

# NCUA CENTRAL LIQUIDITY FACILITY

OPERATING CIRCULAR 99-1:  
AGENT LENDING PROCESS

OCTOBER 1999



# NCUA CENTRAL LIQUIDITY FACILITY CIRCULAR 99-1

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## NCUA CENTRAL LIQUIDITY FACILITY AGENT LENDING PROCESS

### OVERVIEW

The National Credit Union Administration Central Liquidity Facility (“Facility”) was created by the National Credit Union Central Liquidity Facility Act. The Facility is a “mixed ownership Government corporation” within the National Credit Union Administration. It is an instrumentality of the Federal Government owned by its member credit unions and managed by the NCUA Board. The purpose of the Facility is to improve the general financial stability by providing credit unions with a source of loans to meet their liquidity needs and thereby encourage savings, support consumer and mortgage lending, and provide basic financial resources to all segments of the economy. CLF was created by Congress in 1979 because 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. Barriers to last-resort liquidity have changed favorably over time (e.g., credit unions who qualify may now borrow from the Federal Reserve discount window) but the CLF continues to be an important major back-up source of liquidity for both Federal- and state-chartered credit unions.

The purpose of this operating circular is to provide basic information regarding the lending procedures of the CLF with respect to its Agents. These procedures implement the basic framework provided in Title III of the Federal Credit Union Act (12 U.S.C. § 1795) and Part 725 of the NCUA Rules and Regulations (12 C.F.R. § 725).

All Facility advance applications will be reviewed by a designated Facility loan officer (FLO). Relevant contacts and phone numbers are provided in Appendix A. The *final* approval process for Facility advances is the direct responsibility of the Central Liquidity Facility which is administered within the NCUA Office of Capital Markets and Planning and managed by the NCUA Board. The following delegation and concurrence information applies to the final approval of all Facility advances:

Loan Characteristics	Delegated Authority	Concurring Officials Required
	CLF President	Regional Director/SSA
<b>\$0 &lt; Loan Amount &lt;= \$10 Million</b>	√	√
<b>Loan Amount &gt; \$10 Million</b>	<b>Must be approved by the NCUA Board</b>	
<b>Any Loan Maturity Longer than 2 Years</b>	<b>Must be approved by the NCUA Board</b>	

Operations for Facility advances and other matters dealing with the Facility are located on the seventh floor of NCUA’s central office at 1775 Duke Street in Alexandria, Virginia.

## 1. GENERAL BACKGROUND INFORMATION

To distinguish between the various “agent” terms used within this circular, the following descriptions are provided:

*Agent member* means a corporate credit union which is a member of the facility. This means that an Agent group representative is also referred to as an Agent member.

*Agent loan* means an advance of funds by an Agent to a member natural person credit union to meet liquidity needs which have been the basis for a Facility advance.

*Agent group* means an Agent member of the Facility consisting of a group of corporate credit unions, one of which is designated as the group’s “*Agent group representative*” (AGR) and is authorized to transact business with the Facility on behalf of the group or any member of the group.

*Agent group loan* means an advance of funds by an Agent group representative to a group member that has been funded by a Facility advance.

*CLF Agent* means a member of an Agent group.

*Member natural person credit union* means a natural person credit union which is a member of an Agent or of any corporate credit union in an Agent group. Member natural person credit unions are not members of the Facility unless they are also Regular members of the Facility.

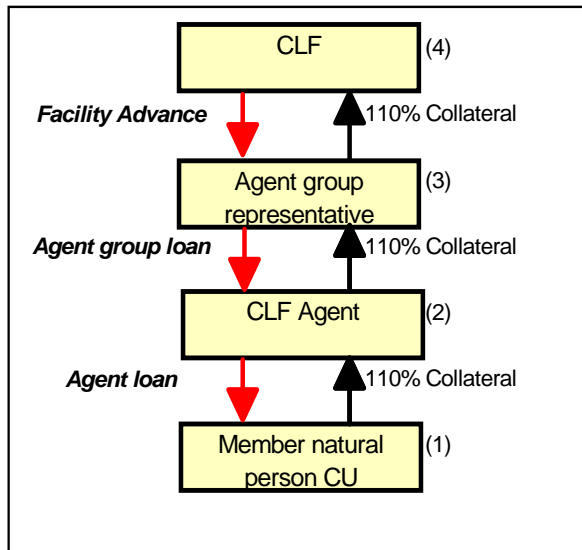
Agent members deal directly with the Facility, but their applications for Facility advances must be based on the demonstrable liquidity needs of the *member natural person credit unions* requesting the Agent loans.

When an Agent member receives an application from one of its member natural person credit unions for an advance of funds to meet liquidity needs, it will review the application, consider the applicant’s creditworthiness, approve or deny the loan, and submit a request for a Facility advance to CLF. If the Agent is a member of an Agent group (a CLF Agent), it will review the application, consider the applicant’s creditworthiness, approve or deny the loan and forward the request to its AGR who, in turn, submits the request to the CLF for a Facility advance. (See Appendix B for transaction flowchart).

The CLF only deals directly with the Agent member and does not have interaction with the natural person credit union which originates the underlying liquidity-need loan request<sup>1</sup>. Any Facility advance to an Agent member is a loan to that Agent. The Agent member is directly liable to the CLF for the repayment of the loan. The terms for repayment are prescribed in the Repayment, Security and Credit Reporting Agreement (see Appendix C) as provided for in 12 C.F.R. § 725.20. In the case of an AGR, this agreement is signed between CLF and the AGR only. A parallel lending agreement exists between the AGR and its members, the CLF Agents.

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<sup>1</sup> A natural person credit union member seeking a CLF-funded loan is subject to an analysis and potential supervision questions from the regional director and the state supervisory authority in the case of state or privately insured credit unions. This review is part of the standard process associated with evaluating an Agent request for funds as these parties must concur on approval of Facility advances for safety and soundness reasons.



**Agent Loan Transaction Flow:**

The chart to the left indicates the hierarchy of loan transactions when a liquidity loan is obtained by a member natural person credit union (1), from its CLF Agent (2), who, in turn, submits a request to its Agent group representative (3), who, in turn, submits a request for funds to the NCUA Central Liquidity Facility (4). Each transaction is a separate and distinct loan which is collateralized at each successive level by a first priority security interest in collateral of the credit union with a net book value of at least 110% of all amounts due.

(see Section 11. Collateral Requirements)

The following factors and considerations apply to Agent loans:

1. If the CLF Agent/Agent member approves the application, it can immediately apply to the AGR/Facility for an Agent group loan/Facility advance, or can make the loan out of its own funds.
2. If it makes the loan out of its own funds, the CLF Agent/Agent member can apply to the AGR/Facility for an advance at some subsequent time using the liquidity needs met by that loan as the basis for the application.
3. Any Agent loan to meet a natural person credit union's liquidity needs which serves as the basis for an application for an Agent group loan or Facility advance must:
  - a) Have been applied for in accordance with Facility application requirements;
  - b) Be consistent with the purpose and creditworthiness criteria set by the Facility; and
  - c) Be subject to the repayment, security and credit reporting terms prescribed by the Facility.
4. The CLF Agent/Agent member will set the interest rate it charges its member credit unions equal to the loan rate charged by the CLF on the corresponding Facility advance. However, an Agent can charge its member borrower a fee to cover the incidental costs of performing its role as an agent lender for the Facility.
5. CLF Agents/Agent members may base applications for funds on an individual application or loan, or on a package ("batch") of applications and/or loans.
6. Any advance of funds by a CLF Agent/Agent member to a member natural person credit union to meet liquidity needs which have been the basis for an Agent group loan/Facility advance are regarded to be "Agent loans" under 12 C.F.R. § 725.2 (c).
7. A loan by an agent might not be an "Agent loan" when initially made, but would become an "Agent loan" if an application to the AGR/Facility is subsequently based on it and the request for funds is approved and granted.

If the Facility reaches its own maximum borrowing limit and cannot fund additional Facility advance requests, it will immediately advise all Agent members that it is “full”. Thereafter, the Facility will keep all CLF Agents/Agent members informed, either directly or through their respective Agent group representative, on the status of the Facility’s available-funds situation so that each day, they will know whether to seek an Agent group loan/Facility advance for any new liquidity loan request(s) or to pursue other funding options.

## **2. REQUEST FOR FACILITY ADVANCES**

An Agent member may submit an application for a CLF advance in several different ways. To initiate an advance, an Agent member must communicate its intent to borrow and it can either:

1. Mail, courier, or otherwise hand-deliver a physical notice of intent to borrow (a completed *Agent Request For Funds* form);
2. Send a facsimile (fax) of an *Agent Request For Funds* form; or,
3. Call CLF directly by telephone and/or communicate by an electronic mail message (email) via the Internet of its intent to borrow and subsequently deliver an *Agent Request For Funds* form.

As indicated in option three above, emergency circumstances allow for a member’s Facility advance application to be verbal but a verbal request must be confirmed within five working days by delivering a complete application as required by 12 C.F.R. § 725.17 (c).

Prompted by liquidity loan requests from member natural person credit unions, a CLF Agent initially will generate an *Agent Request For Funds* form and forward it to the Agent group representative who, in turn, will complete the form and forward it to the CLF for final processing. All phone, fax and email requests must promptly be followed by delivery of the original complete application(s) to the Facility. Relevant contacts, phone numbers, addresses and related information are included in Appendix A.

## **3. REQUIRED DOCUMENTATION**

To be an Agent member, a corporate credit union must have an executed NCUA Central Liquidity Facility Repayment, Security and Credit Reporting Agreement on file with the Facility. To be a CLF Agent, a corporate credit union must complete an application to join an Agent group for which an AGR has executed a Repayment, Security and Credit Reporting Agreement on behalf of its Agent group members (see Appendix C for sample CLF documents).

1. To qualify for an advance of funds, an Agent member (typically the AGR) must submit to the CLF a completed *National Credit Union Central Liquidity Facility Agent Request for Funds* form (NCUA-7005), including all applicable authorized signatures. A CLF Agent/Agent member may batch a group of underlying loans into one request-for-funds amount using this form. Accordingly, an AGR may batch a group of underlying Agent group loan requests into one request-for-funds amount by attaching each of the corresponding *National Credit Union Central Liquidity Facility Agent Request for Funds* forms from the CLF Agents to the AGR request.

2. Any natural person credit union member who seeks to obtain a liquidity loan from a CLF Agent must sign a *Liquidity Need Loan Application* form (CLF-10) and return it to that CLF Agent. **An Agent member or CLF Agent may not obtain an Agent group loan/Facility advance and re-lend the funds to a natural person credit union member that has either not signed this application or has rescinded it.** All CLF Agents are encouraged to have authorized representatives of their member natural person credit unions sign these forms in advance of actual liquidity needs and return them to the agents so that they can maintain the forms in permanent records. It is the obligation of all CLF Agents to collect and maintain this information. The date that a *Liquidity Need Loan Application* was signed by the natural person credit union member is information that is requisite for the completion of a *National Credit Union Central Liquidity Facility Agent Request for Funds* form. The completed *Agent Request For Funds* form serves as the Agent's certification to the Facility that a *Liquidity Need Loan Application* is signed, in full force and effect, and physically on file at the corporate.

#### 4. LIQUIDITY NEED JUSTIFICATION

The only justification for a Facility advance is a liquidity need on the part of a *natural person credit union member*. The Agent member/CLF Agent may not approve an application for credit the intent of which is to expand credit union portfolios. This means, for example, that a liquidity need loan may not be used to fund new investments or new loan product offerings. Any Facility advance application from an Agent member must contain a certification that the originating liquidity-loan request meets the statutory and regulatory definition of "liquidity needs" as set forth in 12 U.S.C § 302 (1) and 12 C.F.R. § 725.2 (i). This requirement must be met by completing a *National Credit Union Central Liquidity Facility Agent Request for Funds* form; specifically by providing the appropriate letter code in column 2(D) of the form.

Again, it is recommended that CLF Agents maintain on file a completed *Liquidity Need Loan Application* for each of their natural person credit union members who have Agent loan privileges. This will better expedite Facility advance requests as the CLF Agent can input the application date on the *National Credit Union Central Liquidity Facility Agent Request for Funds* form without awaiting further action on the part of the natural person credit union member. However, the *Liquidity Need Loan Application* can still be processed and submitted at the time the *Agent Request for Funds* is prepared.

As part of the loan approval process, an *Agent Request for Funds* is subject to the concurrence of the regional director and the state supervisory authority in the case of state chartered credit unions. The supervision considerations have an important bearing upon the appropriateness of a loan request as a liquidity need may be symptomatic of an underlying safety and soundness concern (e.g., excessive dependence on borrowed funds, poor asset/liability management policies and practices, and/or uncontrolled asset growth). The respective supervision authorities are compelled to respond to liquidity scenarios that indicate a material financial weakness which has not previously been addressed. The Agent's internal analysis should identify areas of weakness and the Agent should advise the member natural person credit union borrower of any potential risk management concerns. Where warranted, the communication process should provide critical information to the borrowing credit union to develop a more effective and timely liquidity restoration plan (reducing the dependence on borrowed funds to a prudent level or eliminating it altogether).

## 5. CREDITWORTHINESS

The following credit standard guidelines are provided for background purposes. In those cases where the Facility has direct responsibility to make a credit underwriting decision, it considers various financial information to evaluate creditworthiness. This information includes, but is not limited to, the following:

1. Stated purpose of the loan;
2. Borrower's plan to repay the loan;
3. Borrower's current financial condition, based on information from such sources as Call Reports, and Financial Performance Reports (FPR);
4. Statutory limitations on borrowing.

The stated purpose of the loan is especially important since it relates to the statutory and regulatory "liquidity need" justification discussed in the previous section. In addition to the CLF President, the regional director and the state supervisory authority in the case of state chartered credit unions will also evaluate borrowing-need circumstances to make sure that the liquidity need is consistent with CLF's intended purpose and that the underlying reasons for the liquidity need at a member natural person credit union do not constitute grounds for a material safety and soundness concern.

FLOs will place greater emphasis and reliance upon information which is most current. They are not limited to base a credit decision solely upon a set list nor are FLOs required to collect *all* of the information referenced above before making a final recommendation (a best-effort will be made subject to availability of information).

Agent members/CLF Agents have a commensurate due-diligence obligation when they submit Agent member loan/Facility advance applications<sup>2</sup>. When it accepts an Agent loan application from a member natural person credit union to meet a liquidity need (which in turn serves as the basis for a Facility advance), a CLF Agent/Agent member has the responsibility to review the member's application, consider their creditworthiness, and approve or deny the loan. The Facility expects a CLF Agent/Agent member to perform a sound creditworthiness assessment by relying on similar appropriate financial information including the most recently available Call Report information.

While each borrower is subject to review through the concurrence process, the Facility will *not* conduct the same comprehensive independent credit evaluation it conducts of Regular members on the natural person credit union member whose loan application serves as the basis for an Agent group loan or Facility advance. Rather, the executed NCUA Central Liquidity Facility Repayment, Security and Credit Reporting Agreement between the CLF and the Agent member

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<sup>2</sup> § 725.18 (b) of the NCUA Rules and Regulations states that "prior to an Agent's approval of each application of a member natural person credit union for an extension of credit on which an application by the Agent to the Facility will be based, an Agent shall consider the creditworthiness of such member natural person credit union."



and the *National Credit Union Central Liquidity Facility Agent Request for Funds* form will collectively serve as the basis for the Facility to make a sound loan to the Agent member. However, the Facility does monitor certain key financial information and may choose to inquire of the Agent about the status of collateral supporting any underlying liquidity loan to a natural person credit union known to possess material uncreditworthy characteristics (discovered through information that may be obtained from existing records, regional office personnel, SSAs, the credit union, a press agent or any other third party). The regional director/SSA has a risk management responsibility to obtain a comfort level with the member natural person credit union borrower and an obligation where warranted to inquire about the underlying circumstances of the loan request.

A natural person credit union member which does not meet creditworthiness standards may be limited or denied the use of Facility advances to meet liquidity needs. A credit union that is denied a loan by the corporate because it is not deemed creditworthy should be referred to the appropriate NCUA Regional Director. Such credit unions may be considered for emergency Section 208 assistance (see 12 U.S.C. § 208 of the FCU Act) if the Regional Director determines that the liquidity need places the credit union “*in danger of failing*”. CLF Agents/Agent members should be mindful that a credit union that is *not* regarded to be in danger of failing will generally not qualify for this form of assistance. Section 208 Assistance, when granted, can include an NCUSIF guarantee to the corporate for a line of credit to the natural person credit union member.

Specific characteristics of an *uncreditworthy* credit union include, but are not limited to conditions listed in 12 C.F.R. § 725.18 (c). These include: insolvency as defined by Section 700.1(k); unsatisfactory practices in extending credit; lower than desirable reserve levels; high expense ratio; failure to repay previous Facility advances as agreed; excessive dependence on borrowed funds; inadequate cash management policies and planning; and, other relevant characteristics creating a less than satisfactory condition. The presence of one or more of these characteristics will not necessarily mean that a credit union will be considered uncreditworthy.

## **6. PRIORITY OF FACILITY ADVANCE REQUESTS**

Neither Title III of the FCU Act nor Part 725 of the NCUA Rules and Regulations provides for any borrower priority. All requests for a Facility advance are handled on a first-come, first-served basis regardless of membership type or loan amount.

## **7. PROCESSING TIME FOR FACILITY ADVANCES**

The NCUA Board is required to approve or deny any application for a Facility advance within five working days after receiving it per 12 U.S.C. §306 (a)(1). However, the Facility’s *goal* is to make a best-effort turnaround time on all Facility advances. A loan application will only be considered “in-process” when it is complete and has been officially logged by the Facility. Exceptions to this procedure must be approved by the CLF President and will only be considered in emergency circumstances. As a reminder, individual liquidity loan requests may be consolidated within the same *Agent Request For Funds* form. Aggregation of loans with the same settlement and maturity dates is encouraged.

## 8. SOURCES OF FACILITY FUNDS

The Facility has several sources of funds which it can use to fund Facility advances to its members. Limitations exist on the amount of funds available from each source. To balance its limitations on funding sources against its need to expeditiously respond to urgent and high priority requests, the Facility generally will seek to maintain a minimum (target) balance in its operating account while funding each new request for funds first with advances from the Federal Financing Bank (FFB). Each underlying loan which serves as the basis for an Agent request for funds will be match-funded by an FFB advance with the same settlement and payment characteristics. The target balance of the operating account will be maintained at a level determined by the Facility from time to time but not at a level that exceeds the sum of its retained earnings plus the paid-in stock subscriptions of its Regular members. If used to fund advances, the operating account will be replenished to its target level as soon as practicable. The operating account will be used as the primary *immediate* source of funds for borrowers who cannot afford the potential delay associated with an FFB-funded Facility advance (see table below).

**Delivery and Timing of Delivery of Advance Requests from FFB<sup>3</sup>**

<b>Requested Advance Amount</b>	<b>Advance Notice Requirement</b>	<b>Maximum Time Lag<sup>4</sup> (Business Days)</b>
Up to \$500 million	Request must be received on or before the <b>third</b> Business Day before the Advance date specified	3
Between \$500 million and less than \$2 billion	Request must be received on or before the <b>fifth</b> Business Day before the Advance date specified	5
Equal to or greater than \$2 billion	Request must be received on or before the <b>tenth</b> Business Day before the Advance date specified	10

Among the powers of the Board when acting on behalf of the CLF is the ability to borrow from any source, provided that the total face value of these obligations shall not exceed twelve times the subscribed capital stock and surplus of the Facility (see 12 U.S.C. §307(4)(a)). To mitigate the delay-of-funds risk from the FFB's potential timing of delivery of funds (the 3 to 10 day lag), the CLF has the flexibility to borrow from an alternative source to cover the lag period if the need for funds is immediate at the time of request. Such an arrangement would only be established in emergency circumstances where the amount of the request for funds exceeds the CLF's operating account balance.

See Appendix B for a chart of the Facility advance/Agent loan process.

<sup>3</sup> The Facility borrows funds from the FFB and is subject to the borrowing terms set forth in a Note Purchase Agreement between the FFB and NCUA. The "Delivery and Timing of Delivery of Advance Requests from FFB" provided in this table are a contractual feature of the Note.

<sup>4</sup> The FFB will make an advance as soon as practicable after the Advance Request is received but not later than the tenth business day when aggregate Advances outstanding exceed \$2 billion.

## 9. DISBURSEMENT OF FACILITY ADVANCES

Upon final approval of a request for a Facility advance, the Facility will either: deliver the funds to the AGR as indicated on line 3(A) of the *National Credit Union Central Liquidity Facility Agent Request for Funds* form; or, in the case where an Agent does not belong to an Agent group, deliver the funds to the Agent's requested account as indicated on line 3(B) of the *National Credit Union Central Liquidity Facility Agent Request for Funds* form.

To better simplify and accelerate the delivery process, the Facility prefers to expedite funding requests through an AGR, especially in the circumstance of a high volume and/or systemic demand for funds. The AGR mechanism permits two levels of consolidation to occur with respect to underlying member natural person credit union loans and thus, significantly reduces the burden on the Facility. However, corporate credit unions are not required to join an Agent group and no additional CLF privileges are conferred upon an Agent because they do or do not belong to an Agent group.

To fund a request, the Facility will either:

1. Obtain an advance from the Federal Financing Bank (FFB) and have the funds wired per the indicated delivery instructions on line 3 of the *Agent Request For Funds* form (typically a specified account with US Central); or,
2. Instruct US Central to charge the CLF operating account and credit the requested US Central account of the CLF Agent/Agent member (a book entry transfer on US Central's books).

## 10. RATES AND PAYMENTS ON FACILITY ADVANCES

To fund an Advance, the Facility may either borrow from any source or lend from its own readily available liquidity. All advances by the Facility to an Agent will reflect a loan rate based on the Facility's costs<sup>5</sup>. For example, loan rates from the FFB to CLF are presently based upon the current average market yield on outstanding obligations of the United States with remaining time to maturity of such loan. The FFB obtains its rate from the U.S. Treasury. The shortest Treasury maturity used by Treasury for pricing loans is the most recently auctioned 13 week Treasury (91 day T-Bills). Other sources of funds may be utilized by CLF and could result in a rate substantially different than the standard FFB arrangement.

The following provisions apply to Advances from the FFB to CLF used to fund Facility advances.

### Computation of Interest on FFB-funded Advances

- a) Interest on the outstanding principal of each Advance shall accrue from the date on which the respective Advance is made to the date on which such principal is due.
- b) Interest on each Advance shall be computed on the basis of (1) actual days elapsed from (but not including) the date on which the respective Advance is made to (and including) the date on which the payment of interest is next due; and (2) a 365 day basis.

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<sup>5</sup> Rates on Facility Advances may include a fee adequate to cover all Facility expenses and to provide for the accumulation of reasonable contingency reserves.

- c) The interest rate for each FFB advance shall be established by FFB, at the time the respective advance is made, on the basis of the determination made by the Secretary of the Treasury<sup>6</sup>; provided, however, that the shortest maturity used as the basis for any rate determination shall be the remaining maturity of the most recently auctioned 13-week United States Treasury bills.

Payment of Interest; Interest Payment Dates on FFB-funded Advances

- a) Interest accrued on the outstanding principal amount of each Advance shall be due and payable as follows:
- b) if the Maturity Date for the respective Advance is a date that occurs **on or before** that date which is 6 months after the date on which such Advance is made, interest shall be payable on such Maturity Date; and
- c) if the Maturity Date for the respective Advance is a date that occurs (1) **after** that date which is 6 months after the date on which such Advance is made, and (2) **on or before** that date which is 12 months after the date on which such Advance is made, interest shall be payable on that date which is 6 months before such Maturity Date (such date being the "Interest Payment Date" for the respective Advance) and on such Maturity Date.

Repayment of Principal

The outstanding principal amount of each Advance shall be due and payable on the Maturity Date for the respective Advance.

Refunding (rollover of an Advance).

CLF may reborrow (rollover) a part or all of a maturing Advance. Notice of intent to rollover all or part of an Advance must be given to FFB at least three business days before the new requested Advance date (3 business days prior to maturity). The new rate on the reborrowed amount will be set by FFB (Treasury) on the new Advance date.

Repurchases (prepayments of an Advance).

CLF may elect to repurchase (prepay) all or any portion of the outstanding principal amount of an FFB Advance. CLF must deliver to FFB written notification of each prepayment stating (1) the date of prepayment, and (2) the amount of principal of the respective Advance. A prepayment notice must be received by FFB five business days prior to the intended prepayment date. CLF shall pay FFB a prepayment amount equal to the sum of: (A) the price for such Advance that would, if such Advance (including all unpaid interest accrued through the intended prepayment date) were purchased by a third party and held to the originally scheduled maturity date, produce a yield to the third-party purchaser for the period from the date of repurchase to the originally scheduled maturity date substantially equal to the interest rate that would be set on a such a loan by the FFB (Treasury); and, (B) all unpaid late charges (if any) accrued on such Advance through the intended prepayment date. The prepayment amount shall be calculated by the Secretary of the Treasury as of the close of business on the second Business Day before the intended prepayment date. Minimum Repurchase amount is limited to \$100,000 of principal.

The CLF Agents and Agent group representative may make a prepayment in any amount at any time provided sufficient notice time is given (five business days). However, the Facility shall impose on any such prepayments, a prepayment cost equivalent to any resultant prepayment cost incurred by the Facility.

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<sup>6</sup> Pursuant to section 6(b) (12 U.S.C. § 2285(b)) of the Federal Financing Bank Act of 1973, as amended (12 U.S.C. § 2281 et seq.) (the "FFB Act").

In the event that any payment of any amount owing under the Facility advance is not made when and, as due, results in a late charge on a corresponding FFB advance, the late charge assessed by the FFB against CLF shall be in turn assessed against the credit union. Each payment under a Facility advance shall be made in immediately available funds by electronic funds transfer for credit to the CLF's operating account with US Central.

## **11. COLLATERAL REQUIREMENTS**

By regulation, each Facility advance and each Agent loan must be secured by a first priority security interest in assets of the borrowing natural person credit union. Such assets must have a net book value of at least 110% of all amounts due under the applicable Facility advance or Agent loan, or by guarantee of the National Credit Union Share Insurance Fund.

The Facility may accept as collateral for each Facility advance to an Agent member, a security interest in the Agent loans for which the Facility advance was made; provided however, that the collateral for such Agent loans meets the requirements of the preceding paragraph.

See also 12 CFR § 725.19 (a) and (c) and the *NCUA Central Liquidity Facility Repayment, Security And Credit Reporting Agreement* (see Appendix C-1).

## **12. CONFIRMATIONS**

Specific terms of a Facility advance, such as the date of the advance, amount of the advance, the interest rate, the principal repayment date or dates (if any), the principal amount due on each such principal repayment date (excluding interest), the interest payment dates (if any), and the maturity date will be specified in a confirmation to the Agent member at the time each advance is made.

## APPENDIX A-1

### CLF and National Credit Union Administration Contacts

<b>CENTRAL LIQUIDITY FACILITY</b> 1775 Duke Street Alexandria, VA 22314-3428 518-6391 <b>(703) 518-6429 FAX</b>	<b>OFFICE OF EXAMINATION AND INSURANCE</b> 1775 Duke Street Alexandria, VA 22314-3428 (703) 518-6360 (703) 518-6499 FAX	<b>OFFICE OF CORPORATE CREDIT UNIONS</b> 1775 Duke Street Alexandria, VA 22314-3428 (703) 518-6640 (703) 518-6439 FAX
<b>REGION I - ALBANY</b> 9 Washington Square Washington Ave. Extension Albany, NY 12205 (518) 862-7400 (518) 862-7420 FAX CT, ME, MA, MI, NH, NY, RI, VT	<b>REGION II - CAPITAL</b> 1775 Duke Street Suite 4206 Alexandria, VA 22314-3437 (703) 519-4600 (703) 519-4620 FAX DE, DC, MD, NJ, PA, VA, WV	<b>REGION III - ATLANTA</b> 7000 Central Parkway Suite 1600 Atlanta, GA 30328 (678) 443-3000 (678) 443-3020 FAX AL, FL, GA, IN, KY, MS, NC, PR, SC, TN, VI
<b>REGION IV - AUSTIN</b> 4807 Spicewood Springs Rd. Suite 5200 Austin, TX 78759-8490 (512) 342-5600 (512) 342-5620 FAX AR, IL, IA, KS, LA, MN, MO, NE, ND, OK, SD, TX, WI	<b>REGION V - TEMPE</b> 1230 West Washington Street Suite 301 Tempe, AZ 85281 (602)302-6000 (602) 302-6024 FAX AK, AZ, CA, CO, GU, HI, ID, MT, NV, NM, OR, UT, WA, WY	<b>AMAC -Asset Management &amp; Assistance Center</b> 4807 Spicewood Springs Rd, Suite 5100 Austin, TX 78759-8490 (512) 231-7900 (512) 231-7920 FAX

## APPENDIX A-1

### CLF Agent Group and Agent Member Contacts

<p>Thomas D. Bonds, President  <b>Corporate America</b> Credit Union            4365 Crescent Road            Irondale, AL 35210-1774            (800) 292-6242            (205) 313-4300 <b>FAX</b></p>	<p>Greg Moore, President/CEO  <b>Georgia</b> Central Credit Union            2400 Pleasant Hill Rd., Suite 300            Duluth, GA 30136            (770) 476-9704            (770) 476-1593 <b>FAX</b></p>	<p>David A. Savoie, President/CEO  <b>Louisiana</b> Corporate Credit Union            3500 North Causeway Blvd.,            Suite 1510            Metairie, LA 70002            (800) 421-7030            (504) 838-8822 <b>FAX</b></p>
<p>Peter Pritts, President  <b>First Corporate</b> Credit Union            2 North Central Avenue, Suite 700            Phoenix, AZ 85004            (602) 322-2466            (602) 322-2402 <b>FAX</b></p>	<p>Tom Kuehl, Manager  <b>Iowa</b> Corporate Central Credit Union            3737 Westown Parkway, Suite D            P.O. Box 8388            Des Moines, IA 50301            (515) 223-7390            (515) 226-7952 <b>FAX</b></p>	<p>Jane C. Melchionda, President  <b>Eastern</b> Corporate Federal Credit Union (EasCorp)            35 Corporate Dr.            Suite 300            Burlington, MA 01803            (781) 933-9950            (781) 933-6476 <b>FAX</b></p>
<p>Robert A. Siravo, President/CEO  <b>Western</b> Corporate Federal Credit Union (WesCorp)            924 Overland Court            San Dimas, CA 91773-1750            (909) 394-6300            (909) 394-6338 <b>FAX</b></p>	<p>Joseph Herbst, President/CEO  <b>Members-United</b> Corporate Federal Credit Union            4450 Weaver Parkway            Warrenville, IL 60555-3926            (630) 276-2600            (630) 276-2707 <b>FAX</b></p>	<p>Stephen A. Roy, CEO  <b>TRICORP</b> Federal Credit Union            2 Ledgeview Drive            Westbrook, ME 04092            P.O. Box 1429            Portland, ME 04104            (207) 761-0774            (207) 761-0873 <b>FAX</b></p>
<p>Thomas R. Graham, President/CEO  <b>Sun Corp</b> Corporate Credit Union            11080 Circle Point Road, Suite 500            Westminster, CO 80020            (720) 540-4600            (303) 428-6183 <b>FAX</b></p>	<p>Francis Lee, Manager/CEO  <b>U.S. Central</b> Federal Credit Union            9701 Renner Blvd., Suite 100            Lenexa, KS 66219            (888) 872-0440            (913) 227-6260 <b>FAX</b>  <i>Agent Group Representative</i></p>	<p>William Walby, President  <b>Central</b> Corporate Credit Union            20800 Civic Center Drive            P.O. Box 5092            Southfield, MI 48086-5092            (248) 351-2100            (248) 356-6965 <b>FAX</b></p>
<p>Robert T. Nealon, President/CEO  <b>Constitution</b> Corporate Federal Credit Union            P.O. Box 5024            Wallingford, CT 06492-7524            (203) 697-6000            (203) 294-6121/22 <b>FAX</b></p>	<p>Larry Eisenhauer, President/CEO  <b>Kansas</b> Corporate Credit Union            8615 West Frazier            Wichita, KS 67212            (800) 721-2677            (316) 722-2025 <b>FAX</b></p>	<p>Dennis DeGroot, CEO  <b>Missouri</b> Corporate Credit Union            2055 Craigshire Drive            St. Louis, MO 63146-4009            (314) 542-0555            (314) 542-1347 <b>FAX</b></p>
<p>Bill Birdwell, President  <b>Southeast</b> Corporate Federal Credit Union            P.O. Box 3008            Tallahassee, FL 32315-3008            (850) 576-3607            (850) 576-3714 <b>FAX</b></p>	<p>Jim Thompson, President  <b>Kentucky</b> Corporate Federal Credit Union            3615 Newburg Road            Louisville, KY 40218-3399            (502) 459-6110            (502) 459-8027 <b>FAX</b></p>	<p>James Hanson/CEO  <b>Vacorp</b> Corporate Federal Credit Union            107 Leroy Bowen Drive            Lynchburg, VA 24502            (434) 237-9640            (434) 239-8148 <b>FAX</b></p>

## APPENDIX A-1

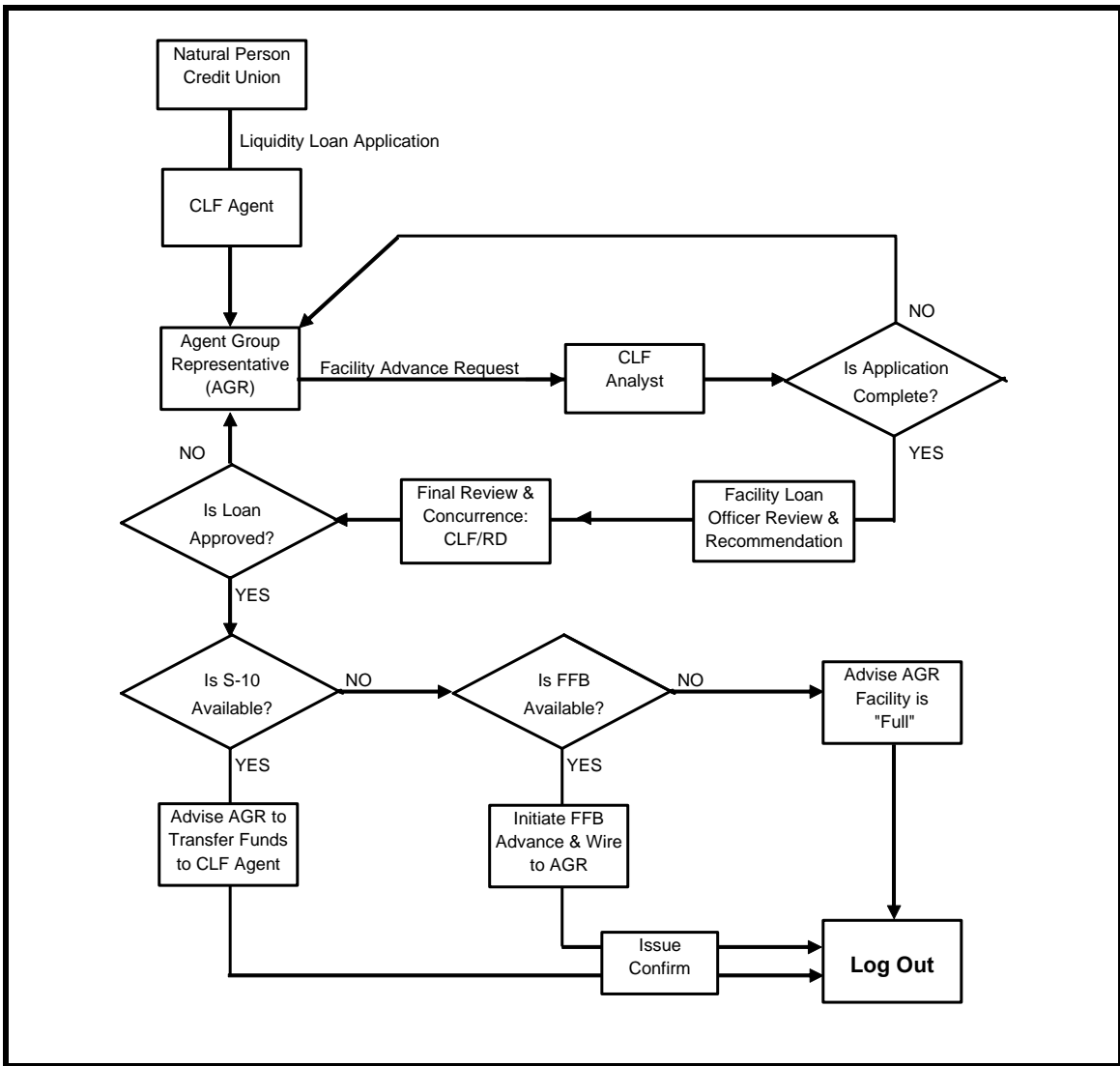
### CLF Agent Group and Agent Member Contacts

<p>Steve D. Howke, President/CEO  <b>Treasure State</b> Corporate Credit Union          1236 Helena Avenue          Helena, MT 59601-2990          (406) 442-9081          (406) 442-9085 <b>FAX</b></p>	<p>Edward Fox, President  <b>Mid-Atlantic</b> Corporate Federal Credit Union          1201 Fulling Mill Road          Middletown, PA 17057          (800) 622-7494          (717) 985-3435 <b>FAX</b></p>	<p>Robert Fouch, Manager/CEO  <b>Corporate Central Credit Union</b>          P.O. Box 469          Hales Corners, WI 53130-0469          (414) 425-5555          (414) 427-3700 <b>FAX</b></p>
<p>David W. Brehmer, President  <b>First Carolina</b> Corporate Credit Union          4160 Piedmont Parkway          P.O. Box 49379          Greensboro, NC 27419-1379          (800) 822-8859          (800) 828-0713 <b>FAX</b></p>	<p>Rick Veach, Acting President/CEO  <b>Volunteer</b> Corporate Credit Union          2460 Atrium Way          Nashville, TN 37214          (615) 232-7900          (615) 232-7999 <b>FAX</b></p>	<p>Charlie Thomas, Manager/CEO  <b>West Virginia</b> Corporate Credit Union          411 Cedar Grove Road          P.O. Box 209          Parkersburg, WV 26102-0209          (304) 485-4563          (304) 485-4503 <b>FAX</b></p>
<p>Doug Wolf, President/CEO  <b>Midwest</b> Corporate Federal Credit Union          P.O. Box 7250          Bismarck, ND 58507          (701) 258-5760          (701) 223-2654 <b>FAX</b></p>	<p>John Cassidy, President/CEO  <b>Southwest</b> Corporate Federal Credit Union          7920 Belt Line Road          Suite 1100          Dallas, TX 75254-8100          (972) 861-3000          (972) 861-3349 <b>FAX</b></p>	<p>Lee Butke, President  <b>Corporate One</b> Federal Credit Union          8700 Orion Place          Columbus, OH 43240          (800) 282-2560          (614) 825-9202 <b>FAX</b></p>



# APPENDIX B-1

## AGENT LOAN PROCESS



**NCUA CENTRAL LIQUIDITY FACILITY REPAYMENT, SECURITY AND CREDIT REPORTING AGREEMENT  
(Agent Member)**

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 (Corporate Credit Union Name)
 

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 Charter /Insurance Certificate Number
 

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 City
 

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 State
 

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### PARTIES

(1) **Effective date.** This agreement is between the National Credit Union Central Liquidity Facility (hereinafter "the Facility") and a corporate credit union which is an Agent member of the Facility (hereinafter "the Agent"). This agreement becomes effective when signed by the Agent and the Facility. This agreement shall remain in effect as long as the Agent is a member of the Facility or there is any unpaid repayment obligation created hereunder between the Agent and the Facility.

(2) **Facility rules and regulations, etc.** All advances of Facility funds to the Agent are subject to this agreement and to all applicable terms and conditions in the National Credit Union Central Liquidity Facility Act, rules and regulations prescribed by the NCUA Board on behalf of the Facility, and operating circulars issued by the Facility, including all amendments and supplements thereto. The Agent shall perform each of the obligations imposed on it by any such term or condition.

### REPAYMENT

(3) **Confirmation.** In connection with each advance of Facility funds to the Agent, the Facility shall issue a confirmation of credit (hereinafter the "confirmation") which shall be sent to the Agent. The confirmation may be issued before or after the date of the advance and shall be in such form and sent in such manner as may be determined by the Facility. The confirmation shall specify:

- (i) the date of the advance;
- (ii) the amount of the advance;
- (iii) the interest rate;
- (iv) the principal repayment date or dates, if any;
- (v) the principal amount due on each such principal repayment date (excluding interest);
- (vi) the interest payment date or dates, if any;
- (vii) the maturity date; and
- (viii) the pending and outstanding loans from the Agent to its member natural person credit unions which are the basis for the Facility advance (hereinafter "Agent loans"), including the principal amount or principal balance of each such loan, the name of the natural person credit union which has applied for or received the loan, and the type or types of liquidity needs that are being met by the loan (i.e., short-term adjustment credit, seasonal credit, or protracted adjustment credit.)<sup>7</sup>

The confirmation may also specify the method of payment that must be used by the Agent to pay the Facility on each principal payment date, each interest payment date, and the maturity date. A confirmation may be combined with other information, including other confirmations, in a listing or other form of communication. More than one advance of Facility funds may be included, with or without other funds, in a single transfer of funds from the Facility to the Agent. The principal repayment dates, the principal amount due on each such principal repayment date, and the interest payment dates may be specified in the confirmation by reference to other dates or amounts.<sup>8</sup>

(4) **Repayment obligation.** When the Agent receives an advance of Facility funds, a repayment obligation is created (herein a "repayment obligation created hereunder") whereby the Agent, for value received, agrees:

- (i) to pay to the Facility on each principal repayment date an amount equal to the principal amount due on such principal repayment date; and
- (ii) to pay the Facility on each interest payment date an amount equal to unpaid interest from the date of the advance through such interest payment date; and
- (iii) to pay the Facility on the maturity date an amount equal to the unpaid balance of the amount of the advance, if any, plus unpaid interest from the date of the advance through such maturity date; and
- (iv) if the principal amount due on any principal repayment date is not paid on or before such a date, to pay the Facility:
  - (a) reasonable expenses of collection, including the reasonable attorney's fees and expenses incurred, plus
  - (b) a late principal payment charge equal to 2% of such principal amount, plus
  - (c) interest after such date through the maturity date on the unpaid balance of such principal

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that term is used herein, when the Agent receives a Facility advance which is based in full or in part on such loan. It ceases to be an Agent loan, as that term is used herein, when the repayment obligation created hereunder by the advance is paid in full to the Facility.

<sup>8</sup> For example, a confirmation may specify dates and amounts as follows: "principal repayment dates" are eight business days after each date on which the Agent receives one or more principal payments on Agent loans listed in the confirmation; the "principal amount due on each such principal payment date" is the aggregate amount of such principal payments received by the Agent on the Agent loans; and "interest payment dates" are twelve business days after the end of each calendar month.

<sup>7</sup> An advance of Facility funds may be based on a single pending or outstanding loan. A pending or outstanding loan becomes an "Agent loan", as

- amount at the interest rate specified on the confirmation,<sup>9</sup> and
- (v) if the unpaid interest due on any interest payment date or the maturity date is not paid on or before such date, to pay the corporate credit union:
    - (a) reasonable expenses of collection, including the reasonable attorney's fees and expenses incurred, plus
    - (b) a late interest payment charge equal to 20% of such unpaid interest; and
  - vi. if the amount due on the maturity date is not paid on or before the maturity date, to pay the Facility
    - (a) reasonable expenses of collection, including the reasonable attorney's fees and expenses incurred, plus
    - (b) a late principal payment charge equal to 2% of the unpaid balance of the amount of the advance, as due on the maturity date, plus
    - (c) interest after the maturity date on the unpaid balance of the overdue principal amount at the overdue interest rate specified in this agreement.

As used herein, unless the context otherwise requires, the date and amount of the advance, the interest rate, the principal repayment dates, the principal amount due on each such principal repayment date, the interest payment dates, and the maturity date are the dates, amount and rate specified as such in the confirmation issued by the Facility in connection with the advance; the overdue principal amount used for determining interest after the maturity date is equal to the unpaid balance of the amount of the advance, as due on the maturity date, plus unpaid interest from the date of the advance through the maturity date plus the unpaid balance of any late principal and interest payment charges payable through the day after the maturity date; and the overdue interest rate is the higher of the following two rates, namely, the interest rate specified in the confirmation or the highest interest rate set by the Facility for Facility advances to any party on the maturity date. Interest from the date of the advance through the maturity date shall be determined hereunder as follows, using the interest rate specified in the confirmation: interest shall accrue each day on the unpaid balance of the amount of the advance, and the unpaid interest from the date of the advance through any date shall be equal to all accrued interest through such date less the portion of such accrued interest that has been paid prior to such date.<sup>10</sup>

The Agent may make a prepayment in any amount at any time. When the unpaid balance of the amount of the advance is reduced as a result of a prepayment, the principal amount due on the next succeeding principal repayment shall be

reduced by an amount equal to the reduction in the unpaid balance of the amount of the advance. If any amount due on any interest payment date or the maturity date includes an amount that has previously been subjected to a late principal payment charge or a late interest payment charge under subparagraphs (4)(iv) or(4)(v) hereof, the amount used for computing any late interest payment charge or late principal payment charge on the amount due on such date shall exclude the amount that has previously been subjected to such a charge under subparagraphs (4)(iv) or(4)(v) hereof. The Facility may waive any part or all of the interest, late principal payment charge, late interest payment charge or overdue interest. Each payment on a repayment obligation created hereunder, including a prepayment thereon, shall be applied as follows to the amounts payable under the repayment obligation: if the payment is made on or before the maturity date, it shall be applied first to the unpaid balance of any late principal and interest payment charges payable through the time of the payment, then to any unpaid interest that was not paid when due, then to the unpaid balance of any principal amount that was not paid when due, then to any unpaid interest that is due at the time of the payment, then to the unpaid balance of any principal amount that is due at the time of the payment, then to the remaining unpaid balance of the amount of the advance, and then to the remaining unpaid interest; if the payment is made after the maturity date, it shall be applied first to unpaid interest on the overdue principal amount and then to the unpaid balance of the overdue principal amount. If the amounts owed to the Facility on all repayment obligations created hereunder become immediately due and payable under the terms of paragraph (11) hereof, the maturity date of each such repayment obligation, as used herein, is the earlier of the following two dates, namely

- the date such amounts became immediately due and payable, or
- the date specified as the maturity date in the confirmation issued by the Facility in connection with the advance that created the repayment obligation.

The Agent member may make a prepayment in any amount at any time provided, however, that the Facility shall impose on any such prepayment, a prepayment penalty equivalent to any resultant prepayment penalty or cost incurred by the Facility.

### RELENDING

(5) **Basis for Facility advance.** In connection with each advance of Facility funds to the Agent:

- (i) The Agent's application for the Facility advance must be filed on a Facility-approved application form, or pursuant to any other method approved by the Facility, and must be based on the following:
  - (a) one or more applications to the Agent by its member natural person credit unions for pending loans to meet liquidity needs; or
  - (b) one or more outstanding loans previously made by the Agent to its member natural person credit unions to meet liquidity needs; or

<sup>9</sup> Under paragraph (11) of this agreement, the full amount owed to the Facility at maturity will become immediately due and payable, unless otherwise determined by the Facility, if the Agent fails to pay the amount due on any principal; repayment date or any interest payment date. In such case, the late payment charges and overdue interest rate specified in subparagraphs (4)(v) and (4)(vi) hereof would apply to the full amount owed to the Facility.

<sup>10</sup> The number of days used for computing accrued interest shall exclude the date of the advance and shall include the date through which the accrued interest is being computed.

- (c) such other demonstrable liquidity needs as the NCUA Board may specify; or
- (d) a combination of such applications, loans and other liquidity needs.<sup>11</sup>

Unless approved by the Facility, the Agent shall not file an application for a Facility advance based on any application, outstanding loan or liquidity need of any credit union which became a member natural person credit union of the Agent after February 23, 1980, until such credit union has been a member natural person credit union of the Agent for six months. The restriction in the preceding sentence does not apply to any credit union which was chartered within six months before becoming a natural person credit union of the Agent or which had access to the Facility either as a Regular member or through another Agent within six months before becoming a member natural person credit union of the Agent.

- (ii) Each such application to the Agent by a member natural person credit union for a pending loan (hereinafter a "pending loan") must have been submitted to the Agent on a Facility-approved application form, or pursuant to any other method approved by the Facility, and must have been approved by the Agent, provided that the Agent's approval may be conditioned on the Facility's approval of the Agent's application to the Facility.
- (iii) Each such outstanding loan previously made by the Agent to a member natural person credit union (hereinafter an "outstanding loan") must have been applied for on a Facility-approved application form, or pursuant to any other method approved by the Facility, and must have been approved by the Agent.
- (iv) In determining whether to approve each such pending or outstanding loan, the Agent must have given due consideration to the creditworthiness of the member natural person credit union in accordance with the requirements prescribed in the regulations and operating circulars of the Facility.
- (v) The aggregate principal amount of such pending loans plus the aggregate principal balance of such outstanding loans must be equal or exceed the amount of the Facility advance requested in the Agent's application to the Facility.
- (vi) Except as otherwise approved by the Facility, the Agent's application for the Facility advance must contain the following information with respect to each pending or outstanding loan:
  - (a) the name of the member natural person credit union which has applied for or received the pending or outstanding loan;
  - (b) the type or types of liquidity needs that are being met by the pending or outstanding loan (i.e., short-term adjustment credit,

seasonal credit, or protracted adjustment credit);

- (c) the principal amount if the pending loan, or the principal balance of the outstanding loan;
- (d) if a pending loan, the date or dates the pending loan is expected to be advanced to the member natural person credit union, and the amount that is expected to be advanced on each such date;<sup>12</sup>
- (e) the interest rate on the pending loan or outstanding loan;
- (f) the type of repayment requirement that applies to the pending or outstanding loan (i.e., fixed term or scheduled repayment), and the date and amount of each principal payment that is required to be paid to the Agent on the pending or outstanding loan;
- (g) a description of any security interest which the Agent has granted in the pending or outstanding loan to any party other than the Facility, including the name of the party, the amount secured, the other types of assets, if any, that are also subject to the security interest, and a statement as to whether the security interest is perfected or unperfected; and
- (h) such additional information as may be required by the Facility or in the Facility-approved application form.

The information required with respect to each such pending or outstanding loan may be combined with other information, including information relating to other loans, in copies of the Agent's records, in a listing, or in such other form as may be approved by the Facility.

- (vii) Each such pending or outstanding loan must be subject to an agreement between the Agent and the member natural person credit union whereby the member natural person credit union agrees to the repayment, security and credit reporting terms prescribed by the Facility for Agent loans.<sup>13</sup>

- (viii) If the amount of any advance on any such pending loan is not advanced to the member natural person credit union on or before the date the amount was expected to be advanced, as stated in the Agent's application for the Facility advance or in any subsequent report to the Facility, the Agent shall submit a report to the Facility not later than five business days after such date. The report shall state the

<sup>12</sup> Ordinarily, a pending loan should be fully advanced to the member natural person credit union within ten (10) business days after the Agent receives the Facility advance.

<sup>13</sup> A copy of such terms is attached to this agreement. A pending or outstanding loan is subject to such terms if the credit union has signed or agreed to such terms and if the loan was made solely to meet liquidity needs and was specified by the Agent as a "qualified liquidity loan" at the time the loan was made. "Agent loans" are defined as subparagraph (3)(viii) of this agreement.

<sup>11</sup> Each such pending or outstanding loan must be a "qualified liquidity loan" subject to the repayment, security and credit reporting terms prescribed by the Facility for Agent loans. See subparagraph (5)(vii) of this agreement.

reason the amount was not advanced on such date and shall specify the date the amount was advanced or is expected to be advanced.

Within eight business days after the Agent receives any principal payment on an Agent loan, the Agent shall report such principal payment to the Facility. The report shall identify the Agent loan and shall show the date and amount of the principal payment.

- (ix) The Agent shall promptly notify the Facility of any default on any Agent loan.
- (x) All Agent loans shall have the status of general intangibles under the Uniform Commercial Code, and no promissory note or similar writing shall be signed or apply with respect to any such loan.<sup>14</sup>
- (xi) Except as otherwise permitted by the Facility, the principal amounts owed to the Agent on all Agent loans shall, at all times, equal or exceed the principal amounts owed by the Agent to the Facility on all repayment obligations created hereunder. If the principal amounts owed to the Agent on Agent loans to any one natural person credit union at any time exceed 10% of the subscribed capital stock and surplus of the Facility, the security interests granted to the Agent as security for such Agent loans shall be perfected by the Agent to the extent necessary to maintain a perfected security interest in collateral having a value equal to or greater than such excess.

(6) **Records.** The Agent shall maintain a separate account or record for each member natural person credit union to which Agent loans have been made. The separate account or record shall identify each Agent loan and show all amounts advanced and repaid on such loan. If records maintained by the Facility for Agent loans are used by the Agent as its record of such loans, no additional account or record needs to be maintained by the Agent with respect to such loans.

(7) **Agent loan agreement.** The Agent shall comply with all terms and conditions imposed on the Agent in the repayment, security and credit reporting terms prescribed by the Facility for Agent loans.

### SECURITY

(8) **Collateral.** As security for all repayment obligations created hereunder, whenever created, the Agent grants a security interest in favor of the Facility in the following property, whenever acquired (hereinafter "the collateral"):

- (i) All repayment obligations from member natural person credit unions to the Agent, whenever created, arising out of loans that constitute Agent loans to such credit unions; and

- (ii) the security interests granted to the Agent by such credit unions as security for such repayment obligations.

(9) **Perfection.** The Facility shall have the right at any time to perfect the security interest granted hereunder with respect to any part or all of the collateral. Perfection shall be by filing in accordance with the filing requirements for general intangibles under the Uniform Commercial Code and other applicable laws. The Agent shall sign a financing statement and such other papers as may be appropriate for filing and shall pay all necessary filing fees. To the extent requested by the Facility, the Agent shall perfect the security interests granted to the Agent by natural person credit unions as security for Agent loans.

(10) **Transfer Restriction.** Except as approved or permitted by the Facility, the Agent shall not sell or otherwise transfer the collateral or grant a security interest in the collateral to any party other than the Facility. The Facility may subordinate or terminate its security interest in any part or all of the collateral subject to such terms and conditions as the Facility may impose.

(11) **Acceleration and default.** Except as otherwise determined by the Facility, the amounts owed to the Facility on all repayment obligations created hereunder shall become immediately due and payable to the Facility, without any demand or notice, upon:

- (i) the failure of the Agent to perform any of its obligations under this agreement, including failure to pay the amount due on any principal repayment date, interest payment date or maturity date under any repayment obligation created hereunder; or
- (ii) the failure of the Agent to pay any other obligation to the Facility when due; or
- (iii) the failure of the Agent to comply with the terms of any undertaking, statement or representation made by the Agent to the Facility in any application, certification or other communication; or
- (iv) the insolvency of, or appointment of a trustee or receiver for, the Agent; or
- (v) an assignment for the benefit of creditors of the Agent, or
- (vi) the closing or suspension or revocation of the charter of the Agent, or the taking possession of its business, by any governmental authority; or
- (vii) the withdrawal of the Agent from membership in the Facility.

The occurrence of any of the events described in subparagraphs (11)(i) through (11)(vii) hereof shall constitute a default under this agreement. The term "insolvency" in subparagraph (11)(iv) hereof has the same meaning as in 12 CFR 700.1(j)(1). The facility may waive a default under this agreement and may reinstate the maturity date or any principal payment date, or interest payment date on any repayment obligation created hereunder which becomes immediately due and payable as a result of any such default.

(12) **Enforcement.** Upon the occurrence of a default under this agreement, or at any time thereafter, the Facility shall have all the rights and remedies provided under the

<sup>14</sup> Under subparagraph (5)(vii) of this agreement, the repayment, security and credit reporting terms prescribed by the Facility for Agent loans must apply to all Agent loans, and they do not constitute a "promissory note or similar writing", as those terms are used herein.

Uniform Commercial Code and under this agreement, including but not limited to any one or more of the following: the Facility may, in its own name, or in the name of the Agent.

- (i) notify member natural person credit unions to make payments to the Facility on any one or more of the repayment obligations of such credit unions which constitute the collateral under this agreement;
- (ii) collect the amounts due on any one or more of such repayments obligations of such credit unions by any available judicial procedure;
- (iii) enforce the security interests granted by any such credit unions as security for such repayment obligations;
- (iv) exercise all the rights and remedies of the Agent with respect to such security interests, including enforcement of such security interests by any available judicial procedure; and
- (v) sell or otherwise dispose of any one or more of such repayment obligations of such credit unions, together with the security interests securing such repayment obligations, at public or private proceedings.

The proceeds of such repayment obligations of such credit unions, including the proceeds of the sale or other disposition thereof, shall be applied by the Facility first to the reasonable expenses of collecting such proceeds and of selling such repayment obligations of such credit unions, including the reasonable attorneys' fees and legal expenses incurred, and then to the payment of amounts due on all repayment obligations created hereunder. Any surplus then remaining shall be paid or returned to the Agent. If there is a deficiency, the Agent shall be liable for the deficiency. If the Facility is indebted to the Agent, the Facility shall have the right to set-off such indebtedness against all amounts due the Facility on all repayment obligations created hereunder, without regard to when such indebtedness may be due and payable.

#### CREDIT REPORTING

- (13) **Required reports.** The Agent shall file such reports and provide such information as may be required by the Facility from time to time.

#### CONSTRUCTION, MODIFICATION AND MISCELLANEOUS

(14) **Governing law.** This agreement shall be construed under and governed by the law of the Commonwealth of Virginia, including the Uniform Commercial Code as adopted and amended from time to time by the Commonwealth of Virginia. All references to the Uniform Commercial Code in this agreement are to such Code as adopted and amended from time to time by the Commonwealth of Virginia. Unless the context of this agreement requires otherwise, the terms used in such Code shall have the same meaning when used in this agreement. Unless the Uniform Commercial Code or the context of this agreement requires otherwise, the terms defined in the rules and regulations prescribed by the NCUA Board on behalf of the Facility shall have the same meanings when used in this agreement.

(15) **Modification procedures.** This agreement may be modified from time to time by the NCUA Board. Any such modifications shall be published in the Federal Register and shall be mailed to the Agent at the address shown for the Agent in the records of the Facility. The modification shall become a part of this agreement as of the effective date specified in the Federal Register, provided that the effective date specified in the Federal register shall not be less than 30 days after the required publication and mailing unless

- (i) the modification is limited to the reduction or elimination of any one or more of the obligations imposed on the Agent by any term or condition of this agreement, or
- (ii) the NCUA Board makes a finding that an earlier effective date is necessary, and the finding is included in the require publication and mailing.

Written data, views or arguments concerning the modification may be submitted by the Agent to the Facility at any time up to five days before the effective date specified in the Federal Register. The modification shall apply to all advances of Facility funds after such effective date. All such modifications are a part of this agreement, including modifications that occurred prior to the signing of this agreement. Operating circulars issued by the Facility may include interpretive rules and statements of policy with respect to the terms and conditions of this agreement but may not modify any such terms or condition. Without modification of this agreement, the Facility may waive any part or all of any obligation imposed on the Agent by any term or condition of this agreement, and the Facility may reinstate any part of all of any such obligation previously waived by the Facility.

(16) **Filing Location.** Unless otherwise directed by the Facility, all applications, reports, notifications and other communications from the Agent to the Facility shall be filed with a Facility lending officer.

(17) **Disclaimer of agency relationship.** Except as specifically authorized by the Facility, no agency relationship exists between the Facility and the Agent, and the term "Agent" is not intended to imply any such relationship.

(18) **Agent compensation.** The Facility shall compensate the Agent for the services it performs for the Facility as a result of the obligations imposed on the Agent by this agreement. Compensation shall be determined and provided by the Facility in accordance with any rules and regulations prescribed by the NCUA Board on behalf of the Facility and in accordance with operating circulars issued by the Facility. Subject to such rules and regulations and operating circulars, the following factors shall be taken into account by the Facility in determining and providing compensation to the Agent:

- (i) the additional expenses that are incurred by the Agent as a result of the obligations imposed on the Agent by this;
- (ii) the income that is earned by the Agent on Agent loans; and
- (iii) such other factors, if any, as the NCUA Board may deem relevant.

**NATIONAL CREDIT UNION ADMINISTRATION  
CENTRAL LIQUIDITY FACILITY**

Accepted by:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
Date Accepted:

(19) **Delegation restriction.** Except as authorized or permitted in this agreement by the Facility, the rights and obligations of the Agent under this agreement may not be transferred or delegated by the Agent. The Agent is permitted to use the data processing services of other parties to process the accounts and records that they are required to maintain under this agreement.

(20) **Severability.** This agreement shall be severable. The invalidity of any term or condition of this agreement shall not invalidate the remainder of this agreement, and each term and condition of this agreement shall be fully enforceable regardless of the validity of any other term or condition of this agreement.

\_\_\_\_\_  
Print or Type Corporate Credit Union Name

by\*

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
Chief Elected Official

\_\_\_\_\_  
(Print or Type Official's Name and Title)

\*

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
Treasurer

\_\_\_\_\_  
(Print or Type Treasurer's Name)

\_\_\_\_\_  
(Date of Execution of this Agreement)

\*Must be signed by both the Chief Elected Official and the Treasurer

**PART A - GENERAL INFORMATION**

Items 1 thru 10 are designed for computer data entry. Please do not use more than the allotted number of characters. (The number in parenthesis after each title block of each item is the total number of allowed characters including spaces for that item.)

- 1. \_\_\_\_\_  
Credit Union Name (35)
- 2. \_\_\_\_\_  
Street Address (35)
- 3. \_\_\_\_\_  
City (20) State (2) Zip Code (5)
- 4. \_\_\_\_\_  
Charter/Insurance Certificate Number (5)
- 5. \_\_\_\_\_  
Contact Person (30)
- 6. \_\_\_\_\_  
Telephone Number (10)
- 7. \_\_\_\_\_  
Application Date (10)
- 8. Insurance Status: a.  Federally Insured b.  State Program c.  Uninsured
- 9. \_\_\_\_\_  
Name of Share Insurance Program NCUA Use Only
- 10. Local Depository Information
  - a. \_\_\_\_\_  
Depository Name (35)
  - b. \_\_\_\_\_  
Street Address (35)
  - c. \_\_\_\_\_  
City (20) State (2) Zip Code (5)
  - d. \_\_\_\_\_  
ABA Routing Number (9)
  - e. \_\_\_\_\_  
Account Number (15)

11. Computation of six month arithmetic average of paid-in and unimpaired capital and surplus of member credit unions shall be accomplished by the Facility using the method described in the instructions. The Facility will inform the applicant of its required stock subscription at the time the applicant is approved as an Agent member.

**PART B - TYPE OF MEMBERSHIP DESIRED**



**Direct Agent Membership**

- (1) The above name corporate credit union hereby applies for direct Agent membership in the NCUA Central Liquidity Facility (the "Facility").
- (2) We hereby subscribe to capital stock in an amount equal to one-half of one percent of the paid-in and unimpaired capital and surplus of all natural person credit unions which are members of this corporate credit union and are not Regular members of the Facility. The amount of this capital stock subscription is based upon an arithmetic average of the paid-in and unimpaired capital and surplus over the six months preceding the date of this application. Upon approval of this application, we will remit to the Facility funds equal to one-half of this initial stock subscription.



**Agent Group Membership**

- (1) The above name corporate credit union hereby applies for Agent membership in the Facility. As part of the below listed corporate credit union group:

\_\_\_\_\_  
Corporate Credit Union Group Name

- (2) We hereby subscribe to capital stock in an amount equal to one-half of one percent of the paid-in and unimpaired capital and surplus of all natural person credit unions which are members of this corporate credit union and are not Regular members of the Facility. The amount of this capital stock subscription is based upon an arithmetic average of the paid-in and unimpaired capital and surplus over the six months preceding the date of this application. Upon approval of this application, we will remit to the Facility funds equal to one-half of this initial stock subscription.

\_\_\_\_\_  
Agent Group Representative Name

- (3) We have informed the above name Agent Group Representative of our intent to seek Agent membership as part of it and have furnished the group with a listing of all the natural person credit unions that are members of this corporate credit union.
- (4) We hereby subscribe to capital stock of the Facility in an amount equal to one-half of one percent of the paid-in and unimpaired capital and surplus of all natural person credit unions which are members of a corporate credit union belonging to the corporate credit union group and are not Regular members of the Facility or have access to the Facility through another Agent member. The amount of this capital stock subscription is based upon an arithmetic average of the paid-in and unimpaired capital and surplus over the six months preceding the date of this application. Upon approval of this application funds equal to one-half of this initial stock subscription shall be forwarded to the Facility by the agent group representative.



<b>PART C - AGENT MEMBERSHIP AGREEMENTS AND SUPPORTING DOCUMENTS</b>
--

1. The above named corporate credit union hereby applies for Agent membership in the Central Liquidity Facility (the "Facility") as provided in Title III of the Federal Credit Union Act, and in consideration of the granting of Agent membership hereby agrees:
  - a. To comply with the requirements of Title III of the Federal Credit Union Act and any regulations and reporting requirements which are prescribed for Agent members by the NCUA Board pursuant thereto.
  - b. To permit such examinations as in the judgment of the NCUA Board may from time to time be deemed necessary.
  - c. To permit the NCUA Board or its designee to have access to any information or report with respect to any examination made by or for any public regulatory authority, including any commission, board, or authority having supervisory responsibility over this corporate credit union, and furnish such additional information with respect thereto as the NCUA Board may require.
  - d. To permit the NCUA Board or its designee to have access to all records and information concerning the affairs of this corporate credit union related to Facility activity and to furnish such information pertinent thereto that the Board may require.
  - e. To cause to be made, on an annual basis, a third party independent audit of corporate credit union's books and records and provide the Facility with copies of such audit, if requested.
  - f. To maintain records related to Facility activity in conformance with requirements prescribed by the NCUA Board from time to time.
  - g. To hold in confidence all information furnished by the Facility and to disclose such information only when and to the extent authorized by the Facility.
  - h. To hold in confidence all information furnished to the corporate credit union or credit union group in its role as an Agent of the Facility by any state regulatory authority or share insurance agent and to disclose such information only when and to the extent authorized by the Facility.
  
2. The following required supporting documents are attached.
  - a. Copies of our financial and statistical reports for the most recent month-end, including but not limited to:
    1. Balance Sheet (The number and dollar amount of shares and loans to member credit unions must be disclosed separately from the number and dollar amounts of shares and loans to natural person credit unions.)
    2. Statement of Income and Expense
    3. Delinquent loan report showing the number and dollar amount of delinquent loans by delinquent categories (2 months to less than 6 months, 6 months to less than 12 months, 12 months and over, or such other categories as may be required by the state regulatory authority.)
  - b. A listing of all those natural person credit unions that are members of this corporate credit union (or in the case of a credit union group, members of a corporate credit union belonging to the group), the charter/insurance number, the name and address of the natural person credit union.
  - c. A copy of our credit union's charter and bylaws (not required for Federal credit unions).

**PART D - CERTIFICATIONS AND RESOLUTIONS**

We, the undersigned, certify to the correctness of the information submitted. In support of this application we submit the Schedules described below:

Schedule No.

Title

\_\_\_\_\_  
(Signature) Chief Elected Official

\_\_\_\_\_  
(Print or Type Officers Name)

\_\_\_\_\_  
(Signature) Treasurer

\_\_\_\_\_  
(Print or Type Treasure's Name)

**CERTIFICATIONS AND RESOLUTIONS**

\_\_\_\_\_  
(Corporate Name of Credit Union)

\_\_\_\_\_  
(City)

\_\_\_\_\_  
(State)

We certify that we are the duly elected and qualified president (chief elected official) and secretary of said credit union and that at a properly called regular or special meeting of its board of directors, at which a quorum was present, the following resolutions were passed and recorded in its minutes:

"Be it resolved that this credit union apply for Agent membership in the National Credit Union Central Liquidity Facility as provided in Title III of the Federal Credit Union Act."

"Be it further resolved that the president (chief elected official) and treasurer be authorized and directed to execute the APPLICATION AND AGREEMENTS FOR AGENT MEMBERSHIP IN THE NCUA CENTRAL LIQUIDITY FACILITY and any other papers and documents required in connection therewith and to pay all expenses and do all such things necessary or proper to secure and continue such membership."

"Be it further resolved that the president/chairman or vice president/vice chairman and treasurer or assistant treasurer (or their successors as authorized by resolution) are authorized to execute notes and applications for advances from the National Credit Union Central Liquidity Facility in such amounts as may be authorized from time to time by the board of directors of this credit union."

\_\_\_\_\_  
(Signature) Chief Elected Official

\_\_\_\_\_  
(Print or Type Officers Name)

\_\_\_\_\_  
(Signature) Secretary, Board of Directors

\_\_\_\_\_  
(Print or Type Secretary's Name)

**APPENDIX C-3  
NATIONAL CREDIT UNION CENTRAL LIQUIDITY FACILITY  
AGENT REQUEST FOR FUNDS**

1. Complete the appropriate borrower information (see form instructions on page two):

**1-A)** Request submitted by Agent Group Member: \_\_\_\_\_ Approved By: \_\_\_\_\_  
(name of CLF Agent) (authorized representative signature of Member of Agent group) (date)

Through Agent Group Representative (AGR): \_\_\_\_\_ Approved By: \_\_\_\_\_  
(name of AGR) (authorized representative signature of AGR) (date)

**Or:**

**1-B)** Request submitted by Agent Member directly to the CLF \_\_\_\_\_ Approved By: \_\_\_\_\_ **1-C) Application date:** \_\_\_\_\_  
(name of CLF Agent) (authorized representative signature of Agent Member) (date) (date submitted to CLF)

2. Complete the following liquidity-need loan information table (attach additional tables as necessary):

**Underlying Liquidity-Need Loan(s) To Natural Person Credit Union Members Serving As The Basis For The Request For Funds**

A	B	C	D	E	F	G	H	I	J	K	L	M	N
Loan #	Name of Natural Person Credit Union Member	ID #: Charter, Insurance, or Other	Liquidity Loan Need Type (A, B or C)	Amount of Existing Loan Being Converted to an Agent Loan (\$)	Amount of Any New Agent Loan (\$)	Total Amount of Funds Requested (E+F)	Est. Collateral Amt. (\$000)	Collateral: Securities-A Shares-B Loans-C Other-D Blanket-E	Have you perfected a security interest (Y/N)?	Date Funds Needed	Maturity Date of Loan	Term of Loan (days)	Liquidity Need Loan Application Date
1													
2													
3													
4													
5													
6													
7													
8													
9													
10													
						<b>Total Funds</b>							

3. Complete the appropriate funds delivery information:

**Money Transfer Instructions For Approved Advance:**

Routing & Transit # (ABA)      Depository Institution's Name      Account Number

A) Standard delivery instructions for Agent Group Representative			
B) Delivery instructions for CLF Agent			

**APPENDIX C-3****NATIONAL CREDIT UNION CENTRAL LIQUIDITY FACILITY  
AGENT REQUEST FOR FUNDS****FORM INSTRUCTIONS:**AGENT MEMBER INSTRUCTIONS:

1. Provide the name of the CLF Agent (corporate credit union) that is requesting funding for a loan and have an authorized representative of the institution sign/date the form on the applicable "approved by" line. Use line 1-A if you are a member of an Agent group or 1-B otherwise. If you are submitting the request directly to CLF, complete the date information on line 1-C.
2. Complete the Agent loan information table (column descriptions below). You may batch the underlying loans (the liquidity-need loans to natural person credit union members that serve as the basis for the request) into one request-for-funds amount. You may submit an extended form by attachment when the number of underlying loans exceeds the 10 lines provided in this table. Please ensure that attached extended forms contain the same detailed information and presentation format as this table.

Column	Instructions For Completion of Liquidity Loan(s) Information Table
A	Number given to the respective underlying loan making up the total request for funds.
B	Provide the name of the natural person credit union member requesting the liquidity loan from the CLF Agent.
C	Provide the Federal charter number, the insurance number (or other identifier if non-federally insured) of the natural person credit union member requesting the liquidity loan from the CLF Agent.
D	Provide the type of liquidity need as set forth in 12 U.S.C. §302 (1) and 12 C.F.R. §725.2 (i) with the letter code of A, B or C. "A" relates to a short-term adjustment credit; "B" relates to a seasonal credit ; and "C" relates to protracted adjustment credit available in the event of unusual or emergency circumstances of a longer term nature.
E	If applicable, provide the amount of existing loan(s) previously funded by the corporate that is being converted to funding from an Agent loan or Agent Group loan.
F	If applicable, provide the amount of any new liquidity-need loan to be funded by an Agent or Agent Group loan.
G	Provide the total amount of funds requested (add the amounts of column E and F).
H	Provide the par/book amount of collateral supporting the Agent loan (leave blank if using a blanket lien).
I	Provide the specific type(s) of collateral pledged by the natural person credit union member to the Agent member to secure the liquidity-need loan. Use any of the letter codes that apply. A= investment securities; B= member shares at the corporate; C= natural person credit union loans to members; D= other assets; and, E= blanket lien on the assets.
J	Indicate, with a Yes or No, whether you have perfected a security interest in the collateral.
K	Provide the date that the funds are needed (the advance date).
L	Provide the maturity date of the requested Agent or Agent Group loan (the date the funds will be repaid to CLF).
M	Indicate the exact number of days the Agent or Agent Group loan is outstanding (the term of the advance).
N	Provide the date of the signed <i>Liquidity Need Loan Application</i> (completed by the natural person credit union member) on file with the CLF Agent. This form must be signed and in full force and effect at the time a Facility advance is made. If a natural person credit union member rescinds this agreement the Facility may not advance funds to the Agent to be relent to that institution.

3. Provide the CLF Agent's funds delivery information on line 3B.

Upon completion, deliver the Agent Request For Funds form to your Agent Group Representative (if applicable) or directly to the Central Liquidity Facility for further processing. If you are not submitting an Agent Request For Funds through an AGR, forward the signed original of each Agent Request For Funds form directly to the Facility and maintain a copy for your records.

AGENT GROUP REPRESENTATIVE INSTRUCTIONS:

1. Complete the information for lines 1-A and 1-C.
2. Check the liquidity-need loan information table on line 2 and the funds delivery information on line 3-B for completeness.
3. Complete the appropriate funds delivery information on line 3-A.

You may batch individual Agent Request For Funds forms from different CLF Agents into one request for funds amount but you must include the underlying Agent Request For Funds form(s) that serve as the basis for the AGR request with *your* application. Forward all Agent Request For Funds form(s) to the Central Liquidity Facility for final processing. Send a signed copy of each Agent Request For Funds form to the Agent member, maintain a copy for your records and forward the original to the Facility.

# APPENDIX C-4

OMB Control Number: 3133-0155 Expiration Date: 7/31/2010

## LIQUIDITY NEED LOAN APPLICATION (Multi-Source Funding)

This Liquidity Need Loan Application is made this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by \_\_\_\_\_ (Credit Union, we, us, or our) a (circle one): federal state-chartered credit union primarily serving natural persons. In support of this application, Credit Union represents and agrees as follows:

1. Credit Union is a member of \_\_\_\_\_, a corporate credit union (Corporate).
2. Credit Union has one or more written credit or loan agreements, promissory notes, and security agreements (collectively, Credit Agreements) with Corporate. From time to time, Credit Union may request an advance under a Credit Agreement to meet liquidity needs as that term is defined in Section 302(1) of the Federal Credit Union Act, 12 U.S.C. §1795a(1).
3. We understand that Corporate, either as a member of the National Credit Union Administration Central Liquidity Facility (CLF or Facility) or as a member of an Agent Group (also called, Group) that is a member of the CLF, may request a Facility advance from the CLF to fund an Agent loan to meet our liquidity needs. We understand that the terms Facility advance and Agent loan used in this application have the meanings provided in §725.2(c) of NCUA's regulations.
4. We understand and agree that Corporate, in its sole discretion, may access one or more sources of funding to provide a requested credit extension to meet our liquidity needs, including but not limited to, a Facility advance.
5. We agree to provide Corporate with any information needed to support a request for a Facility advance to fund an Agent loan to us.
6. If a Facility advance is made to fund a credit extension to us, we understand and agree that the requested credit extension will be an Agent loan. We also understand and agree that any such Agent loan will be subject to the repayment, security and credit reporting terms prescribed by the CLF for Agent loans and that all parties to the Facility advance have consented and agreed to be bound by these terms. A copy of these terms, to which we also consent and agree to be bound, is attached as Exhibit A to this application.

\_\_\_\_\_  
Signature of Authorized Representative  
of Credit Union

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

CLF-10  
08/01/99

Repayment, Security and Credit Reporting Terms Applicable to  
Facility Advances for an Agent Loan to a Natural Person Credit Union

**Definitions.** Terms used in this exhibit have the same meaning as used in the Liquidity Need Loan Application unless otherwise defined in this exhibit.

**Acknowledgment and Consent.** Credit Union agrees to be bound by the terms in this exhibit if an extension of credit under a Credit Agreement with Corporate is made in the form of an Agent loan for liquidity needs.

We also agree that the terms of this exhibit are supplemental to the provisions of the Credit Agreements. In the event of any inconsistency between the terms of the Credit Agreements and the terms in this exhibit, we agree the terms of this exhibit will control. Credit Union acknowledges that the terms of this exhibit may be changed by the National Credit Union Administration from time to time as provided in §§ 725.20 and 725.21 of NCUA's regulations. Any changes will apply to Facility Advances made after the effective date of the publication of the changes in the Federal Register as provided in §725.21 of NCUA's regulations.

**Confirmation.** In connection with each Agent loan, Corporate must send a confirmation of credit to the Credit Union. The confirmation must specify that the advance is made for liquidity needs and subject to the repayment, security and credit reporting terms prescribed by the CLF for Agent loans. The confirmation must also disclose all material terms of the Agent loan.

**Repayment Obligation.** In connection with each Agent loan and as specified in the confirmation, Credit Union agrees that we are obligated:

(1) to pay to Corporate on each principal repayment date an amount equal to the principal amount then due; and

(2) to pay to Corporate on each interest payment date an amount equal to unpaid interest from the date of the Agent loan through such interest payment date; and

(3) to pay to Corporate on the maturity date an amount equal to the unpaid balance of the amount of the Agent loan, if any, plus unpaid interest from the date of the advance through the maturity date; and

(4) if the principal amount due on any principal repayment date is not paid on or before such date, to pay Corporate, as may be provided in the Credit Agreement:

(A) reasonable expenses of collection, including the reasonable attorney's fees and expenses incurred, if any; plus

(B) late principal payment charges, if any; plus

(C) interest after such date through the maturity date on the unpaid balance of such principal amount at the interest rate specified in the confirmation, if any; and

(5) if the unpaid interest due on any interest payment date or the maturity date is not paid on or before such date, to pay Corporate, as may be provided in the Credit Agreement:

(A) reasonable expenses of collection, including the reasonable attorney's fees and expenses incurred, if any; plus

(B) a late interest payment charge, if any; and

(6) if the amount due on the maturity date is not paid on or before the maturity date, to pay Corporate, as may be provided in the Credit Agreement:

- (A) reasonable expenses of collection, including the reasonable attorney's fees and expenses incurred, if any, and a late principal payment charge, if any; plus
- (B) interest after the maturity date on the unpaid balance of the overdue principal amount at the rate specified in the confirmation.

**Security Obligation and Collateral.** As security for all repayment obligations to Corporate for Agent loans, the Credit Union has granted a first priority security interest in favor of Corporate in certain property, whenever acquired (Collateral), as described in and in accordance with the Credit Agreements. Credit Union acknowledges and agrees that the value of Collateral for all Agent loans will be at all times at least equal to 110% of the outstanding amount of such Agent loans. Corporate will have the right at any time to perfect any security interest granted in the Collateral. As security for all repayment obligations to CLF for Agent loans made to Credit Union, Corporate has granted a security interest in the Collateral in favor of CLF.

**Enforcement.** If Credit Union defaults under any Agent loan and at any time while a default continues, Corporate will have all the rights and remedies provided under the Credit Agreements and the Uniform Commercial Code, including acceleration.

**Credit Reporting Obligation.** Credit Union agrees to file such reports and provide such information as may be required by Corporate or CLF from time to time.