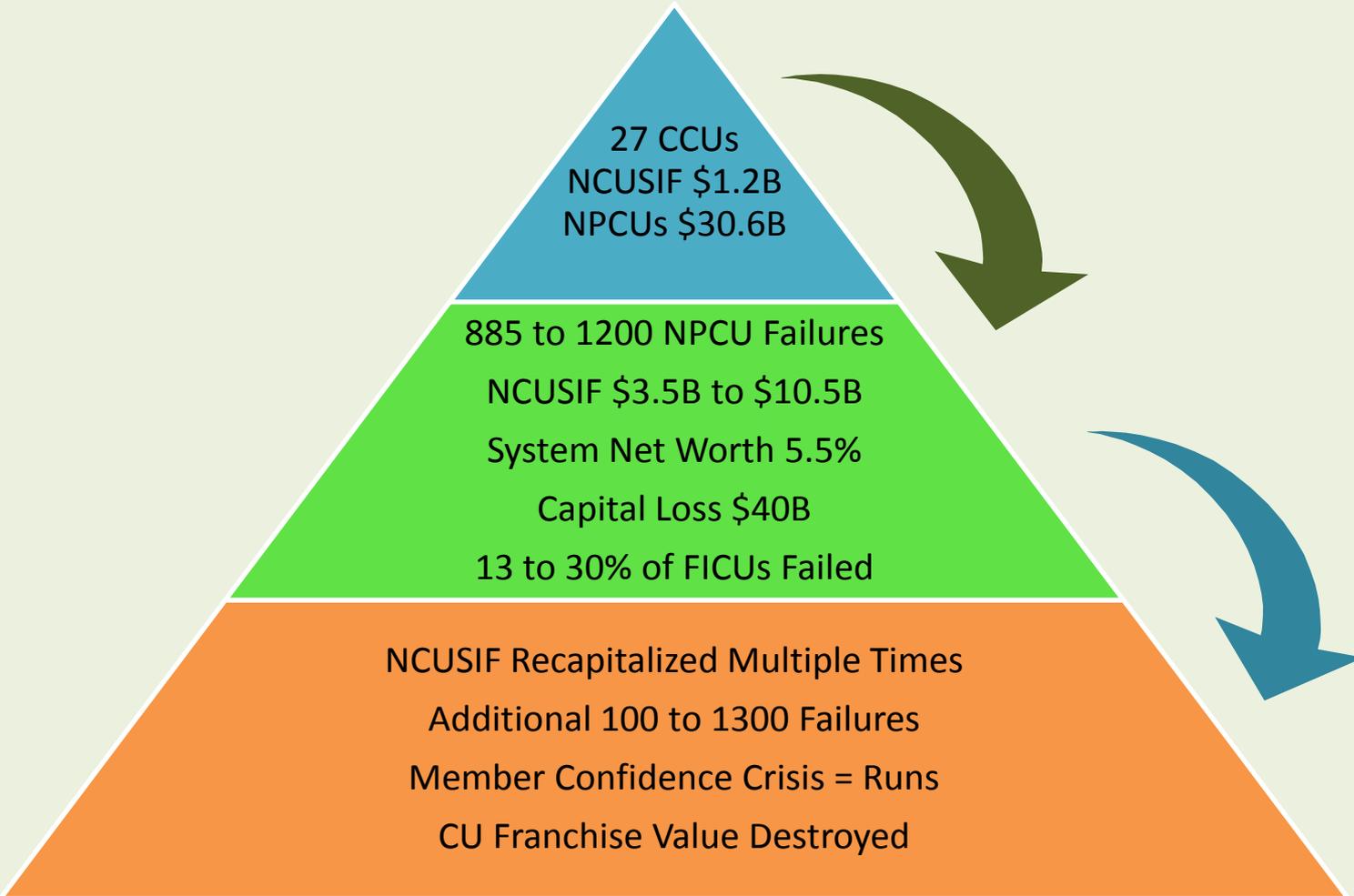
Sold to Investors
From Securitization
Trust

Unconditional Full
Faith and Credit
Guarantee

Over-collateralized

Security Structure
Matches Underlying
Collateral

Onset Liquidation Decision Why Did NCUA Step-In?



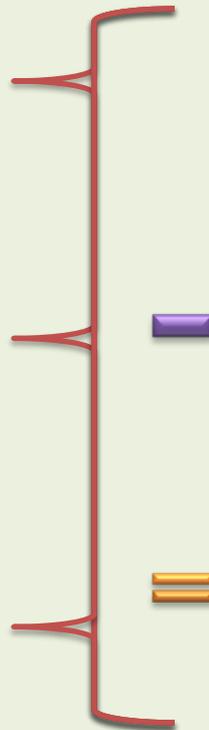
Stabilization Fund Costs

As of July 31, 2010

Total projected cost to credit union system, based on range of estimated bond defaults.

Cost absorbed by credit unions that contributed capital to corporates being resolved.

Total projected costs that all insured credit unions will incur through assessments over remaining life of fund, (June 2021).



\$13.9 to \$16.1 Billion
Range of Total Cost

\$5.6 Billion
Member Capital Depleted*

\$8.3 to \$10.5 Billion
Range of Stabilization
Fund Cost

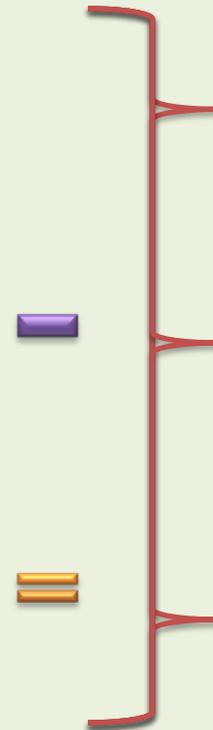
* Adjusted for contributed capital at U.S. Central from other conserved corporates.

Projected Future Stabilization Fund Assessments

**\$8.3 to \$10.5 Billion
Range of Stabilization
Fund Cost**

**\$1.3 Billion
Assessments Paid to Date**

**\$7.0 to \$9.2 Billion
Projected Range of
Remaining Assessments**



Total projected costs to all insured credit unions.

\$310 million assessed in 2009, \$1 billion assessed in 2010.

Timing and amount of remaining assessments at NCUA Board discretion over remaining life of fund (June 2021), subject to cash management needs.

TRANSITION TO THE FUTURE
BRIDGE & ALL OTHER CORPORATES

Credit Union Major Concerns

Risk

Share
Guarantee
Remains
Through
12/31/2012

Operations

Certainty of
Continued
Payment
Systems
Operations

Cost

Cost
Contained
In Long-
Term
Solution

Bridge Corporates

Key Policies

- **Payment Systems - Primary Function**
- **Very Liquid Investments Once Settlement Occurs**
- **Term Deposits Limited to 180 Days**
- **Conservatorships With PUED From Day 1**

Future Actions

- **Short-Term Holding Pattern For Potential New Charter Decision**
- **Transition Operations – Target of 24 Months**
- **No Ability to Recapitalize Bridge Corporates**

Small Credit Union Assistance

- **Developing Checklists & Guidelines for Small Credit Unions**
- **Major Portion of 2011 SCUP Workshops, Either Topic or Clinic**

All Other Corporates

Financially Viable

Legacy Assets

Pessimistic OTTI Still Leaves Capital

Capital Raise

Regulatory & NEV Requirements

Action Steps

Corporates

- Digest New Rule
- Update Business Approach & Policies
- Engage Independent Modeling Firm
- Sell Value Proposition to NPCUs
- Raise Capital

NCUA

- Continue Risk Mitigation Directives
- Issues Capital & NEV Directives
- Work with CCUs Unable to Raise Capital
- Assess Regulatory Waiver Requests

NPCUs

- Understand Corporates New Business Model
- Determine Payment Services Provider
- Move Services If Needed

**THANK YOU FOR YOUR
PARTICIPATION.**