

## FACT SHEET

### Temporary Corporate Credit Union Liquidity Guarantee Program

(Revised May 21, 2009)

On October 16, 2008, the NCUA Board approved the Temporary Corporate Credit Union Liquidity Guarantee Program (TCCULGP). On May 21, 2009, the Board revised some of the TCCULGP terms and conditions. This document summarizes the TCCULGP and provides notice of the specific terms and condition applicable to the revised TCCULGP.

#### A. Summary.

Under the terms of the TCCULGP, the National Credit Union Share Insurance Fund will guarantee the timely payment of principal and interest on certain unsecured debt of participating corporate credit unions.

#### B. Terms and Conditions Applicable to the TCCULGP

1. *Scope of Eligible Corporate Credit Unions.* All corporate credit unions were automatically covered for debt obligations issued thorough November 17, 2008.<sup>1</sup> On November 18, 2008 NCUA posted the listing of the [twenty-six corporate credit unions](#) voluntarily continuing their participation in the TCCULGP. All corporate credit unions may voluntarily continue their participation in the revised TCCULGP and NCUA will post notice of the participants on June 30, 2009.

2. *Scope of Liabilities.* Prior to the May 21, 2009 revisions, the NCUSIF guarantee applied only to newly issued unsecured debt obligations issued on or before June 30, 2009, maturing on or before June 30, 2012. On May 21, 2009 the NCUA Board authorized the extension of the TCCULGP to cover newly issued unsecured debt obligations issued on or before June 30, 2010 and maturing on or before June 30, 2017.

Types of qualifying unsecured debt obligations include promissory notes, commercial paper, inter-bank funding, and any unsecured portion of secured debt. The TCCULGP does not apply to shares, certificates of deposit, member capital shares, and paid-in-capital accounts. Shares and certificates of deposit may be covered under the [Temporary Corporate Credit Union Share Guarantee Program](#).

The amount of debt obligations covered by the revised TCCULGP guarantee per eligible corporate credit union may not exceed the greater of: (a) 100 percent of the eligible corporate credit union's maximum unsecured debt obligations outstanding during the period September 30, 2007 through September 30, 2008, subject to an

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<sup>1</sup> Eligible corporate credit unions are federally-insured corporate credit unions. Corporate credit union has the meaning as defined in NCUA Rules and Regulations §704.2. 12 CFR §704.2.

amount not to exceed \$10 billion; (b) such other amount determined by written approval of the Director, Office of Corporate Credit Unions, with the prior concurrence of the Director, Office of Examination and Insurance, not to exceed the greater of \$100 million or 5% of shares and liabilities as of September 30, 2008; or (c) such other amount determined by the NCUA Board.

3. *Fees charged on TCCULGP debt.* The NCUSIF charges fees for TCCULGP coverage. Fees for participation in the revised TCCULGP depend on the maturity of debt guaranteed (revised from the flat fee of 0.75 percent per annum under the original TCCULGP). The revised fee schedule is as follows:

<b>For TCCULGP debt with a maturity of</b>	<b>The assessment rate (in basis points) per annum</b>
2 year or less	10
Over 2 year to 3 years	15
Over 3 year to 4 years	20
Over 4 years to 5 years	25
Over 5 year to 6 years	30
Over 6 years to 7 years	35

The revised fee schedule will go into effect on July 1, 2009 on all outstanding TCCULGP. The assessment rate is determined at date of debt issuance and remains constant throughout the life of the obligation. The NCUSIF assesses TCCULGP fees on a monthly basis.

4. *Payments by NCUSIF on TCCULGP debt.* The NCUSIF's obligation to pay holders of NCUSIF-guaranteed debt under the TCCULGP will arise upon the uncured failure of a timely payment of principal or interest as required under the debt instrument (a "payment default").

Upon the occurrence of a payment default, the NCUSIF will satisfy its guarantee obligation by making scheduled payments of principal and interest pursuant to the terms of the debt instrument through maturity (without regard to default or penalty provisions).

Individual debt-holders, or their authorized representatives, may make demand for payment of the guaranteed amount upon the NCUSIF. To be considered for payment, such demand must be accompanied by a proof of claim, which must include evidence in form and content satisfactory to the NCUSIF of the occurrence of a payment default and the claimant's ownership of the NCUSIF-guaranteed debt obligation. The demand must also be accompanied by an assignment to the NCUSIF, in form and content satisfactory to the NCUSIF, of the debt-holder's rights, title, and interest in the NCUSIF-guaranteed debt and the transfer to the NCUSIF of the debt-holder's claim in any insolvency proceeding. This assignment must include the right of the NCUSIF to receive any and all distributions on the debt from the proceeds of the corporate credit union's liquidation estate. If any holder of the NCUSIF-guaranteed debt has received any distribution from the estate prior to the NCUSIF's payment under the guarantee, the guaranteed amount paid by the NCUSIF will be reduced by the amount the holder has received in the

distribution. All such demands must be made within 90 days of the occurrence of the payment default upon which the demand is based. Upon receipt of a conforming proof of claim, if timely filed, the NCUSIF will make a payment of the amount guaranteed.

Any demand under this subsection must be made in writing and directed to the Executive Director, National Credit Union Administration, Alexandria, Virginia. The demand must include all supporting evidence as set forth in the previous subsections and must certify to the accuracy of the claim. Failure of the holder of the NCUSIF-guaranteed debt to make demand for payment within ninety (90) days of the occurrence of payment default will deprive the holder of the NCUSIF-guaranteed debt of all further rights and remedies with respect to the guarantee claim.

Upon any NCUSIF payment made under this section, the NCUSIF will be subrogated to the rights of any debt-holder against the corporate credit union, including in respect of any insolvency proceeding, to the extent of the payments made. The payout priority for the NCUSIF will be as described in 12 C.F.R. §709.5(b)(4).

Payment by NCUSIF under this section will constitute, to the extent of payments made, satisfaction of all NCUSIF obligations under the debt guarantee program with respect to that debt-holder or holders. Acceptance of any such payments will constitute a release of any liability of the NCUSIF under the debt guarantee program with respect to those payments. The corporate credit union agrees and acknowledges that it will be indebted to the NCUSIF for any payments made under these provisions (including amounts paid to another party in return for its assumption of a guaranteed debt issuance) and the corporate credit union will honor immediately a demand by the NCUSIF for reimbursement therefore.

The NCUSIF's determination under this paragraph will be a final administrative determination subject only to judicial review. The holder of NCUSIF-guaranteed debt will have the right to seek judicial review of the NCUSIF's final determination in the district court of the United States where the corporate credit union's principal place of business is located or in the United States District Court for the District of Columbia. Failure of the holder of the NCUSIF-guaranteed debt to seek such judicial review within sixty (60) days of the date of the rendering of the final determination will deprive the holder of the NCUSIF-guaranteed debt of all further rights and remedies with respect to the guarantee claim.

The NCUA Board may terminate a corporate credit union's participation in the TCCULGP at any time and at the Board's discretion. Termination will be by written notice issued to the corporate credit union and published on NCUA's website. The NCUSIF guarantee will continue, until the debt is fully repaid, on any of the corporate credit union's debt issued and guaranteed under the TCCULGP before publication of the notice of termination on NCUA's website. A participating corporate credit union may not terminate its participation in the TCCULGP.

### **C. Authority**

The legal authority for the TCCULGP is located at 12 U.S.C. 1766(a), 1766(i)(2), 1783(a), 1788(a)(1), and 1789(a)(7). The NCUA, which administers the NCUSIF, is an independent agency in the executive branch of the United States Government, and the NCUA has authorized the NCUSIF to issue the guarantees described in the TCCULGP. Accordingly, these TCCULGP guarantees represent obligations of the United States government and are backed by its full faith and credit. For a legal analysis by the U.S. Department of Justice demonstrating this full faith and credit, see *Debt Obligations of the National Credit Union Administration*, 6 Op. Off. Legal Counsel 262 (1982).

### **D. Additional Information.**

For further information about the TCCULGP, please contact the NCUA Regional Office for the area in which you are located. See [http://www.ncua.gov/Aboutncua/ncua\\_directory.html](http://www.ncua.gov/Aboutncua/ncua_directory.html).