



Corporate System Resolution Program Update

December 15, 2016

BACKGROUND

Background

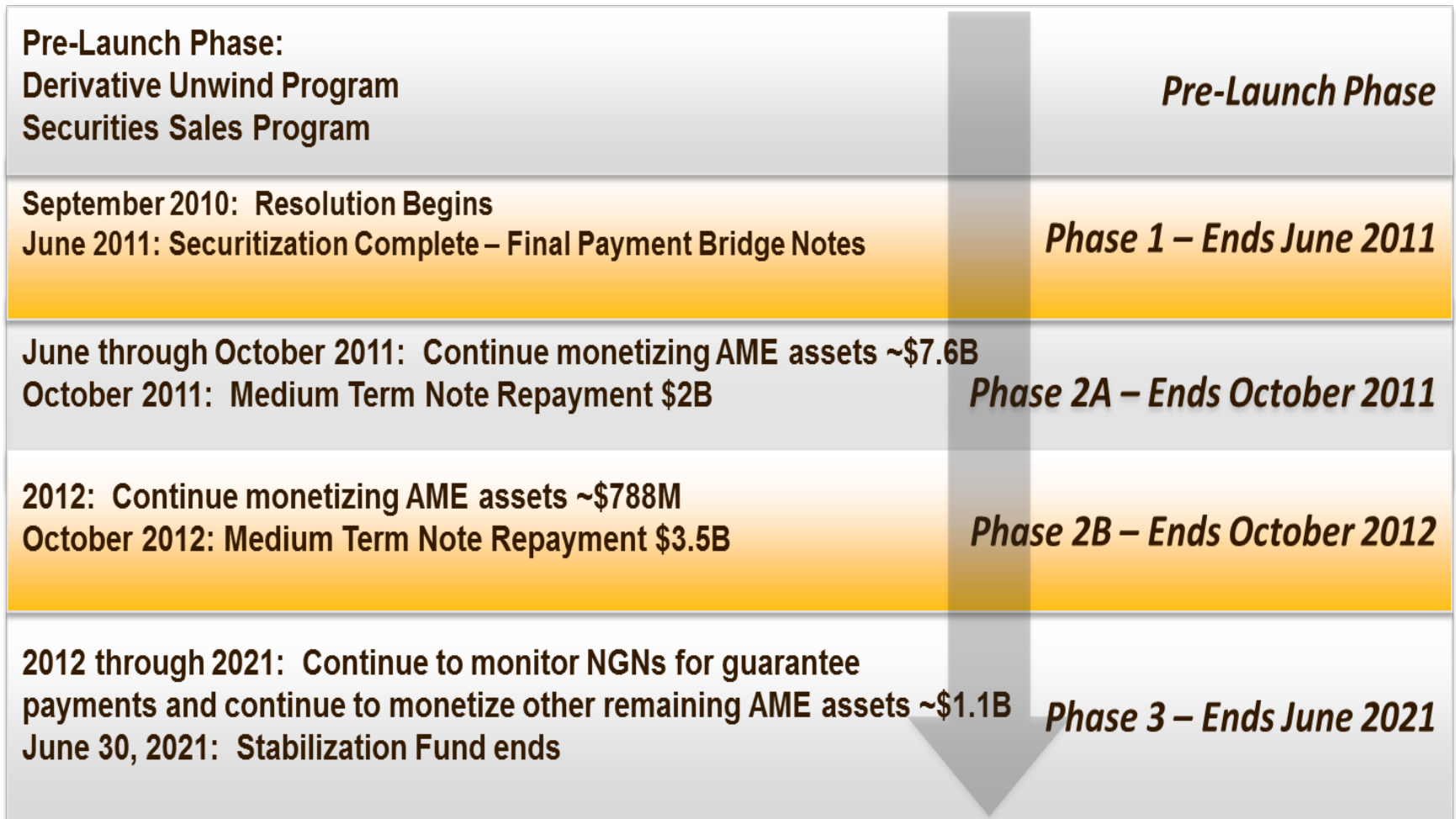
- **Corporate System Resolution Program (CSRP) Goals**
 - Stabilization: Liquidity Support Programs
 - Resolution: NGNs, Bridges, and Asset Management Estates
 - Reform: New Corporate Rules
- **Remaining Components of CSRP**
 - Temporary Corporate Credit Union Stabilization Fund
 - NGN Program
 - Asset Management Estates

<https://www.ncua.gov/regulation-supervision/Pages/corporate-system-resolution/glossary.aspx>
<https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes/glossary.aspx>



Resolution Phase Timeline

September 24, 2010 Launch



<https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes.aspx>

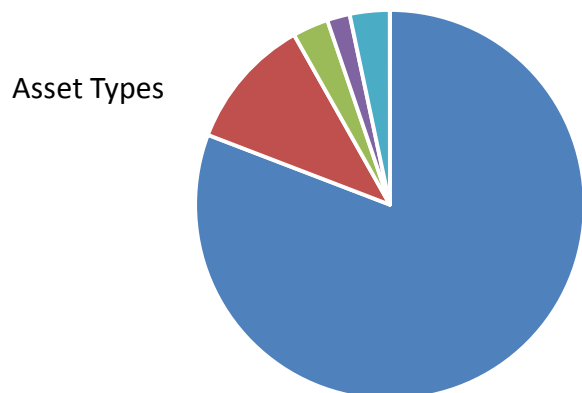
<https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes/timeline.aspx>



NCUA Guaranteed Notes (NGNs) Issued

(\$ In Billions)

Completed Securitization Deals	Date Sold	Members United	Southwest	US Central	WesCorp	Constitution	Total
NGN 2010-R1	Oct-10	\$ 0.00	\$ 0.00	\$ 3.85	\$ 0.00	\$ 0.00	\$ 3.85
NGN 2010-C1	Nov-10	0.00	0.00	0.22	3.53	0.00	3.75
NGN 2010-R2	Nov-10	0.72	0.74	2.01	2.01	0.00	5.48
NGN 2010-R3	Dec-10	0.42	0.28	1.33	1.31	0.18	3.52
NGN 2010-A1	Dec-10	0.19	0.11	0.86	0.00	0.00	1.16
NGN 2011-R1	Jan-11	0.09	0.12	0.74	0.48	0.07	1.51
NGN 2011-R2	Feb-11	0.11	0.14	0.50	0.44	0.06	1.25
NGN 2011-R3	Feb-11	0.07	0.03	0.55	0.43	0.02	1.10
NGN 2011-C1	Feb-11	0.35	0.00	0.15	0.31	0.02	0.83
NGN 2011-R4	Mar-11	0.39	0.30	0.39	0.43	0.00	1.52
NGN 2011-R5	Apr-11	0.06	0.08	0.66	0.35	0.02	1.16
NGN 2011-R6	May-11	0.06	0.10	0.52	0.26	0.02	0.96
NGN 2011-M1	Jun-11	0.43	0.36	0.95	0.42	0.05	2.21
Total Proceeds		\$ 2.88	\$ 2.28	\$ 12.73	\$ 9.98	\$ 0.45	\$ 28.33



UPB (\$ Billions)

% Portfolio

■ Non-Agency RMBS	32.3	81%
■ CMBS	4.4	11%
■ Student Loan	1.2	3%
■ Agency MBS	0.8	2%
■ Other*	1.3	3%

See these pages for more information:

<https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes.aspx>

<https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes/timeline.aspx>

<https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes/asset-overview.aspx>

* Comprised of corporate debt and other asset-backed securities.

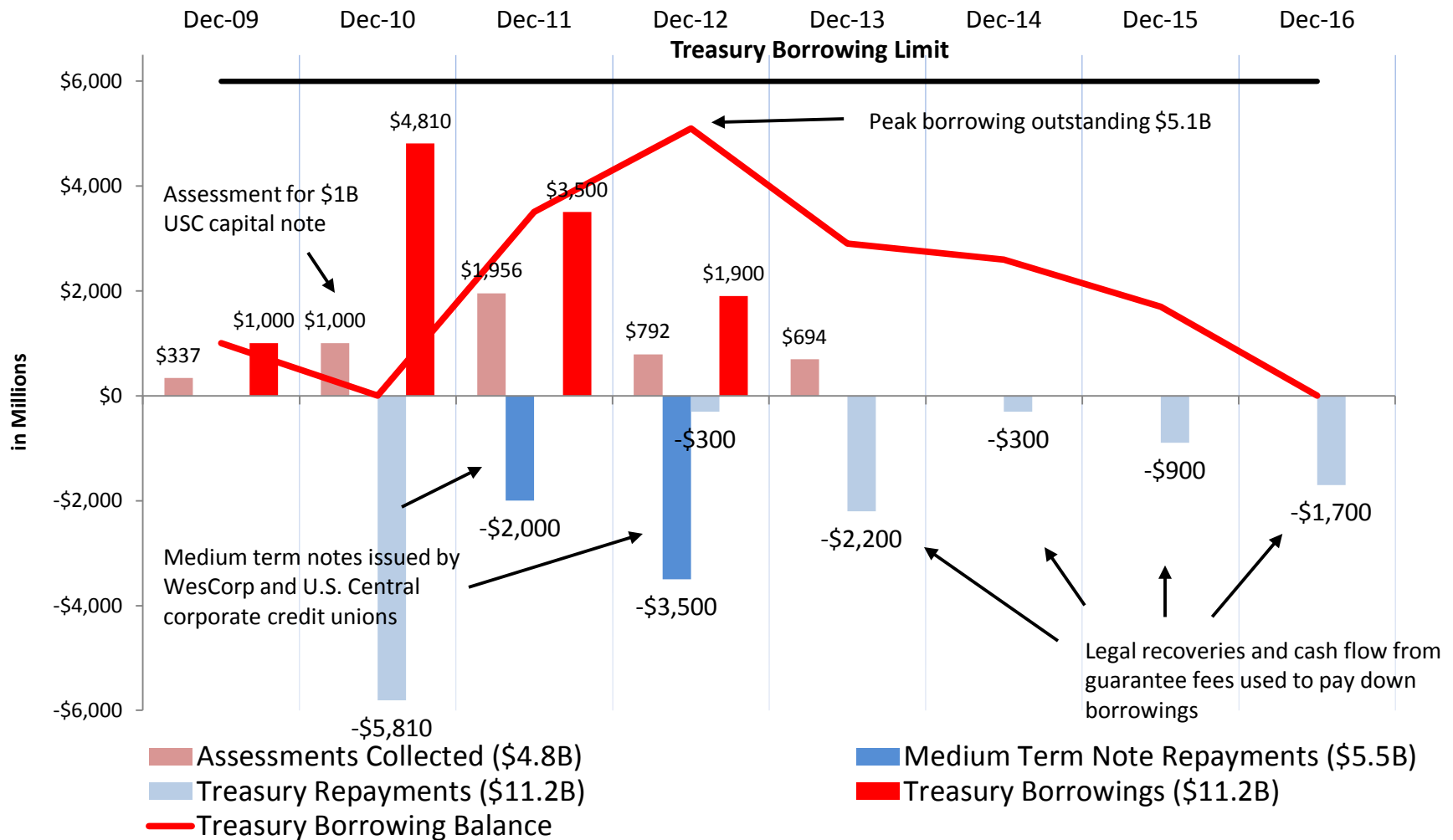
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100%



SUMMARY OF CURRENT STATUS

Stabilization Fund Borrowings and Assessments



<https://www.ncua.gov/regulation-supervision/Pages/corporate-system-resolution/borrow-cost.aspx>

<https://www.ncua.gov/regulation-supervision/Pages/corporate-system-resolution/legal-recoveries.aspx>



Legal Recoveries to Date Total \$3.2 billion (net)

Counterparty	Gross	Net	Date Announced
Citigroup	\$0.021	\$0.015	November 14, 2011
Deutsche Bank	\$0.145	\$0.108	November 14, 2011
HSBC	\$0.005	\$0.004	March 12, 2012
Bank of America / Merrill Lynch	\$0.165	\$0.123	April 2, 2013
Residential Capital	\$0.009	\$0.006	November 11, 2013
JP Morgan / Bear Stearns	\$1.418	\$1.074	November 19, 2013
RBS	\$0.139	\$0.102	September 16, 2015
Wachovia	\$0.053	\$0.038	October 19, 2015
Barclays	\$0.325	\$0.232	October 19, 2015
Morgan Stanley	\$0.225	\$0.168	December 10, 2015
Goldman Sachs	\$0.575	\$0.400	April 11, 2016
Credit Suisse	\$0.060	\$0.046	April 12, 2016
UBS	\$0.079	\$0.060	April 15, 2016
RBS	\$1.100	\$0.819	September 27, 2016
Total	\$4.318	\$3.195	

Totals may not match exactly due to rounding. Does not include additional Breach of Reps and Warrants or Trustee Claims.
Net proceeds from legal recoveries contributed to repaying Treasury borrowings.

<https://www.ncua.gov/regulation-supervision/Pages/corporate-system-resolution/legal-recoveries.aspx>



Legacy Asset and NGN Performance Summary

(in Billions)	Q4 2011 ³	Q4 2015	Q3 2016
Legacy Asset Unpaid Principal Balance	\$34.3	\$17.3	\$14.2
Total Legacy Asset Net Realizable Value	\$24.5	\$14.5	\$11.5
Collateralizing Outstanding NGNS ¹			\$9.8
Post-securitized ²			\$1.7
Total Legacy Asset Market Value	\$19.3	\$13.3	\$10.3
Collateralizing Outstanding NGNS			\$8.6
Post-securitized			\$1.7
NGN Investor Outstanding Balance	\$24.7	\$11.2	\$8.4
Funds held by NGN trustee			\$0.7
Net due to NGN investors			\$7.7
Realized Legacy Asset Defaults	\$3.6	\$8.2	\$8.0 ⁴
Projected Lifetime Legacy Asset Defaults	\$13.2 to \$16.4	\$10.1 to \$10.7	\$9.7 to \$10.2

¹ Calculated based on BlackRock projections of cash flows over the life of the securities discounted based on the applicable NGN funding rate. ² Calculated based on BlackRock projections of cash flows over the life of the securities discounted based on the applicable market rate. Includes the securities within the 2010-C1 trust for which the NGN investors have been fully repaid. ³ Point in time after which all NGNs had been issued. ⁴ Realized defaults decreased in 2016 due to recoveries specific to certain legacy assets. Does not include losses on non-securitized assets held by the failed corporate credit unions, resulting in total realized losses of \$9.0 billion.

See <https://www.ncua.gov/regulation-supervision/Pages/corporate-system-resolution/glossary.aspx>, <https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes/glossary.aspx>, <https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes/metrics.aspx>, <https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes/legacy-asset-losses.aspx>



Residual Legacy Asset Value (Q3 2016)

NOT Available - Collateralizing Outstanding NGNs (in Billions)	NRV	Market Value
Legacy Asset Value	\$9.8	\$8.6
+ Funds held by NGN trustee	\$0.7	\$0.7
- NGN Investor Outstanding Balance	\$8.4	\$8.4
= Net Available after NGNs mature	\$2.1	\$0.9

Available to Sell (4 NGN series that have matured)	NRV	Market Value
Post-securitized Legacy Asset Value ¹	\$1.7	\$1.7

Total	\$3.8	\$2.6
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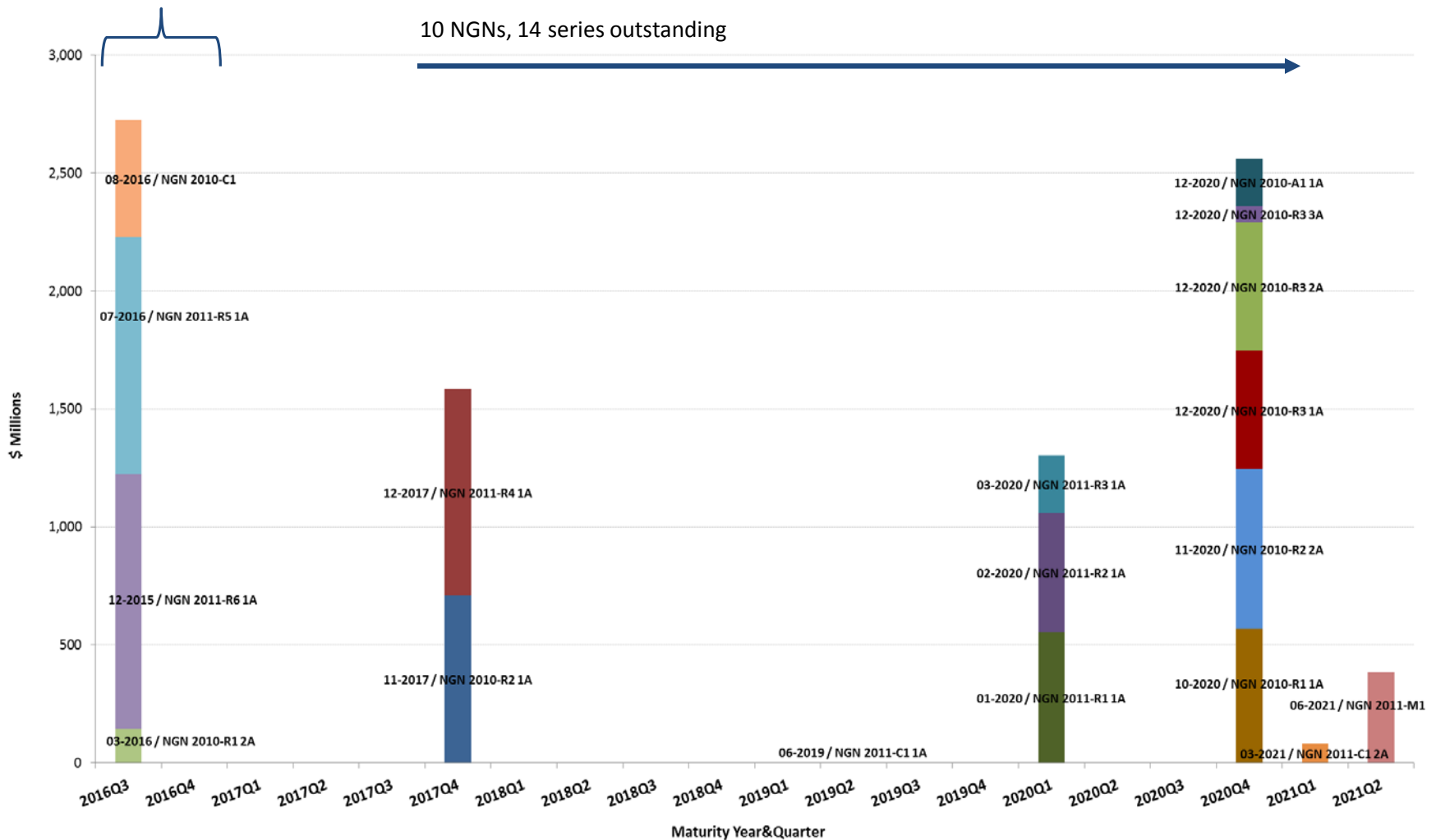
¹ Includes \$413 million (market value) in securities within the 2010-C1 trust for which the NGN investors have been fully repaid. The asset management estates hold the class C residual certificate for this NGN, but not the 10 underlying commercial mortgage-backed securities themselves.

NGN Maturities

Projected Payoff and Remaining Unpaid Principal Balance at Payoff

3 NGNs, 4 series Matured to Date

10 NGNs, 14 series outstanding



<https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes/timeline.aspx>

<https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes/transaction-details.aspx>



Status of NGN Series that Matured or are Projected to Mature by 12/31/17

Matured NGN Deal / Series	Payoff Date	Number of CUSIPs	Collateral Unpaid Principal Balance (\$M)	Collateral Market Value (\$M)
NGN 2011-R6 1A	12/7/2015	118	1,071	558
NGN 2010-R1 2A	3/8/2016	14	139	121
NGN 2011-R5 1A	7/8/2016	106	971	616
NGN 2010-C1*	8/29/2016	10	413	413
Total		248	2,594	1,708
Maturing by 12/31/17 NGN Deal / Series	Expected Investor Payoff Date	Number of CUSIPs	Projected Collateral Unpaid Principal Balance (\$M)**	Estimated Collateral Market Value (\$M)
NGN 2010-R2 1A	11/6/2017	109	709	596
NGN 2011-R4 1A	12/7/2017	102	877	525
Total		211	1,586	1,121
Total Available to Sell by 12/31/17		459	4,180	2,829

See market
value of legacy
assets available
to sell on slide
10.

* REMIC Trust - external investors have been repaid but trust remains. All but \$50 million of balance of the 10 underlying securities are expected to amortize within 18 months. ** Based on Blackrock's cash flow projections under the strong credit scenario. See slide 20.

<https://www.ncua.gov/Resources/Documents/QA-Corporate-Resolution-Costs-and-Assessments.pdf>



Projected Maturities and Guaranty Payments for Outstanding NGN Series

NGN Deal / Series	Expected Investor Payoff Date	Projected Number of CUSIPs	Projected Unpaid Principal Balance of Collateral (\$M)	Projected NCUA Guarantor Payments (\$M)
NGN 2010-R2 1A	11/6/2017	109	709	452
NGN 2011-R4 1A	12/7/2017	102	877	0
NGN 2011-C1 1A	6/28/2019	0	0	0
NGN 2011-R1 1A	1/8/2020	50	553	211
NGN 2011-R2 1A	2/6/2020	73	507	207
NGN 2011-R3 1A	3/11/2020	35	243	118
NGN 2010-R1 1A	10/7/2020	34	567	309
NGN 2010-R2 2A	11/5/2020	81	678	649
NGN 2010-R3 3A	12/4/2020	9	69	0
NGN 2010-R3 1A	12/4/2020	62	501	431
NGN 2010-R3 2A	12/4/2020	59	545	495
NGN 2010-A1 1A	12/10/2020	18	202	175
NGN 2011-C1 2A	3/6/2021	9	81	57
NGN 2011-M1	6/14/2021	152	383	144
Total		793	5,914	3,250

Projected hard final maturity guarantor payments NCUA must make on outstanding NGNs. Based on Blackrock's cash flow projections under the strong credit scenario. See slide 20.

<https://www.ncua.gov/Resources/Documents/QA-Corporate-Resolution-Costs-and-Assessments.pdf>



Schedule of Fiduciary Net Assets by Asset Management Estate (AME) - September 30, 2016

Preliminary and Unaudited (In Millions)	US Central ¹	WesCorp ¹	Members United	Southwest	Constitution	Total	
Fiduciary Assets							
Cash and Cash Equivalents	\$ 7.5	\$ -	\$ -	\$ -	\$ -	\$ 7.5	
Legacy Assets ²	855.0	225.7	70.9	91.4	18.2	1,261.1	See \$11.5 billion NRV on slide 9
Legacy Assets/Investments Collateralizing the NGNs ²	4,946.8	3,058.5	1,078.6	912.3	188.6	10,184.7	
Loans	11.6	16.0	59.3	-	-	86.9	
Receivable from AMEs	-	-	-	-	-	-	Gross recovery for RBS settlement
Other Fiduciary Assets	505.4	594.6	0.7	-	-	1,100.7	
TOTAL FIDUCIARY ASSETS	6,326.3	3,894.8	1,209.4	1,003.7	206.8	12,641.0	
Fiduciary Liabilities³							
Accrued Expenses and Payables	152.8	162.2	6.4	5.6	0.8	327.7	Accrued legal fees included in this line
NGNs	-	-	-	-	-	-	
Due to NGN Trusts ⁴	3,708.3	2,401.8	767.2	606.1	167.9	7,651.2	
Unsecured Claims	1.4	5.0	1.8	0.7	0.1	9.0	
Due to TCCUSF	742.8	4,439.5	169.7	(17.8)	41.5	5,375.7	See settlements receivable and receivable from asset management estates on slide 16
TOTAL FIDUCIARY LIABILITIES	4,605.2	7,008.5	945.1	594.5	210.3	13,363.6	
TOTAL FIDUCIARY NET ASSETS (LIABILITIES)	1,721.1	(3,113.7)	264.3	409.1	(3.5)	(722.6)	
Net collectible for Due to TCCUSF⁵	\$ 742.8	\$ 1,325.9	\$ 169.7	\$ (17.8)	\$ 38.0	\$ 2,258.6	

1. US Central and WesCorp assets and liabilities also include US Central Bridge and WesCorp Bridge, respectively. 2. Projected cash flows discounted by funding and market rates for securitized and un-securitized assets, respectively. 3. Does not include Stabilization Fund capital note to U.S. Central or depleted member capital. 4. Net of \$8.4 billion gross outstanding to NGN investors and \$0.7 billion of cash in NGN trusts. See \$7.7 billion net due to NGN investors on slide 9. 5. Includes \$57 million not included in Stabilization Fund net receivable amount on slide 16.

Schedule of Fiduciary Net Assets by Asset Management Estate (AME) - September 30, 2016

Preliminary and Unaudited (In Millions)	US Central	WesCorp	Members United	Southwest	Constitution	NGN Trusts	Consolidation Eliminations	Total
Fiduciary Assets								
Cash and Cash Equivalents	\$ 7.5	\$ -	\$ -	\$ -	\$ -	\$ 218.9	\$ -	\$ 226.4
Legacy Assets	855.0	225.7	70.9	91.4	18.2	-	-	1,261.2
Legacy Assets/Investments Collateralizing the NGNs	4,946.8	3,058.5	1,078.6	912.3	188.6	506.0	-	10,690.8
Loans	11.6	16.0	59.3	-	-	-	-	86.9
Receivable from AMEs	-	-	-	-	-	7,651.3	(7,651.3)	-
Other Fiduciary Assets	505.4	594.6	0.7	-	-	-	(1,100.0)	0.7
TOTAL FIDUCIARY ASSETS	6,326.3	3,894.8	1,209.5	1,003.7	206.8	8,376.2	(8,751.3)	12,266.0
Fiduciary Liabilities								
Accrued Expenses and Payables	152.7	162.2	6.4	5.6	0.8	15.9	(273.4)	70.2
NGNs	-	-	-	-	-	8,360.3	-	8,360.3
Due to NGN Trusts	3,708.3	2,401.8	767.2	606.1	167.9	-	(7,651.3)	-
Unsecured Claims	1.4	5.0	1.8	0.7	0.1	-	-	9.0
Due to TCCUSF	742.8	4,439.5	169.7	(17.8)	41.5	-	(826.6)	4,549.1
TOTAL FIDUCIARY LIABILITIES	4,605.2	7,008.5	945.1	594.6	210.3	8,376.2	(8,751.3)	12,988.6
TOTAL FIDUCIARY NET ASSETS (LIABILITIES)	\$ 1,721.1	\$(3,113.7)	\$ 264.4	\$ 409.1	\$ (3.5)	\$ -	\$ -	\$ (722.6)

For illustrative purposes only. See notes on slide 14.



Stabilization Fund Summary Balance Sheet

September 30, 2016

Preliminary and Unaudited (In Millions)	September 30, 2016
Assets	
Fund Balance with Treasury and Investments	\$ 320.0
Settlements Receivable*	826.6
Receivable from Asset Management Estates, Net	1,375.0
Other	2.8
Total Assets	\$ 2,524.4
Liabilities and Net Position	
Accounts Payable and Other Liabilities	\$ 2.1
Borrowings from U.S. Treasury	1,000.0
Insurance and Guarantee Program Liabilities	-
Net Position	1,522.3
Total Liabilities and Net Position	\$ 2,524.4

See net collectible for Due to TCCUSF on slide 14.

* Represents the net proceeds from the RBS settlement that flows through the asset management estates to repay a portion of what the estates owe the Stabilization Fund.

<https://www.ncua.gov/regulation-supervision/Documents/Reports/corporate-stabilization-fund-presentation-june-2016.pdf>
<https://www.ncua.gov/regulation-supervision/Pages/corporate-system-resolution/fund-net.aspx>



Stabilization Fund Summary Pro-forma Balance Sheet

September 30, 2016 - Assuming receipt of RBS settlement proceeds

Preliminary and Unaudited (In Millions)	September 30, 2016	
Assets		
Fund Balance with Treasury and Investments	\$ 146.6	←
Settlements Receivable	-	←
Receivable from Asset Management Estates, Net	1,375.0	
Other	2.8	
Total Assets	\$ 1,524.4	
Liabilities and Net Position		
Accounts Payable and Other Liabilities	\$ 2.1	
Borrowings from U.S. Treasury	-	←
Insurance and Guarantee Program Liabilities	-	
Net Position	1,522.3	
Total Liabilities and Net Position	\$ 1,524.4	

Summary of Near-Term Available Funds and Projected Obligations as of Q3 2016

	Amount (millions)
Post-securitized Legacy Asset Market Value	\$1,708
+Asset Management Estate Cash	\$8
+Stabilization Fund Cash	\$147
Total Currently “Available” Resources	\$1,863
+Additional Post-securitized Legacy Asset Market Value Dec. 2017	\$1,121
-Guarantor payment in Nov. 2017 (strong credit scenario)	\$452
Total Available by Jan. 2018	\$2,532
Projected Guarantor Payments on Outstanding NGNs after Nov. 2017 payment (strong credit scenario)	\$2,798

Total of
\$3.25
billion,
see slide
13

See slide 24 for a discussion of legal requirements related to the timing of any potential rebates of assessment and recovery for depleted capital.

PROJECTIONS FOR:

**STABILIZATION FUND
ASSESSMENT REBATE
AND
DEPLETED CORPORATE
CAPITAL RECOVERIES**

Projected Net Remaining Assessment Range¹ (Q3 2016)

	Credit Environment ²	
NGN Residual Disposition Method	Strong Credit Scenario	Weak Credit Scenario
With Residual Assets Monetized after NGN Maturities ³	-\$3.7B	-\$3.4B
Without Monetizing Residual Assets after NGN Maturities ⁴	-\$4.9B	-\$4.5B

¹ Point in time estimates. Amounts remaining once all other senior obligations met. Negative values represent a combination of assessment rebates and recoveries to capital holders.

² Defined by forecasted macroeconomic conditions including asset prepayment, default, and severity rates.

³ Future projected legacy asset cash flows discounted at forward interest rates at valuation date.

⁴ Assumes re-securitization or holding of legacy assets for maturing NGNs funded at NCUA Guaranteed Note rates.

<https://www.ncua.gov/Resources/Documents/QA-Corporate-Resolution-Costs-and-Assessments.pdf>

<https://www.ncua.gov/regulation-supervision/Pages/corporate-system-resolution.aspx>

<https://www.ncua.gov/regulation-supervision/Pages/corporate-system-resolution/resolution-costs.aspx>



Corporate System Resolution Costs¹

(in Billions)	Q3 2016
Total Projected Resolution Costs (gross)	\$8.7 to \$10.2
Legal Recovery Proceeds (net)	\$3.2
Total Projected Resolution Costs (net)	\$5.5 to \$7.0
Net Projected Loss to Stabilization Fund (after projected rebate)	\$1.6 to \$2.3
Net Projected Loss to Depleted Corporate Capital	\$3.9 to \$4.7
Projected Rebate on \$4.8 billion in Assessments Paid to Date	\$2.5 to \$3.2
Net Projected Recovery on \$5.6 billion in Depleted Corporate Capital	\$0.9 to \$1.7
Net Projected Remaining Assessments (see slide 20)²	-\$3.4 to -\$4.9

See the totals for column I on slides 28 and 29.

See the totals for column J on slides 28 and 29.

¹ Point in time estimates based on best available information. Does not include potential legal recoveries.

² Negative values represent a combination of assessment rebates and recoveries to depleted corporate capital holders.

<https://www.ncua.gov/Resources/Documents/QA-Corporate-Resolution-Costs-and-Assessments.pdf>, <https://www.ncua.gov/regulation-supervision/Pages/corporate-system-resolution.aspx>, <https://www.ncua.gov/regulation-supervision/Pages/corporate-system-resolution/resolution-costs.aspx>, <https://www.ncua.gov/regulation-supervision/Pages/corporate-system-resolution/legal-recoveries.aspx>



Stabilization Fund Summary Balance Sheet

September 30, 2016

Preliminary and Unaudited (In Millions)	September 30, 2016
Assets	
Fund Balance with Treasury and Investments	\$ 320.0
Settlements Receivable*	826.6
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Other	2.8
Total Assets	\$ 2,524.4
Liabilities and Net Position	
Accounts Payable and Other Liabilities	\$ 2.1
Borrowings from U.S. Treasury	1,000.0
Insurance and Guarantee Program Liabilities	-
Net Position	1,522.3
Total Liabilities and Net Position	\$ 2,524.4

* Represents the net proceeds from the RBS settlement that flows through the asset management estates to repay a portion of what the estates owe the Stabilization Fund.

<https://www.ncua.gov/regulation-supervision/Documents/Reports/corporate-stabilization-fund-presentation-june-2016.pdf>
<https://www.ncua.gov/regulation-supervision/Pages/corporate-system-resolution/fund-net.aspx>



Key Differences between Stabilization Fund Net Position and Projected Refund Range

Item		As of Q3 2016	Notes
Stabilization Fund Net Position	=	\$1,522	Balance Sheet. See slide 22.
Stabilization Fund claim for \$1 billion capital note to U.S. Central	+	1,000	Projected full recovery of capital note written off by Stabilization Fund, accounting rules require receipt of cash for recovery recognition in financial statements.
NGN Guarantee Fee	+	77	Projected NGN guarantee fees remaining over life of NGNs. Cannot be reflected by Stabilization Fund, accounting rules require income to be recognized as earned.
Discounting Methodology Difference	+	321	To reflect cash assessment or refund amounts rather than net present values, cash flows are not discounted between now and expiration of the Stabilization Fund.
Value Allocated to Depleted Corporate Capital Holders	+	1,430	Net Position only reflects value due to the Stabilization Fund. See range estimate of \$0.9 billion to \$1.7 billion on slide 21.
Projected Interest on Treasury Borrowings	-	1	Projected Treasury borrowing interest expense over expected term of outstanding borrowings. Not reflected by Stabilization Fund as accounting rules require cost to be recognized as incurred.
Net Potential Refund (Point estimate)	=	\$4,349	
Projected Range of Refunds (Includes Both Assessments and Depleted Corporate Capital)		\$3.4B \$4.9B	Range of projected refunds as shown on Corporate System Resolution Costs web page. Optimistic credit scenario on high end of refund range; pessimistic credit scenario and assets sales at market value on low end of refund range. See slides 20 and 21.

<https://www.ncua.gov/regulation-supervision/Documents/Reports/corporate-stabilization-fund-presentation-june-2016.pdf>
<https://www.ncua.gov/Resources/Documents/QA-Corporate-Resolution-Costs-and-Assessments.pdf>

Timing of Assessment Rebates and Depleted Corporate Capital Recoveries

- **In accordance with the Federal Credit Union Act, funds cannot be used for “assessment rebates” until:**
 - The Stabilization Fund is closed with residual assets going to the NCUSIF per 1790e(h)
 - Per 1782(c)(3), NCUSIF pays a dividend only if:
 - All loans from the federal government to NCUSIF have been repaid
 - Equity ratio exceeds normal operating level at end of succeeding calendar year
 - NCUSIF’s available asset ratio exceeds 1%
 - NCUA Board has discretion to close Stabilization Fund early per 1790e(h), but could create significant volatility for the NCUSIF equity ratio. See slide 40.
- **Depleted corporate capital recoveries**
 - Need to observe legal payout priorities – that is be able to satisfy all senior creditor obligations with certainty before recoveries can be distributed by the estates
 - All five estates projected to have senior creditor obligations, including to the Stabilization Fund via the guaranty on the NGNs, through June 2021

https://www.ncua.gov/Legal/Documents/fcu_act.pdf

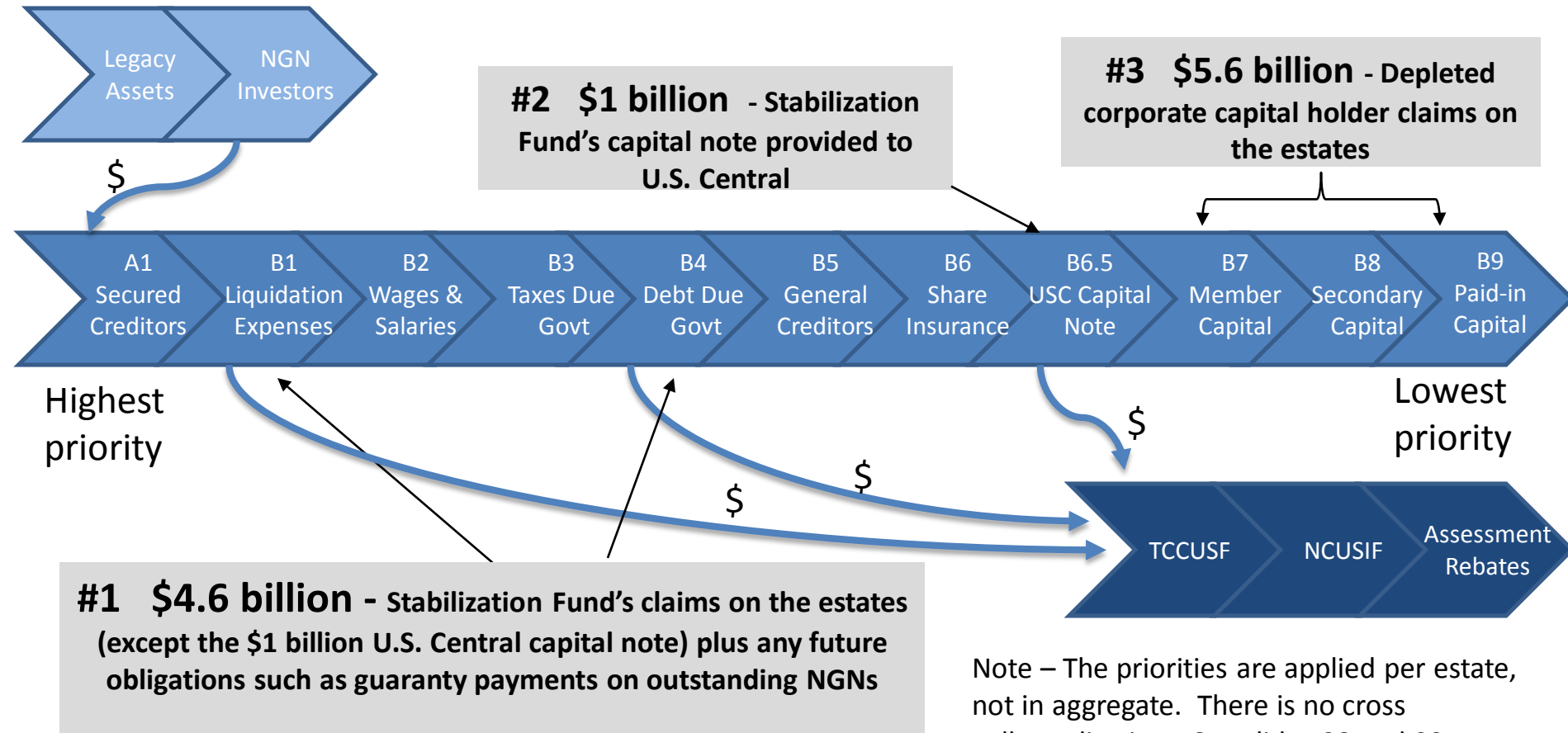


NCUSIF Dividend and Depleted Corporate Capital Recovery Bases

- **NCUSIF Dividend prorated based on insured shares at time of dividend. 1782(c)(3)**
- **Depleted corporate capital based on membership capital first prorated by claim amount, then paid in capital prorated by claim amount. Per Part 709 of NCUA regulations. See slide 26.**

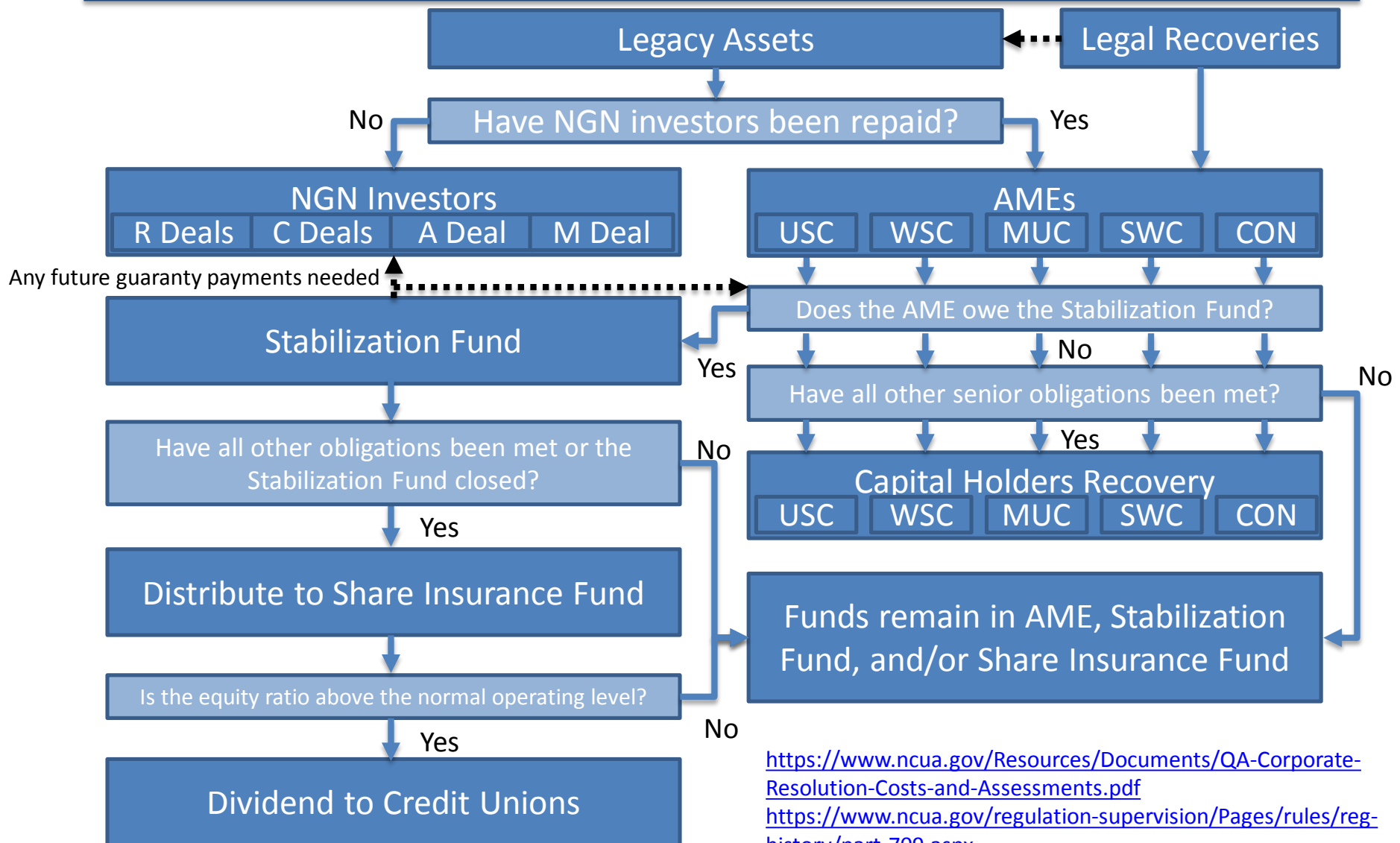
Asset Management Estate - Liquidation Payout Priorities

See Part 709 of NCUA Rules and Regulations



<https://www.ncua.gov/Resources/Documents/QA-Corporate-Resolution-Costs-and-Assessments.pdf>
<https://www.ncua.gov/regulation-supervision/Pages/rules/reg-history/part-709.aspx>

Legacy Asset Cash Flow Waterfall



<https://www.ncua.gov/Resources/Documents/QA-Corporate-Resolution-Costs-and-Assessments.pdf>
<https://www.ncua.gov/regulation-supervision/Pages/rules/reg-history/part-709.aspx>

Cash Flow Waterfall per Asset Management Estate – Low End¹

Payout priorities

Guaranteed

B1 and B4

B6.5 – U.S.
Central Capital
Note

B7 and B9

AME	A Net Realizable Value	B Funds Held by Trustee	C Total Legacy Asset Value [A + B]	D NGN Investor Balance	E Legacy Assets Minus NGN Balance [C - D]	F Outstanding Estate Borrowing from Stabilization Fund ²	G Additional Stabilization Fund Claims ³	H Total Due to Stabilization Fund [F + G]	I Projected Stabilization Fund Recovery [Min(E, H)]	J Projected Member Capital Recovery [Max(E - I, 0)]	K Percent Recovery of Depleted Capital
USC	5.6	0.3	5.9	4.0	1.9	0.4	1.0	1.4	1.4	0.5	20.2%
WSC	3.3	0.0	3.3	2.4	0.9	4.1	0.0	4.1	0.9	0.0	0.0%
MUC	1.1	0.2	1.3	1.0	0.3	0.2	0.0	0.2	0.2	0.1	19.7%
SWC	0.9	0.2	1.1	0.8	0.3	0.0	0.0	0.0	0.0	0.3	44.0%
CON	0.2	0.0	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Total	11.1	0.7	11.8	8.4	3.4	4.7	1.0	5.7	2.5	0.9	15.8%

See slide 21.

1. Generated using projected legacy asset cash flows that have not been realized. Actual cash flows could vary significantly from projections. Numbers may not add due to rounding. 2. Cash advances and accrued interest made by the Stabilization Fund to the AMEs that have not been repaid. Net proceeds of \$0.8 billion from RBS legal recoveries are included, thereby reducing the outstanding balance shown here. See the Due to TCCUSF line on slide 14 (which does not include \$0.1 billion of interest payable). 3. The \$1.0 billion capital note the Stabilization Fund provided to US Central.

<https://www.ncua.gov/Resources/Documents/QA-Corporate-Resolution-Costs-and-Assessments.pdf>



Cash Flow Waterfall per Asset Management Estate – High End¹

Payout priorities

Guaranteed

B1 and B4

B6.5 – U.S.
Central Capital
Note

B7 and B9

	A	B	C	D	E	F	G	H	I	J	K
AME	Net Realizable Value	Funds Held by Trustee	Total Legacy Asset Value [A + B]	NGN Investor Balance	Legacy Assets Minus NGN Balance [C - D]	Outstanding Estate Borrowing from Stabilization Fund ²	Additional Stabilization Fund Claims ³	Total Due to Stabilization Fund [F + G]	Projected Stabilization Fund Recovery [Min(E, H)]	Projected Corporate Capital Recovery [Max(E - I, 0)]	Percent Recovery of Depleted Capital
USC	6.0	0.3	6.3	4.0	2.3	0.4	1.0	1.4	1.4	0.9	49.2%
WSC	4.0	0.0	4.0	2.4	1.6	4.1	0.0	4.1	1.6	0.0	0.0%
MUC	1.2	0.2	1.4	1.0	0.4	0.2	0.0	0.2	0.2	0.3	36.2%
SWC	1.1	0.2	1.3	0.8	0.5	0.0	0.0	0.0	0.0	0.5	63.3%
CON	0.2	0.0	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.1%
Total	12.4	0.7	13.3	8.4	4.9	4.7	1.0	5.7	3.2	1.7	31.0%

See slide 21.

1. Generated using projected legacy asset cash flows that have not been realized. Actual cash flows could vary significantly from projections. Numbers may not add due to rounding. 2. Cash advances and accrued interest made by the Stabilization Fund to the AMEs that have not been repaid. Net proceeds of \$0.8 billion from RBS legal recoveries are included, thereby reducing the outstanding balance shown here. See the Due to TCCUSF line on slide 14 (which does not include \$0.1 billion of interest payable). 3. The \$1.0 billion capital note the Stabilization Fund provided to US Central.

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NGN GUARANTY PAYMENT FUNDING OPTIONS

Projected Maturities and Guaranty Payments for Outstanding NGN Series

NGN Deal / Series	Expected Investor Payoff Date	Projected Number of CUSIPs	Projected Unpaid Principal Balance of Collateral (\$M)	Projected NCUA Guarantor Payments (\$M)
NGN 2010-R2 1A	11/6/2017	109	709	452
NGN 2011-R4 1A	12/7/2017	102	877	0
NGN 2011-C1 1A	6/28/2019	0	0	0
NGN 2011-R1 1A	1/8/2020	50	553	211
NGN 2011-R2 1A	2/6/2020	73	507	207
NGN 2011-R3 1A	3/11/2020	35	243	118
NGN 2010-R1 1A	10/7/2020	34	567	309
NGN 2010-R2 2A	11/5/2020	81	678	649
NGN 2010-R3 3A	12/4/2020	9	69	0
NGN 2010-R3 1A	12/4/2020	62	501	431
NGN 2010-R3 2A	12/4/2020	59	545	495
NGN 2010-A1 1A	12/10/2020	18	202	175
NGN 2011-C1 2A	3/6/2021	9	81	57
NGN 2011-M1	6/14/2021	152	383	144
Total		793	5,914	3,250

Projected hard final maturity guarantor payments NCUA must make on outstanding NGNs.

<https://www.ncua.gov/Resources/Documents/QA-Corporate-Resolution-Costs-and-Assessments.pdf>



Summary of Available Funds (Q3 2016)

	Amount (millions)
Post-securitized Legacy Asset Market Value	\$1,708
+Asset Management Estate Cash	\$8
+Stabilization Fund Cash	\$147
Total Currently “Available” Resources	\$1,863
+Additional Post-securitized Legacy Asset Market Value Dec. 2017	\$1,121
-Guarantor payment in Nov. 2017	\$452
Total Available by Jan. 2018	\$2,532
Projected Guarantor Payments on Outstanding NGNs after Nov. 2017 payment	\$2,798

Funding Needs for NGN Guaranty Payments

Current projections indicate NCUA needs to raise at least \$1 billion through legacy asset sales or other means to fund the December 2020 and the 2021 guaranty payments. Guaranty payments prior to that point can be made with expected cash flows on securities held by the estates and from other sources (like the guaranty fee).

Projected Guaranty Payment Cash Needs	Amount (\$M)
Guaranty Payments through Nov. 2020	\$1,947
Guaranty Payments Dec. 2020 and 2021	\$1,303
= Guaranty Payment Total	\$3,250

NGN Series Maturity – Legacy Assets	Number of CUSIPs	Estimated Collateral Market Value (\$M)
Matured to Date	248	\$1,708
Matures between now and Nov. 2020	484	\$3,157
Total Pre-Nov. 2020	732	\$4,865
Post Nov. 2020 Maturity	309	1,258
Total	1,041	\$6,123

<https://www.ncua.gov/Resources/Documents/QA-Corporate-Resolution-Costs-and-Assessments.pdf>



Potential Funding Sources for Dec. 2020 and the 2021 Guaranty Payments

- Declaring a Stabilization Fund assessment
- Re-securitizing securities
- Selling securities from the NGN trusts about to mature
- Borrowing from NCUA's \$6 billion line of credit with the Treasury
- Using NCUSIF funds
- Selling legacy assets NCUA can actively manage*

* As well as using net proceeds from any additional legal recoveries.

<https://www.ncua.gov/Resources/Documents/QA-Corporate-Resolution-Costs-and-Assessments.pdf>



LEGACY ASSETS – INTERIM SALES CONSIDERATIONS

Role as Liquidating Agent

- NCUA's role as liquidating agent is to conduct an orderly liquidation, not function as a long-term asset manager trying to maximize return on a portfolio
- NCUA will not attempt to speculate with assets under management but seek a reasonable price upon which to liquidate assets while trying to minimize losses

Guiding Principles for Interim Disposition of Legacy Assets

Orderly liquidation in the context of the *temporary* Stabilization Fund and NGN program

- To the maximum extent possible, sell enough securities to satisfy remaining program obligations without needing to borrow from Treasury (through the Stabilization Fund), use funds from the Share Insurance Fund, or assess credit unions.
- Sell those securities, based on internal and external expert advice, that can be sold at a reasonable price without compromising legal efforts that have a chance of material recovery.

Criteria Categorization of 248 Securities NCUA Can Currently Sell

Criteria	Number and Market Value
Hold any securities with material legal recoveries still being pursued.	54 \$532 million
Hold any securities that are expected to mature (cash flow) in the near term – that is in less than 18 months. (includes the 10 securities within the 2010-C1 NGN trust)	17 \$424 million
Hold any securities that do not have a market value that constitutes a reasonable exit price.	25 \$57 million
Consideration of any idiosyncratic factors.	As warranted
Total Current Holds	96 \$1.0 billion
Total Current Sell Candidates	152 \$0.7 billion

Use of Sales Proceeds and Other Cash Flows Prior to Guaranty Payments

- Invest surplus funds in Treasury securities
 - Build up necessary funds to pay NGN hard final maturities in 2020 and 2021
 - Provide funding for contingencies, such as unexpected guaranty payments

Evaluate Closing Stabilization Fund Before 2021

Not a comprehensive list.

- **Benefits**

- Potential for earlier rebate of assessments and/or offset of any need for Share Insurance Fund premiums to obtain normal operating level
- Reduction in some long-term costs related to maintaining the Stabilization Fund separate from the Share Insurance Fund
- Achieve a perceived return to normal with respect to corporate crisis

- **Disadvantages**

- Initial cost of closing the Stabilization Fund and transferring outstanding obligations
- Increased potential volatility for the Share Insurance Fund's equity ratio
- Audit risk is no longer limited to the Stabilization Fund
- May reduce perceived transparency regarding the final net costs of the corporate system resolution

Corporate System Resolution References

- **Corporate System Resolution Costs** – <https://www.ncua.gov/regulation-supervision/Pages/corporate-system-resolution.aspx>
- **Legal Recoveries** – <https://www.ncua.gov/regulation-supervision/Pages/corporate-system-resolution/legal-recoveries.aspx>
- **Resolution Costs Detail** – <https://www.ncua.gov/regulation-supervision/Pages/corporate-system-resolution/resolution-costs.aspx>
- **Stabilization Fund Net Position** – <https://www.ncua.gov/regulation-supervision/Pages/corporate-system-resolution/fund-net.aspx>
- **Stabilization Fund Reports** – <https://www.ncua.gov/regulation-supervision/Pages/corporate-system-resolution/Stabilization-Fund-Reports.aspx>
- **Borrowing Costs** – <https://www.ncua.gov/regulation-supervision/Pages/corporate-system-resolution/borrow-cost.aspx>
- **FAQ** – <https://www.ncua.gov/regulation-supervision/Pages/corporate-system-resolution/frequently-asked-questions.aspx>
- **Q&A on Corporate Resolution Costs and Assessments** – <https://www.ncua.gov/Resources/Documents/QA-Corporate-Resolution-Costs-and-Assessments.pdf>
- **Glossary** – <https://www.ncua.gov/regulation-supervision/Pages/corporate-system-resolution/glossary.aspx>
- **TCCUSF Video** – https://www.youtube.com/watch?v=qhNI3sFju_g&index=1&list=PL--na5_QagEjOyOeGW5_UMj7nnBs5x0a6

NGN References

- **Background** – <https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes.aspx>
- **Timeline** – <https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes/timeline.aspx>
- **Transaction Details** – <https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes/transaction-details.aspx>
- **Glossary** – <https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes/glossary.aspx>
- **Overview** – <https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes.aspx>
- **Projected Legacy Asset Losses** – <https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes/legacy-asset-losses.aspx>
- **Performance Metrics** – <https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes/metrics.aspx>
- **FAQ** – <https://www.ncua.gov/regulation-supervision/Pages/guaranteed-notes/frequently-asked-questions.aspx>
- **TCCUSF Video** – https://www.youtube.com/watch?v=qhNI3sFju_g&index=1&list=PL--na5_QagEjOyOeGW5_UMj7nnBs5x0a6

Other References

- **Federal Credit Union Act** – https://www.ncua.gov/Legal/Documents/fcu_act.pdf
- **Section 709** – <https://www.ncua.gov/regulation-supervision/Pages/rules/reg-history/part-709.aspx>