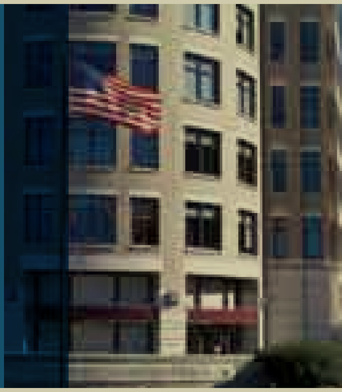
National Credit Union Administration



NCUA's mission is to facilitate available credit union service to all eligible consumers, especially those of modest means, through a regulatory environment that fosters a safe, sound credit union system.

2006
Annual
Report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2006 Financial Highlights

NCUA Operating Fund

Operating fee revenue	$63.6	million
Interest and other income	2.4	million
Total revenue	66.0	million
Expense budget	150.8	million
Actual expenses	141.4	million
Expenses transferred to Share Insurance Fund	80.6	million
Operating Fund expense	60.8	million
Net income	5.1	million
Operating Fund balance	24.0	million

National Credit Union Share Insurance

Total revenue	$266.2	million
Operating expense	82.1	million
Insurance expense	2.5	million
Net income	181.6	million
Reserve for losses	70.2	million
Fund balance	7.0	billion
Equity ratio (Fund balance as percentage of insured deposits)	1.30	percent

Central Liquidity Facility

Net income before dividends and interest on deposits	$78.0	million
Dividends and interest on deposits	78.0	million
Net income after dividends and interest on deposits	0.0	million
Total assets	1.57	billion
Retained earnings	11.4	million
Capital stock	1.54	billion

Federally Insured Credit Unions

Number of credit unions	8,362	
Total assets	$709.9	billion
Total insured shares	534.2	billion
Total loans	494.3	billion
Net worth to assets	11.5	percent
Share growth	4.1	percent
Ratio of loans shares	82.23	percent
Delinquency ratio	0.68	percent
Net income (before reserve transfers)	0.82	percent

NCUA's Role

1775 Duke Street, Alexandria, VA, 22314-3428 703-518-6300 http://www.ncua.gov

The National Credit Union Administration (NCUA) is the independent federal agency that charters and supervises federal credit unions throughout the United States and its territories.

NCUA administers the 1934 "Federal Credit Union Act" created by Congress to serve, protect and promote a safe, stable national system of cooperative financial institutions that encourage thrift and offer a source of credit for their members.

With the backing of the full faith and credit of the U.S. government, NCUA administers the National Credit Union Share Insurance Fund (NCUSIF), which insures the savings of more than 85 million account holders in all federal credit unions and the substantial majority of state-chartered credit unions.

NCUA is supported by the credit unions it supervises and insures through fees submitted to the NCUA Operating Fund and NCUSIF. NCUA also administers the Central Liquidity Facility (CLF) and the Community Development Revolving Loan Fund (CDRLF). The CLF serves as a back-up lender for member credit unions, while the CDRLF provides loans and grants to enhance low-income credit union operations.

The 2006 NCUA Annual Report is NCUA's official report to the President and the Congress of the United States. The report contains the financial statements of the NCUA Operating Fund, NCUSIF, CDRLF and CLF.

Contents

Message from the Chairman

NCUA Moves Forward

I am pleased to present the National Credit Union Administration's (NCUA) 2006 Annual Report. The credit union system continues to demonstrate strength and stability with increased growth in assets, loans and shares and a minimal number of closures taking place in 2006.

Supporting the agency mission of providing a safe and sound credit union system of cooperative financial institutions, NCUA focused on a number of relevant issues in 2006, which included:

- Strengthen the supervision program and problem resolution;
- Address recurring charter and conversion issues;
- Enhance transparency, disclosure and financial literacy for members;
- Enhance data security and BSA compliance;
- Promote inclusion for the underserved; and
- Foster credit union development.

Several emerging issues were brought to the forefront calling upon NCUA to focus on transforming challenges to opportunities and producing change that will better serve the agency and the credit union industry as we move forward.

Member service evaluation

Responding to the Government Accountability Office and a Congressional request to measure service to credit union members and senior management compensation and benefits, NCUA's Member Service Assessment Pilot Program (MSAP) accomplished the major task of collecting and analyzing data from 14 million member account records gathered from 448 randomly selected federal credit unions (FCUs).

The MSAP led to the formation of an NCUA Outreach Task Force directed by Board Member Hyland and organized to evaluate the agency's current role and efforts in respect to credit unions' service to members, including financial literacy and alternatives to predatory lending.

Board actions

Perhaps the most significant rule change, directly affecting members, increased retirement account insurance protection to $250,000 in federally insured credit unions effective April 1, 2006.

Additional major actions taken by the Board include:

- Enhanced information made available to members and federal credit union boards of directors considering converting a federally insured credit union to a mutual savings bank or mutual savings association;

- Reduced the 2007 National Credit Union Share Insurance Fund overhead transfer rate and the 2007 operating fee scale for federal credit unions, while minimizing the increase to the 2007 NCUA operating budget;

- Expanded federal credit union services affecting loan limits, selling and providing money transfer instruments, and cashing nonmember checks and money orders in compliance with the 2006 Financial Services Regulatory Relief Act; and

- Modified RegFlex expands eligibility by reducing minimum net worth requirements.

In concert with other federal agencies, the Board and NCUA took a number of joint actions and issued various materials, including:

- Consumer brochure explains the pros and cons of nontraditional mortgages;

- Regulatory alert advises credit unions of new minimum thresholds on certain mortgages as required by Truth in Lending, Regulation Z;

- Revised Federal Financial Institutions Examination Council (FFIEC) Information Security Booklet for examiners and financial institutions identifying information security risks and evaluating the adequacy of controls;

- Revised FFIEC Bank Secrecy Act/Anti-Money Laundering Examination Manual; and

- FFIEC disaster preparedness booklet-Lessons Learned from Hurricane Katrina.

Board outreach

In addition to many Board actions taken during 2006, NCUA Board Members participated in numerous outreach efforts. Each Board Member serves on various committees and last year orchestrated events and frequently visited and joined other federal agencies enhancing the role of credit unions within the financial services sector. Examples of the Board's outreach include:

Chairman JoAnn Johnson

As a member of the U. S. Treasury Financial Literacy and Education Commission (FLEC) created by Congress in 2003 to establish a national strategy for financial education, I joined the Treasury Secretary and Deputy Assistant Secretary at numerous financial literacy events to raise financial awareness, stress financial education, and improve understanding of financial issues.

As Chair of FLEC's **www.MyMoney.gov** Website Subcommittee, I am responsible for coordinating the efforts of 20 federal agencies to provide resources on a wide range of personal finance topics. The website has thus far received approximately 1.5 million visits providing help in both English and Spanish.

I also hosted Access Across America Summits in Dallas and Norfolk. These free, one-day events provide credit union officials and board volunteers the knowledge to apply federal resources and partnerships to best serve members and help them achieve the American dream of financial self-sufficiency.

Vice Chairman Hood

During 2006 Vice Chairman Rodney E. Hood traveled extensively. Among the highlights, he joined the Massachusetts Credit Union League launch of a $100 million commitment to the Credit Union Community Hope Initiative; a nationwide effort aimed at providing nearly $1 billion in below-rate mortgage loans to lower-income, first-time homebuyers.

Vice Chairman Hood emphasized the performance of America's credit unions in helping small businesses prosper visiting two of the largest producers of credit union member business loans in Texas during National Small Business Week. He visited state regulators in Colorado, Kansas and Kentucky discussing issues common to state and federally chartered credit unions—taxation, fields of membership and data collection.

The Vice Chairman held a Risk Mitigation Summit, in early 2007, where natural person and corporate credit unions met and shared current, sophisticated tools to mitigate balance sheet risks for credit unions of all asset levels and explore alterative investment opportunities.

Board Member Gigi Hyland

Board Member Hyland was my representative at the first meeting of the President's Identity Theft Task Force designed to strengthen federal efforts to protect against identity theft. Combining the efforts of various executive branch departments, the Federal Trade Commission, and the federal financial agencies, the goal of the Task Force is to deter identity theft and enhance protection of consumers' personal data.

Board Member Hyland encouraged service to immigrants at the 4th Latino Conference during the 32nd Annual Meeting of The National Federation of Community Development Credit Unions, and she congratulated small and community development credit unions for taking an active role in serving the underserved from the many cultures represented in their communities.

As NCUA's liaison to the Small Business Administration, Board Member Hyland and SBA officials co-hosted a webinar "All You Ever Wanted to Know About Being an SBA-Certified Lender." The webinar highlighted SBA lending programs; how credit unions can help their members achieve the dream of owning a business and how NCUA's business loan rule relates to SBA programs.

Priorities moving forward

The NCUA Board's foremost priority is ensuring the safety and soundness of federally insured credit unions, and it is committed to providing a regulatory regime that allows federally insured credit unions to meet the needs of their members through innovation and flexibility.

The Board is dedicated to keeping credit unions at the forefront of providing financial services to their members as we review regulations and support regulatory improvements in coordination with Capitol Hill. The NCUA Board is united in designing and promoting programs that ensure quality service for members and enhance credit union opportunities to meet the challenges of providing an evolving range of financial services to current members as well as those who lack access to low-cost, quality financial service.

NCUA Chairman JoAnn Johnson

Management's Discussion and Analysis

NCUA accomplishes its mission of serving and maintaining a safe, secure credit union community using a dynamic structure.

NCUA Meets Challenges and Opportunities

Office of the Executive Director

Operationally, 2006 was a challenging and successful year for NCUA. It will stand out as a year in which NCUA addressed a number of significant issues. NCUA continued to underscore its long standing policy of the importance of full disclosure to credit union members when a corporate structure change is recommended by management. Full and adequate disclosure allows members the opportunity to make informed decisions on whether they prefer a credit union or bank structure. The new conversion rules adopted by the NCUA Board provide greater protection to federal credit union members without restricting the credit union's ability to convert.

It was also a year in which NCUA issued guidance to credit union management reminding them to conduct proper due diligence on new member programs, particularly those associated with increased levels of risk. This was most evident in out-sourced indirect lending programs. 2006 will also be remembered as a year when NCUA, as a result of the legal challenges to its field of membership policies allowing all charter types to add underserved areas, was forced to limit the addition of underserved access to only multiple group credit unions. This policy change makes it more difficult for federal credit unions to serve lower income individuals and groups outside the traditional fields of membership.

Risk focused examination improved

In 2006, NCUA continued to strengthen the risk focused examination, which remains the critical examiner tool for ensuring a safe and sound credit union system. The examination program was updated to include enhanced examination procedures for evaluating credit union disaster preparedness and response. These procedures were developed based on lessons learned from Hurricane Katrina. New examination procedures were also developed for Information Systems & Technology, Consumer Compliance, and the Bank Secrecy Act. It is expected that the risk focused examination will continue to evolve as new challenges emerge.

Member Service Assessment Pilot Program results

Congress and the Government Accountability Office raised a number of important questions relative to whether federal credit unions continue to serve their mission and purpose. In response, NCUA designed the Member Service Assessment Pilot Program (MSAP) to collect data on the membership profile of federal credit unions, the types of services federal credit unions provide their membership, and the total compensation of federal credit union executives. This project was completed within the Office of Management Budget's imposed deadline of August 31, 2006, at a cost of over $1.1 million to NCUA.

■ The budget and operating fee for 2007 reflects the agency's commitment to maintain fiscal responsibility and remain diligent in its spending

■ The risk focused examination remains the critical examiner tool for ensuring a safe and sound credit union system

■ It is expected that the risk focused examination will continue to evolve as new challenges emerge

Overall, MSAP provides the most conclusive data available on the membership profiles of federal credit unions with over 14 million accounts analyzed. Importantly, MSAP provided data that:

- Demonstrated federal credit unions are serving those they have been chartered to serve—working individuals;
- Confirmed the expectation that federal credit unions designated as low-income, with underserved areas, or with a community base have better opportunities to serve lower income groups and individuals and have more diverse membership profiles as compared to federal credit unions with more restrictive common bonds and fields of membership; and,
- Strengthened NCUA's previous position that changes in membership profiles do not occur immediately—they take time.

Staff made a number of recommendations in the MSAP report which the NCUA Board will take under advisement and study in 2007.

Efficient operations

The budget and operating fee for 2007 reflects the agency's commitment to maintain fiscal responsibility and remain diligent in its spending, while accomplishing its annual goals and objectives. The NCUA Board adopted a 2007 budget of $152 million which represents a $1.2 million, or 0.81 percent increase over the 2006 budget. The Board also approved a 2007 operating fee decrease of 1.54 percent and a reduction in the 2007 overhead transfer rate to 53.3 percent from the 2006 rate of 57 percent. NCUA staffing will remain unchanged at 958 full-time equivalents.

NCUA Structure and Programs

NCUA accomplishes its mission of serving and maintaining a safe, secure credit union community using a dynamic structure. Headquartered in Alexandria, Virginia, NCUA has five regional offices. Assigned to the regions, the bulk of NCUA staff are its 445 examiners who scrutinize the credit unions regularly to ensure safe and sound operations. NCUA's Board and executive director are located in Alexandria headquarters along with the following major offices that administer the agency's various programs.

The **Office of the Executive Director** is responsible for the agency's daily operation and the executive director reports directly to the NCUA Chairman. All regional and central office directors report to the executive director and NCUA's Equal Opportunity Program is included in this office.

The **Office of Examination and Insurance** (E&I) provides national guidance for NCUA's supervision program ensuring the safety and soundness of federally insured credit unions. Within E&I, the Division of Supervision oversees NCUA's examination and supervision program. The Division of Risk Management oversees the agency's credit union problem resolution program and compiles the financial data submitted quarterly by all federally insured credit unions.

The **Office of Public & Congressional Affairs** (PACA) includes Congressional Affairs, which covers federal legislation and serves as NCUA's liaison with Capitol Hill and fellow government agencies. Public Affairs is the source of information about NCUA and its functions for the public, credit unions, league and trade organizations, the media and NCUA employees.

The **Office of Small Credit Union Initiatives** (OSCUI) fosters credit union development, facilitates expansion of credit union services through new charters and field of membership expansions, and coordinates efforts, with third-party organizations, to improve the viability and successful operation of credit unions. OSCUI also administers the Community Development Revolving Loan Fund, which supports low-income designated credit unions serving low-income communities with low-interest loans and grants.

The **Office of General Counsel** is responsible for legal matters affecting NCUA. This includes representing the agency in litigation, executing administrative actions, interpreting the Federal Credit Union Act and NCUA Rules and Regulations, processing Freedom of Information Act requests, advising the Board and the agency on general legal matters, and drafting regulations designed to ensure the safety and soundness of credit unions.

The **Office of Capital Markets and Planning** (OCMP) develops agency policies and procedures related to credit union investments and asset liability management, and the office assists examiners in evaluating investment issues in credit unions. OCMP also provides expert advice to the Board on investment issues. NCUA's strategic planning program directs the agency's long-range and annual planning process, which includes providing Congress with the annual NCUA plan, plus tracking and reporting on goal achievement.

The **Office of the Chief Financial Officer** is responsible for agency budget preparation and management, ongoing finance and accounting functions, and administration of credit union operating fees and National Credit Union Share Insurance Fund capitalization deposits.

The **Office of Corporate Credit Unions** (OCCU) supervises the corporate credit union system. Corporate credit unions provide a variety of investment services and payment systems for other credit unions. There are 30 corporate credit unions that range from $6.1 million to $43 billion in assets.

The **Asset Management and Assistance Center** (AMAC) conducts credit union liquidations and performs management assistance and asset recovery. The office assists NCUA regional offices with the review of large, complex loan portfolios and actual or potential bond claims. Staff also participates extensively in the operational phases of conservatorships and records reconstruction.

■ NCUA accomplishes its mission of serving and maintaining a safe, secure credit union community using a dynamic structure ■ All regional and central office directors report to the executive director and NCUA's Equal Opportunity Program is included in this office. ■ Program Messages: NCUA's offices provide the following messages describing 2006 operations and plans for 2007

Supervision Programs Evolve in 2006

5300 Call Report streamlined

In 2006, NCUA restructured the 5300 Call Report to consolidate information, reduce ancillary schedules and make the form easier to use. Beginning with the June 30, 2006, reporting cycle, all federally insured credit unions began using the same Call Report. The revised form has 16 rather than 19 pages and only the first 10 pages require input by all credit unions. The streamlined form improves the agency's efficiency, increases the accuracy of the information collected and simplifies the reporting process for all credit unions.

Authentication practices improved

Consistent with the Federal Financial Institutions Examination Council (FFIEC) initiative, NCUA issued guidance in 2006 to strengthen the authentication process credit union members use for accessing Internet-based services. Single factor authentication, such as user name and password or PIN, is inadequate for high-risk transactions via Internet-based services.

Bank Secrecy Act (BSA) compliance vigilance maintained

Part 748 of the *NCUA Rules and Regulations* was revised to provide greater detail regarding Suspicious Activity Report (SAR) content and filing requirements. NCUA participated in revision of the FFIEC BSA/AML Examination Manual as well as in several BSA outreach webinars, teleconferences and training seminars providing BSA compliance guidance to credit unions.

Disaster recovery preparedness emphasized

In 2006, NCUA increased its focus on disaster preparedness and business continuity utilizing the lessons learned from Hurricane Katrina. NCUA worked with the FFIEC in issuing the booklet *Lessons Learned From Hurricane Katrina: Preparing Your Institution for a Catastrophic Event* to share these lessons with all federally insured financial institutions. NCUA also updated the examination program to assist examiners in reviewing credit union disaster preparedness efforts.

Earnings evaluation guidance issued

NCUA issued supervisory guidance to examiners, which was shared with credit unions, concerning the evaluation of credit union earnings. In today's fluctuating financial environment, each credit union's earnings level must be evaluated relative to net worth needs, financial and operational risk exposure, the current economic climate, and the institution's strategic plan. The guidance emphasized there is no simple metric for determining an individual credit union's optimal return on assets (ROA), and NCUA must take a balanced approach when assessing earnings.

PACA Conveys NCUA's Message

Office of Public & Congressional Affairs

The Office of Public & Congressional Affairs (PACA) conveys agency information and activities to the credit union industry, other federal agencies, trade and league organizations and the news media. PACA also works closely with Capitol Hill, informing Congress of relevant agency and credit union issues and assisting legislators develop and modify pertinent statutory provisions affecting NCUA and credit unions. PACA also welcomes visitors to the agency.

Outreach programs

In addition to disseminating agency proceedings via the NCUA NEWS newsletter, Board Action Bulletin, media releases and the annual report, PACA takes an active role in helping orchestrate and highlight numerous Board Member and agency events during the year.

For example, in 2006 PACA worked with the White House, U.S. Treasury, Federal Trade Commission, Justice Department, Department of Housing and Urban Development, Small Business Administration, Department of Agriculture and Operation Restore Hope coordinating events and schedules to ensure NCUA and its Board are active participants in many federal and private outreach programs that support and enhance the lives and financial well-being of current and potential credit union members across the country.

The wide-ranging programs span a myriad of projects and social services such as home ownership fairs, identity theft and personal identity protection, small business lending seminars, financial literacy, and direct deposit via Treasury's GoDirect program.

On Capitol Hill

NCUA's Community Development Revolving Loan Fund received $941,000 in 2007 to fund grants that can be disseminated over two years. A $1.5 billion borrowing authority was approved for the NCUA Central Liquidity Facility Fund.

PACA worked closely with Congress to ensure the adopted Financial Services Regulatory Relief Act of 2006 contained provisions beneficial to the credit union industry, such as:

- Check-cashing and money-transfer services are available for nonmembers within a credit union's field of membership.
- Unsecured federal credit union loan maturity increased from 12 to 15 years;
- Credit unions can utilize the "pooling" method for calculating net worth when two healthy credit unions merge.
- U.S. Military can once again charge a nominal fee, rather than fair market value, to credit unions leasing land on military bases.
- Credit unions, as well as other financial institutions, must disclose when deposits are not federally insured.

PACA worked with financial regulatory agencies and went on record with its concerns about some provisions within the adopted John Warner National Defense Authorization Act, which provides predatory lending protection for the military.

■ Credit unions, as well as other financial institutions, must disclose when deposits are not federally insured.

■ The Financial Netting Improvements Act of 2006 helps all financial institutions deal with the net amount of obligations in multiple financial contracts between two parties.

The Financial Netting Improvements Act of 2006 helps all financial institutions deal with the net amount of obligations in multiple financial contracts between two parties. PACA worked to make changes in the initially incorrect bill language.

NCUA testifies

- March 1, 2006—Chairman Johnson presented recommendations for regulatory relief for credit unions before the Senate Banking, Housing and Urban Affairs Committee.

- May 11, 2006—Chairman Johnson testified on the H.R. 3206, Credit Union Charter Choice Act before the House Financial Institutions and Consumer Credit Subcommittee.

Priorities in the 110th Congress

- Credit Union Regulatory Improvement Act (CURIA)
- Prompt Corrective Action (PCA)
- Field of Membership
- Protecting Americans from predatory lending and payday lenders
- Financial Literacy
- Consumer protection—Financial disclosures, ID thief, etc.

In 2007, NCUA will closely follow debate surrounding updates to the credit union statutory framework as CURIA is introduced in the 110th Congress. The agency supports several salient provisions, particularly those to create a risk-based capital regime coupled with meaningful PCA reform.

Strategic goals

PACA strives to enhance the agency's interaction on Capitol Hill, with other financial regulatory agencies at the federal and state levels, and its commitment to provide our audience with relevant NCUA information, pertinent and useful to the credit union industry.

Enforcement, Litigation and Regulation

Office of General Counsel

Enforcement orders issued

NCUA continues to use its supervisor enforcement tools, in appropriate cases, to deal with abuses in federally insured credit unions. During 2006, the agency issued 32 prohibitions and 22 civil money penalty assessments. The civil money penalty assessments were issued for late submission of data required by the Home Mortgage Disclosure Act. The total amount of civil money penalties assessed was $174,500.

Litigation—One FOM lawsuit

At the close of 2006, one banker lawsuit in Pennsylvania was pending that challenges NCUA field of membership actions.

Regulation changes

In 2006, the Office of General Counsel addressed a broad range of regulatory reforms, including lending requirements, expanded share insurance coverage, chartering issues, and organizational matters, issuing updated Federal Credit Union Bylaws and enhancing procedures and information for members and boards of directors when they consider converting a credit union to a mutual savings bank.

Passage of the Financial Service Regulatory Relief Act of 2006 prompted regulatory changes, which included, among other things, raising the general maturity limit for loans and permitting money transfer services for nonmembers within a field of membership. In addition, NCUA completed a rule on indirect vehicle lending and continued work on interagency regulations implementing the Fair and Accurate Credit Transactions Act.

Resources for Small Credit Unions

Office of Small Credit Union Initiatives

The mission of the Office of Small Credit Union Iniatives (OSCUI) is to assist in the agency's risk mitigation program and encourage credit union development, particularly the expansion of services small credit unions provide to eligible consumers.

OSCUI had a tremendously successful year in the areas of Training, Assistance and Partnerships.

Training—OSCUI's nationwide training functions were popular events in 2006. Approximately 1,900 credit union representatives attended the 20 workshops, 22 league meetings, 14 call report clinics, and 10 roundtables held. Attendees were provided information to expand member services, address regulatory and operational issues and network with other credit union officials.

OSCUI plans to conduct 20 workshops and other training events in 2007. Visit the NCUA's website **http://www.ncua.gov/CreditUnionDevelopment/events/Index.htm** for locations and dates.

Assistance—OSCUI provides credit unions with financial assistance through the Community Development Revolving Loan Fund Program and on-site assistance via the National Small Credit Union Program.

Community Development Revolving Loan Fund Program

As of December 31, 2006, there are 1,053 low-income designated credit unions (LICUs) eligible to participate in the Community Development Revolving Loan Fund Program (Fund) technical assistance grant and loan programs.

During 2006, the Fund

- Received $940,500 in multi-year net appropriations for technical assistance;
- Processed 488 grant applications;
- Processed 24 loan applications;
- Awarded $1,371,130 of $1,583,083 in TAG requests to 289 LICUs from appropriations and earnings;
- Doubled the size of the loan portfolio by approving 23 loans totaling over $4 million; and
- Increased the loan portfolio to $7.4 million.

More Fund activity and accomplishments can be found in the Community Development Revolving Loan Fund section of this report.

National Small Credit Union Program Economic Development Specialists (EDS) provided over 6,000 hours of expert one-on-one, on-site assistance to small credit unions nationwide. These visits provide an opportunity for small credit unions to address operational issues, reinvigorate management or explore ideas for accelerating growth. Small credit unions are encouraged to participate in either the regional or national Small Credit Union Program. Small credit unions can contact their NCUA regional office to determine eligibility.

■ **Visit NCUA's website http://www.ncua.gov/CreditUnionDevelopment/Index.htm to find out more about tapping into OSCUI's resources.**

Partnerships—Last year OSCUI established a foundation for 2007 and beyond. In recognition of the credit union industry's passion for building partnerships with their communities, OSCUI has created and will be implementing The Resource Connection, an agency Internet portal site. This site will consist of three major sections:

1. The Credit Union Connection
2. The Partnership Connection
3. The Training Connection

This will streamline the process for credit unions and NCUA to gather information pertaining to partnerships (resources) as well as funding and training opportunities. It will also provide a system for sharing credit union business practice information across the nation. For example, NCUA has been instrumental in sharing partnership information and cultivating two ongoing relationships with both the Internal Revenue Service and the Department of Health and Human Services that have resulted in asset building and financial education services for credit union members.

Priorities going forward

As OSCUI moves ahead in 2007, the office will focus on enhancing existing programs and working to provide the following opportunities for credit unions to:

- Eliminate technology barriers for credit unions that are not computerized;
- Serve as a resource to NCUA's Outreach Task Force;
- Sponsor "Back to Basics" training nationwide for credit unions; and
- Release The Resource Connection project.

Investments, ALM and Planning Move Forward

Office of Capital Markets and Planning

The Office of Capital Markets and Planning (OCMP) is responsible for the agency's capital market policy and examiner training as well as strategic and annual performance planning.

Capital Markets

Within OCMP, Capital Markets experts provide examiner training in investments and asset liability management, and they are responsible for related policy and examination issues. In addition, staff supplies on-site examination assistance for corporate and natural person credit unions.

In 2006, the Division of Capital Markets completed an 18-month project to revise and update the examiner training courses for investments and asset-liability management. Also, several investment pilot program applications were reviewed and brought to the NCUA Board for action.

OCMP participates in the review, implementation and enforcement of NCUA regulation Part 703, Investment and Deposit Activities. OCMP staff provided policy guidance for the final rule change amending Part 703 issued by the Board in December 2006. The rule permits federal credit unions to engage in repurchase transactions involving mortgage notes ("whole loan repos").

Planning, economic analysis and web services

The Division of Planning facilitated the continued enhancement and integration of Government Performance Results Act (GPRA) performance planning, economic analysis, web services and continuity of operations planning and training into day-to-day NCUA operations.

Among major efforts in 2006, the Division of Planning staff developed the NCUA Annual Performance Budget 2007, NCUA Annual Performance Report 2005, Continuity of Operations Planning for Avian Flu Pandemic and Natural Disasters, and completed the Office of Management and Budget Performance Assessment Rating Tool evaluation for the NCUSIF. Planning staff also assumed responsibility for and focused on enhancing the NCUA website as an effective communication tool.

Additionally the Division of Planning facilitated, on behalf of the NCUA executive director, the agency Strategic Management Council (SMC) and the Information Technology Oversight Committee (ITOC). Staff also served as the NCUA representative on several national contingency exercises concerning avian flu pandemic preparation and readiness.

Corporate System Remains Strong

Office of Corporate Credit Unions

The assets of the corporate system remained relatively stable in 2006, increasing slightly from 2005. On average, month-end total assets in 2006 were approximately $117 billion compared to $109 billion in 2005. In March 2006, corporate assets reached a high of $128.5 billion and declined toward the average over the next several months. The dollar amount of capital continues to increase. Capital levels are appropriate considering the very low level of risk in corporate credit union investment portfolios.

KEY STATISTICS ON FEDERALLY INSURED CORPORATE CREDIT UNIONS
December 31, 2006 (In millions)

December 31	2004	2005	2006
Number	31	31	30
Assets	$73,486.8	$73,700.8	$85,204.6
Loans	3,947.2	5,750.4	4,555.5
Shares	60,436.9	57,661.4	66,016.9
Reserves	4,351.9	4,486.7	4,539.7
Undivided earnings	849.6	910.8	975.3
Gross income	1,672.1	2,519.9	3,744.3
Operating expenses	321.7	333.9	342.3
Interest on borrowed funds	68.5	159.9	271.8
Dividends and interest	1,142.2	1,891.9	3,000.3
Net income	139.6	134.1	129.9

Dollar amounts do not include U.S. Central

Significant Ratios

Reserves to assets	5.9	6.1	5.3
Reserves and undivided earnings to assets	7.1	7.3	6.5
Operating expenses to gross income	19.2	13.3	9.1
Yield on assets	2.3	3.4	4.6
Cost of funds to assets	1.6	2.8	3.8
Gross spread	.7	.6	.8

Ratios do not include U.S. Central

About consolidation

During 2006, two very large corporates (Empire and Mid-States) merged to form Members United Corporate Federal Credit Union. The merger served as a catalyst for merger discussions among other corporate credit unions. At year-end there were several merger proposals in development that will be acted upon in 2007. Each corporate's

■ The assets of the corporate system remained relatively stable in 2006, increasing slightly from 2005.

■ Capital levels are appropriate considering the very low level of risk in corporate credit union investment portfolios.

board of directors is assessing its own future goals and objectives and determining how best to achieve desired results. Many see consolidation as the most viable means to provide the best products and services to members. Moving forward, market conditions will determine the number of corporate credit unions that remain.

Cooperative efforts prove successful

The Office of Corporate Credit Unions (OCCU) worked closely with corporate credit unions on a number of projects of mutual interest during 2006. Most significantly, numerous meetings were held to review the possibility of adopting a risk-based capital system for corporates. In the end, it was agreed that while the proposal would not be pursued at the present time, it might be revisited in the future. Additionally, OCCU worked with the corporates to develop guidance in the areas of Internet authentication and compliance with Bank Secrecy Act and Office of Foreign Assets Control requirements.

FEDERAL CORPORATE CREDIT UNIONS December 31, 2006

Corporate Name	City, State	Assets (in millions)
Constitution State	Wallingford, Connecticut	$1,764,019,013
Corporate One	Columbus, Ohio	3,913,390,053
Eastern Corporate	Burlington, Massachusetts	1,675,854,655
Kentucky Corporate	Louisville, Kentucky	437,176,901
LICU Corporate	Endicott, New York	6,190,310
Members United Corporate[1]	Warrenville, Illinois	10,355,234,377
Mid-Atlantic Corporate	Middletown, Pennsylvania	2,708,573,666
Midwest Corporate	Bismarck, North Dakota	229,978,413
Northwest Corporate	Portland, Oregon	954,996,821
Southeast Corporate	Tallahassee, Florida	3,590,602,396
Southwest Corporate	Plano, Texas	11,499,616,556
Tricorp Corporate	Westbrook, Maine	663,940,943
VACORP	Lynchburg, Virginia	1,348,534,615
Western Corporate	San Dimas, California	30,046,960,034
Total		**$69,195,068,753**

[1]Members United is the resulting corporate from the merger of Mid-States and Empire Corporate Federal Credit Unions in 2006.

■ Many see consolidation as the most viable means to provide the best products and services to members. ■ OCCU worked closely with corporate credit unions on a number of projects of mutal interest.

FEDERALLY INSURED STATE CORPORATE CREDIT UNIONS

December 31, 2006

Corporate Name	City, State	Assets (in millions)
Central Credit Union Fund	Auburn, Massachusetts	$227,274,370
Central Corporate	Southfield, Michigan	2,838,951,389
Corporate America	Irondale, Alabama	806,361,294
Corporate Central	Hales Corners, Wisconsin	1,655,397,185
First Corporate	Phoenix, Arizona	881,435,294
First Carolina Corporate	Greensboro, North Carolina	1,963,944,214
Georgia Central	Duluth, Georgia	1,461,400,545
Iowa Corporate	Des Moines, Iowa	166,199,398
Kansas Corporate	Wichita, Kansas	390,056,196
Louisiana Corporate	Metairie, Louisiana	158,380,111
Missouri Corporate	St. Louis, Missouri	796,768,680
SunCorp	Westminister, Colorado	3,070,458,176
Treasure State Corporate	Helena, Montana	209,129,392
Volunteer Corporate	Nashville, Tennessee	1,115,900,226
West Virginia Corporate	Parkersburg, West Virginia	267,840,842
Total		**$16,009,497,312**
Total for All Corporates (Excluding U.S. Central)		**$85,204,566,065**
U.S. Central Federal CU	Lenexa, Kansas	$43,357,826,896

Rapid Response Quickly Returns Member Funds

Asset Management and Assistance Center

The Asset Management and Assistance Center (AMAC) performs the following services:

- Administers involuntary liquidations;
- Pays insured shares to account holders;
- Manages and disposes of assets acquired by the NCUSIF;
- Prepares and negotiates bond claims on assigned cases; and
- Provides consulting and training services.

2006 highlights

AMAC ended the year with 62 open liquidation cases after closing the books on 20 and adding 12 new cases. Of the 12 new liquidations, 6 were fraud related, bringing the total to 26 fraud related cases outstanding at the end of the year.

All liquidation payouts for verified share balances were made in three business days or less, while some expedited payouts were made the first business day following liquidation.

AMAC had an active year resolving liquidation issues and providing consulting services. During 2006 AMAC:

- Resolved several liquidation related lawsuits, eliminating any continued exposure to the NCUSIF.
- Finished research work and filed five bond claims, bringing estimated outstanding bond claim recoveries to over $5 million.
- Completed 15 consulting assignment requests related to real estate, commercial lending, recordkeeping, and loan valuation issues. These consulting assignments are designed to mitigate future loss exposure to the NCUSIF.
- Increased training assistance by developing and instructing four different training classes in coordination with the Office of Training and Development.

NCUA Fund Programs

This excellence in stewardship is only possible through the dedication of many individuals across the agency.

From NCUA's Chief Financial Officer

The National Credit Union Administration finished another challenging and successful year. We received unqualified or "clean" opinions from our independent financial auditors. This marks a lengthy period, beginning in the early 1980's, that the agency's funds have received consecutive unqualified opinions on their respective financial statements. The report and statements for the National Credit Union Share Insurance Fund, the NCUA Operating Fund, the NCUA Central Liquidity Facility, and the NCUA Community Development Revolving Loan Fund can be found in the section titled Auditors' Report and Financial Statements.

In today's environment, federal agencies must also demonstrate their strong internal control and compliance with laws and regulations. Government Auditing Standards, issued by the Comptroller General of the United States, provide the framework by which auditors evaluate these matters. I am also pleased that our independent auditors' report on internal control over financial reporting and on compliance did not note any material weaknesses or instances of noncompliance.

During 2006, the agency continued its successful efforts to ensure compliance with many applicable federal requirements. The following are examples.

The Prompt Payment Act requires payments be made within 30 days of receipt of an invoice; otherwise, interest is applicable on late payments. For 2006, the agency did not pay any interest penalties for late payments.

The Debt Collection Improvement Act centralizes the government-wide collection of delinquent debt (over 180 days) with the U.S. Treasury and compels the use of electronic funds transfer (EFT) for federal payments. For 2006, all uncollected delinquent debt has been referred to the U.S. Treasury for collection. Additionally, the agency made 99.8 percent of payments by EFT and realized $21,000 in savings delivering employee cash awards by EFT rather than by check.

The Improper Payments Information Act requires agencies to review their programs and activities to identify those susceptible to significant improper payments. Significant improper payments are defined as annual improper payments in a program exceeding both 2.5 percent of program payments and $10 million. An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, and administrative or other legally applicable requirements. NCUA has reviewed our programs and determined that none are susceptible to a high risk of significant improper payments.

This excellence in stewardship is only possible through the dedication of many individuals across the agency. Going forward, we can expect to be held to a higher level of standards as well as added pressure to be more efficient and effective. We remain dedicated to NCUA's safety and soundness mission and to deliver results.

Sincerely,

Dennis Winans
Chief Financial Officer

Fund Programs

The Central Liquidity Facility provides liquidity for all member credit unions and can invest in U.S. government and agency obligations, deposits of federally insured institutions and shares or deposits in credit unions.

The Community Development Revolving Loan Program provides loans and grants to low-income designated credit unions.

The National Credit Union Share Insurance Fund (NCUSIF) is the federal fund created by Congress in 1970 to insure member deposits in credit unions up to $100,000 and retirement IRA and Keogh accounts up to $250,000. Administered by the National Credit Union Administration, the NCUSIF is backed by the "full faith and credit" of the U.S. Government.

The Operating Fund, which is funded by federal credit unions, in conjunction with the National Credit Union Share Insurance Fund finances NCUA operations.

Fund Messages

The following pages present a description of individual NCUA fund program operations and related activities that took place during 2006.

CLF Enhances Financial Stability

The Central Liquidity Facility (CLF) is a "mixed ownership Government corporation" managed by the National Credit Union Administration Board and owned by member credit unions. Created in 1978, CLF serves as a back-up lender to meet the unexpected liquidity needs of its members when funds are unavailable from standard credit sources.

CLF borrowing cap maintained

By statute, CLF is authorized to borrow from any source up to 12 times its subscribed capital stock and surplus. Since fiscal year 2001, Congress has approved a $1.5 billion borrowing limit and the same amount was recommended for fiscal year 2007.

CLF operations

After funding operating expenses in 2006, CLF paid members dividends of approximately 100 percent of net investment income for the 12th consecutive year. The average member dividend was 5.12 percent.

During 2006, CLF approved two loan requests. While corporate credit unions continue to meet most liquidity needs, the CLF remains ready and able to meet the liquidity needs of the credit union system when unusual, unexpected or extreme events occur.

CLF receives 26th clean audit opinion

The CLF received an unqualified audit opinion on its 2006 financial statements from independent auditors Deloitte & Touche LLP.

CDRLF Supports Economic Growth

Community Development Revolving Loan Fund

Objectives

The Community Development Revolving Loan Fund (CDRLF) supports the efforts of low-income designated credit unions (LICUs) through loans and grants to those credit unions by:

- Providing basic financial and related services to residents in their communities; and
- Stimulating economic activities in the communities they serve, which results in:
  - increased income and ownership opportunities;
  - employment opportunities; and
  - other community growth efforts (e.g., asset building initiatives).

Low-income designated credit unions

NCUA has designated 1,053 credit unions as low-income. The number of LICUs has increased from 142 at year-end 1990 to 1,053 at year-end 2006. Interested credit unions can contact their NCUA regional office for designation information.

The year in review

NCUA successfully accomplished the CDRLF objectives. Credit unions receiving financial assistance from the CDRLF in 2006 provided services to approximately 850,000 members.

CDRLF loan program

No additional appropriations were allocated to the loan program in 2006. Previous years' appropriations were used to fund 2006 loan activities. The CDRLF doubled the size of the loan portfolio by approving 23 loans, at 1 percent interest, totaling over $4 million. Twenty-four credit unions applied for loans. Currently, the CDRLF loan portfolio has 70 outstanding loans totaling approximately $7.4 million. Loan proceeds are used to:

- Expand member services;
- Fund risk based lending programs;
- Construct an office building;
- Provide loans to communities without financial services as an alternative to payday loans; and
- Fund financial education services.

LICUs can visit the NCUA website **http://www.ncua.gov/CreditUnionDevelopment/Index.htm** to access program information.

■ The number of LICUs has increased from 142 at year-end 1990 to 1,053 at year-end 2006.

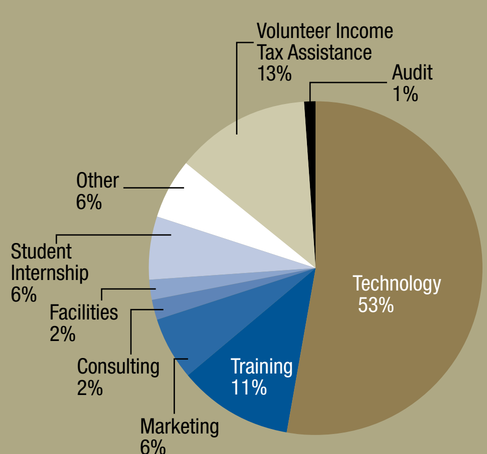
■ CDRLF is audited by an independent accounting firm and is subject to audit by the Government Accountability Office

■ Low-income designated credit unions have the capacity to touch the lives of the members of their communities

Technical assistance grant program

During 2006, $940,500 in multiyear appropriations for technical assistance was received and committed. In 2006, NCUA awarded $1,371,130 of $1,583,083 in technical assistance grant (TAG) requests to 289 LICUs from appropriations and CDRLF earnings. The graph below illustrates how TAGs were used by credit unions.

TAG INITIATIVES



Credit unions used TAG funding to:

- Overcome language barriers in a multicultural community;
- Infuse funds in the community by providing free tax preparation services;
- Enhance financial literacy communicating the benefits of using a mainstream financial institution as an alternative to predatory lenders;
- Develop partnerships with community based organizations to provide financial education opportunities for the community youth; and
- Strengthen community connections by offering financial services through multilingual radio announcements.

Fiduciary responsibility

The CDRLF received another consecutive unqualified audit opinion on its December 31, 2006, financial statements from independent auditors Deloitte & Touche LLP. The audited financial statements, accompanying footnotes and independent auditors' report appear later in this report. In addition, the CDRLF is subject to audit by the Government Accountability Office.

Priorities going forward

Low-income designated credit unions have the capacity to touch the lives of the members of their communities. NCUA will continue to support the efforts of credit unions that reach out and make an impact in their communities through an effective, accessible loan and grant program.

Insurance Coverage Increases, Dividend Declared

National Credit Union Share Insurance Fund

Your savings federally insured to at least $100,000
and backed by the full faith and credit of the United States Government
NCUA
National Credit Union Administration, a U.S. Government Agency

The National Credit Unions Share Insurance Fund (NCUSIF) continued its trend of steady growth, favorable earnings and minimal failures in 2006. Insured shares grew 3.6 percent and the year ended with slightly over a 1.30 percent NCUSIF equity ratio. The "normal operating level," specified by the NCUA Board, shall be not less than 1.2 percent and not more than 1.5 percent. The Board established a 1.3 percent normal operating level for 2006.

Because the equity ratio rose above the 1.3 percent level in 2006, the NCUSIF will issue a dividend to credits unions. This is the seventh cash dividend issued by the NCUSIF. The last dividend was declared in 2000 and issued in early 2001. Similarly, the 2006 dividend will be paid to all federally insured credit unions in early 2007 in compliance with requirements of the Credit Union Membership Access Act (CUMAA).

CUMAA requires a dividend distribution be made to insured credit unions after calendar year-end provided:

1. Federal government loans to the fund and any interest on loans have been repaid;
2. Fund equity ratio exceeds the normal operating level; and
3. Fund available asset ratio exceeds 1.0 percent.

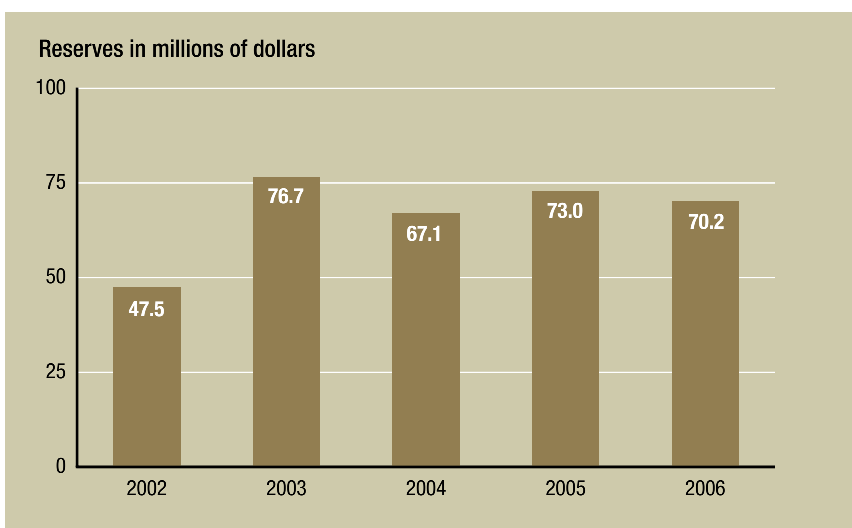
The dividend calculation is based on certified credit union statements for the final reporting period of the calendar year. The ability to pay a dividend for 2006 is attributed to the overall good health of insured credit unions and the financial soundness of the NCUSIF.

Earnings increase

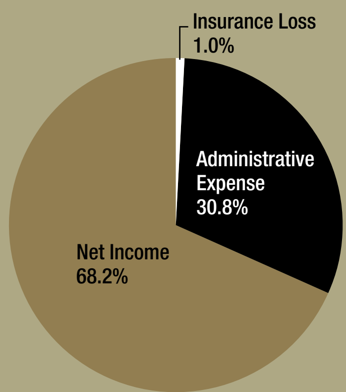
NCUSIF earnings were $266.2 million before expenses of $84.6 million in 2006. Most earnings were derived from the NCUSIF's $7.0 billion investment portfolio comprised of U.S. Treasury securities with maturities of five years or less. The increase in investment earnings resulted from a high yield in Treasury overnight securities. The overnight rate averaged 5.24 percent during December. Operating costs of $82.1 million were $1.6 million higher than 2005.

Reserve level decreased

The NCUSIF ended 2006 with $70.2 million in reserves set aside to



NCUSIF INCOME AND EXPENSES
by percent



protect against future or potential losses. NCUSIF reserves decreased a net of $2.8 million over the year, and unallocated NCUSIF reserves were $51.2 million at December 31, 2006.

Failures remain low

Sixteen credit unions failed during 2006, resulting in $6.0 million charged to reserves. In accordance with Generally Accepted Accounting Principles (GAAP), insurance losses are incurred when loss reserves are established for institutions considered a possible risk to the NCUSIF. Most of these credit unions are classified CAMEL code 4 or 5 institutions.

Money spent on failed institutions is charged to the NCUSIF reserve account and not reflected as insurance loss expense. The number of problem code credit unions decreased to 240 from 280 during 2006. Insured shares in these credit unions decreased to $5.2 billion from $5.8 billion during 2006 representing approximately 1 percent of total insured shares at year-end.

Insurance increased on retirement accounts

Effective April 1, 2006, the Federal Deposit Insurance Reform Act of 2005 increased deposit insurance coverage on certain retirement accounts to $250,000 from $100,000.

23rd unqualified opinion earned

The Fund received its 23rd consecutive unqualified audit opinion on December 31, 2006, financial statements from independent auditors Deloitte & Touche LLP. The audited financial statements, accompanying footnotes and independent auditors report appear later in this report.

The National Credit Union Share Insurance Fund continues to be audited by an independent accounting firm, and it is subject to audit by the General Accounting Office.

PERCENTAGE OF SHARES by CAMEL category

Category	2002	2003	2004	2005	2006
Code 1 & 2	94.1%	94.1%	91.9%	93.6%	93.6%
Code 3	5.2	5.2	7.3	5.3	5.5
Code 4	0.7	0.7	.8	1.1	0.9
Code 5	0.0	0.0	0.0	0.0	0.0
Totals	100%	100%	100%	100%	100%

RESERVES FOR ESTIMATED LOSSES (in thousands)

Fiscal year	2002	2003	2004	2005	2006
Reserves—beginning of fiscal year	$51,023	$47,543	$76,667	$67,126	$72,976
Net charges for fiscal year	(15,993)	(8,919)	(6,117)	(15,090)	(5,295)
Provision for insurance losses	12,513	38,043	(3,424)	20,940	2,548
Reserves—end of fiscal year	$47,543	$76,667	$67,126	$72,976	$70,229

ADMINISTRATIVE COSTS (in thousands)

Fiscal year	2002	2003	2004	2005	2006
Direct expenses	$2,184	$1,868	$1,542	$1,641	$1,414
Allocated expenses	83,183	83,158	79,863	78,832	80,642
Total administrative expenses	$85,367	$85,026	$81,405	$80,473	$82,056
Percent of NCUA total administrative expenses	62.6%	62.5%	60.3%	57.5%	57.4%

SUMMARY OF CAMEL CODE 4 & 5 CREDIT UNIONS

Fiscal year	2001	2002	2003	2004	2005	2006
Number of Code 4 & 5 credit unions	205	211	217	255	280	240
Percentage of insured credit unions	2.0%	2.2%	2.3%	2.8%	3.1%	2.9%
Shares in Code 4 & 5 credit unions	$1.7B	$2.9B	$3.6B	$4.3B	$5.8B	$5.2B
Percentage of NCUSIF natural person insured shares	0.43%	0.66%	0.74%	0.87%	1.12%	0.96%

INSURED SHARE GROWTH IN FEDERALLY INSURED CREDIT UNIONS* (in millions)

	Shares outstanding			
December 31	Federal credit unions	State credit unions	Total	Percentage change from prior year total shares
1997	$178,948	$114,327	$293,275	6.5%
1998	191,328	130,129	321,457	9.6%
1999	194,766	140,857	335,623	4.4%
2000	195,871	157,996	353,867	5.4%
2001	217,112	185,574	402,686	13.8%
2002	238,912	202,552	441,464	9.6%
2003	262,420	215,056	477,476	8.2%
2004	276,395	222,573	498,968	4.5%
2005	285,713	229,909	515,622	3.3%
2006	296,469	237,724	534,193	3.6%

**Natural Person Credit Unions*

Insured Credit Union Activity

CHANGES IN FEDERALLY INSURED CREDIT UNIONS FISCAL YEAR 2006

		Federal credit unions		Federally insured state credit unions	Total
Number January 1, 2006		**5,393**		**3,302**	**8,695**
Additions:					
New charters		7		1	8
Conversions	FISCU to FCU	9	FCU to FISCU	6	15
	NFICU to FCU	1	NFICU to FISCU	1	2
Total charter additions		**17**		**8**	**25**
Mergers:		(198)		(125)	(323)
Assisted		(2)		(2)	(4)
Voluntary		(181)		(100)	(281)
Mergers in process		(15)		(23)	(38)
Liquidations:		(16)		(2)	(18)
Voluntary		(0)		(0)	(0)
Involuntary		(11)		(1)	(12)
Liquidations in process		(5)		(1)	(6)
Conversions:		(7)		(10)	(17)
	FCU to FISCU	(6)	FISCU to FCU	(9)	(15)
	FCU to NFICU	(0)	FISCU to NFICU	(1)	(1)
	FCU to Non-CU	(1)	FISCU to Non-CU	(0)	(1)
Total charters cancelled		**(221)**		**(137)**	**(358)**
Total credit unions, December 31, 2006		**5,189**		**3,173**	**8,362**
Net change		(204)		(129)	(333)

FCU = Federal credit union

FISCU = Federally insured state-chartered credit union

NFICU = Non-federally insured state-chartered credit union

Non-CU = Non-credit union charter

MULTIPLE COMMON BOND FEDERAL CREDIT UNION EXPANSIONS JANUARY 1–DECEMBER 31, 2006

Region	**I**	**II**	**III**	**IV**	**V**	**Total**
Number of credit unions	117	203	185	135	131	771
Number of groups added	1,143	2,127	2,718	947	2,235	9,170
200 and less	1,011	1,892	2,421	761	2,045	8,130
201-500	70	113	163	100	103	549
501-1,000	34	58	69	37	32	230
1,001-1,500	11	18	20	18	21	88
1,501-2,000	8	14	13	7	6	48
2,001-2,999	7	20	16	12	10	65
3,000 and over	2	12	16	12	18	60
Potential new members	131,280	458,898	947,893	292,014	515,537	2,345,622
Average size of groups added	115	216	349	308	231	256
Applications denied	2	14	1	4	7	28
Deferrals*	60	93	67	14	48	282
Groups denied of 3,000 and over	1	1	0	2	4	8
Groups deferred of 3,000 and over	2	11	12	4	11	40
Largest approved	4,800	63,100	370,000	49,000	69,500	

**This number represents the total number of deferrals processed upon initial receipt of an expansion request. Some of these initial deferrals were subsequently approved or denied.*

NCUA Reduces Operating Fee

Operating fee assessment

The operating fee assessment rate charged to individual federal credit unions decreased 1.95 percent primarily due to federal credit union asset growth and the small increase in the agency's budget in 2006. For federal credit unions affected by Hurricanes Katrina and Rita, hurricane related funds in member accounts were excluded from the operating fee formula, resulting in $167,102 in relief. A total $63.6 million in operating fees was collected.

Overhead transfer rate

The National Credit Union Share Insurance Fund (NCUSIF) reimburses the fund for insurance related expenses through the overhead transfer. The overhead transfer rate, based on the amount of insurance work performed by NCUA staff, is calculated annually and applied to actual expenses incurred. For 2006, $80.6 million was reimbursed based on the 57 percent overhead transfer rate.

Operating expenses

Operating expenses were $4.0 million under the 2006 budget of $64.8 million. The variance is primarily attributed to staff vacancies during the year averaging 2.9 percent below the 957.92 authorized staffing level. This is the lowest percentage of vacancies since 1997.

NCUA Annual Performance Summary

NCUA met all annual performance goals in 2006.

Annual Performance Summary

NCUA met all annual performance goals in 2006. By meeting its goals, NCUA accomplished an important step toward its ultimate mission objective to facilitate the availability of credit union services to all eligible consumers, especially those of modest means, through a regulatory environment that fosters a safe and sound credit union system.

Overall, 2006 was marked by favorable financial results for federally insured credit unions. They had another good year with increases in assets, loans, shares and net worth. The National Credit Union Share Insurance Fund (NCUSIF) likewise remained financially strong and well positioned to protect the member accounts of all federally insured credit unions. As an independent federal agency, NCUA objectively carries out its oversight responsibilities. Though independent of credit unions, the performance of NCUA and the health of the insurance fund correlate strongly with the general strength and well being of the credit union movement. This correlation is the basis upon which NCUA defines and measures its operating performance.

The table below presents budgeted and actual agency resources in both dollars and full time equivalent (FTE) staff positions and allocation estimates of these resources to the fulfillment of NCUA's strategic goals. NCUA accomplished oversight of the credit union system and management of the NCUSIF using fewer resources than budgeted, highlighting one important measure of agency efficiency and effectiveness in 2006.

	Strategic Goal 1	Strategic Goal 2	Strategic Goal 3	Total
Budgeted FTE	833.39	86.21	38.32	957.92
Actual FTE	823.78	78.55	36.47	938.80
Budget Dollars	$131,186,017	$13,570,967	$6,031,541	$150,788,525
Actual Dollars	$124,143,582	$11,837,089	$5,495,791	$141,476,462

Program Evaluations

The Office of Management and Budget completed a Program Assessment Rating Tool Evaluation (PART) of NCUA's Regulatory Program in 2006. The PART review did not reveal any material deficiencies requiring corrective action. NCUA received the rating —Moderately Effective—during the PART Evaluation.

In addition to the PART review, NCUA had various independent reviews performed during 2006 including:

- Financial Statement Audits performed by Deloitte & Touche LLP
- Federal Information Security Management Act review
- Various reviews performed by the Government Accountability Office
- Network penetration testing performed by KPMG
- Information technology customer service survey
- Office of Human Resources Audit by the Office of Personnel Management

A clean opinion was received on the audit and no material deficiencies were noted during any of the other reviews noted above.

Integrity of Data

NCUA maintains a high degree of confidence in the data it collects. The examination and supervision programs for natural person and corporate credit unions employ multiple checks and balances to evaluate processes and to validate data collected from federally insured credit unions. A few of the processes include:

- Surveillance Systems Working Group
- 5300 Call Report Program (Natural Person)
- 5310 Call Report Program (Corporate)
- Information System and Technology Program

With respect to NCUA's own financial statements, an outside independent accounting firm conducts annual certified public accountant audits on the National Credit Union Share Insurance Fund, National Credit Union Administration Operating Fund, Community Development Revolving Loan Program and the Central Liquidity Facility to ensure that the financial statements are fairly stated in all material respects.

NCUA 2006 Performance

NCUA measures its success of performance in terms of strategic goal achievement. Based on its mission, performance of the credit union system drives NCUA strategic goal achievement. NCUA has only influence, not direct control of credit union performance. The strategic and annual performance goals therefore serve only as proxies of NCUA success. Accordingly, the results of the annual performance goals must be viewed collectively to determine overall strategic goal achievement. The following tables provide an overview of NCUA's annual and strategic goal achievement in 2006.

Goal achieved.
Goal not achieved with no impact on overall program and activity performance.
Goal not achieved with an impact on overall program and activity performance.

STRATEGIC GOAL 1

A safe, sound and healthy credit union system.

Strategic Indicator 1.1	Percentage of adequately and well-capitalized FICUs to all FICUs			
Desired Level	Maintain above 98 percent			
Results	Met			
Performance	2003	2004	2005	2006
	98.75%	98.97%	99.14%	99.17%

Strategic Indicator 1.2	Percentage of FICU assets with a CAMEL rating of 1 or 2			
Desired Level	Maintain above 90 percent			
Results	Met			
Performance	2003	2004	2005	2006
	94.28%	92.22%	93.80%	93.69%

Strategic Indicator 1.3	The corporate credit union system's capital ratio			
Desired Level	Improve from prior year			
Results	The corporate capital ratio decline is a result of increased moving daily average net assets and does not represent a concern for strategic goal accomplishment.			
Performance	2003	2004	2005	2006
	6.46	7.01	7.25	6.86%

Strategic Indicator 1.4	Percentage of corporate credit unions with a CRIS Risk Management rating of 1 and 2			
Desired Level	Maintain above 75 percent			
Results	Met			
Performance	2003	2004	2005	2006
	85%	77%	78%	87%

Annual Performance Goal 1.1

Institutional risks are effectively managed.

Annual Indicator 1.1.1	The percentage of all FICU assets with a CAMEL "Management" rating of 1 or 2			
Desired Level 1.1.1	Maintain above 88 percent			
Results	Met			
Performance	2003	2004	2005	2006
	92.82%	91.02%	91.19%	91.53%

Annual Indicator 1.1.2	The percentage of FICU assets with low or moderate risk ratings in the four institutional risk areas—Reputation, Strategic, Transaction and Compliance			
Desired Level 1.1.2	Maintain an average for the four risk areas of at least 90 percent			
Results	Met			
Performance	2003	2004	2005	2006
	97.21%	96.74%	94.04%	92.50%

Annual Indicator 1.1.3	The percentage of FICUs that remain a CAMEL 4 or 5 for more than 12 months			
Desired Level 1.1.3	Maintain below 2 percent			
Results	Met			
Performance	2003	2004	2005	2006
	0.82%	1.02%	1.20%	1.08%

Annual Performance Goal 1.2

Balance sheets are optimally structured.

Annual Indicator 1.2.1	The percentage of FICU assets with low or moderate interest rate risk ratings			
Desired Level 1.2.1	Maintain above 90 percent			
Results	Met			
Performance	2003	2004	2005	2006
	92.00%	92.90%	95.31%	96.10%

Annual Indicator 1.2.2	The percentage of FICU assets with low or moderate liquidity risk ratings			
Desired Level 1.2.2	Maintain above 95 percent			
Results	Examiners are effectively identifying the potential for decreased liquidity due to increases in net long-term assets and loans as a percentage of shares.			
Performance	2003	2004	2005	2006
	97.84%	97.59%	96.46%	94.60%

Annual Indicator 1.2.3	The percentage FICU assets with a CAMEL "Liquidity/Asset Liability Management" rating of 1 or 2			
Desired Level 1.2.3	Maintain above 90 percent			
Results	Met			
Performance	2003	2004	2005	2006
	93.43%	91.07%	93.85%	93.31%

Annual Indicator 1.2.4	The percentage of FICU assets with a CAMEL "Earnings" rating of 1 or 2			
Desired Level 1.2.4	Maintain above 75 percent			
Results	Met			
Performance	2003	2004	2005	2006
	93.61%	79.96%	79.87%	80.10%

Annual Performance Goal 1.3

Credit risks are identified and resolved in a timely manner.

Annual Indicator 1.3.1	The percentage of FICU assets with low or moderate credit risk ratings			
Desired Level 1.3.1	Maintain above 90 percent			
Results	Met			
Performance	2003	2004	2005	2006
	93.63%	93.53%	92.76%	94.21%

Annual Indicator 1.3.2	The percentage of FICU assets with a CAMEL "Asset Quality" rating of 1 or 2			
Desired Level 1.3.2	Maintain above 90 percent			
Results	Met			
Performance	2003	2004	2005	2006
	92.18%	91.66%	90.95%	91.74%

STRATEGIC GOAL 2

Access to financial services offered by federally insured credit unions for all eligible consumers throughout the United States.

Strategic Indicator 2.1	Percentage increase in total FICU membership, assets, shares and loans			
Desired Level 2.1	Increase by at least the average rate of growth for the prior two years			
Results	While positive growth is desirable in each of the areas below, uncontrollable external economic events slowed growth in 2006—cooling housing market, interest rate increases, etc.			
Performance	2003	2004	2005	2006
Membership	1.85%	1.38%	1.49%	1.11%
Assets	9.51%	6.04%	4.90%	4.60%
Loans	9.75%	10.01%	10.62%	7.87%
Shares	9.11%	5.26%	3.83%	4.12%

Annual Performance Goal 2.1

Optimal financial access opportunities for people of lesser means.

Annual Indicator 2.1.1	Growth of low-income designated credit unions' membership, assets, shares and loans compared to all FICUs			
Desired Level 2.1.1	Membership growth of at least 4 times the rate of all FICUs and asset, share and loan growth of at least 1.25 times the rate of all FICUs (see Strategic Indicator 2.1)			
Results	Met			
Performance	2003	2004	2005	2006
Membership	10.10%	17.80%	7.57%	7.66%
Assets	18.30%	22.20%	11.66%	10.89%
Loans	17.40%	26.60%	15.05%	13.51%
Shares	18.20%	21.70%	10.75%	9.99%

Annual Performance Goal 2.2

Community investment through improved savings rates, home ownership and small business opportunities.

Annual Indicator 2.2.1	Percentage increase in the number of share, first mortgage and member business loan accounts			
Desired Level 2.2.1	Improve from prior year			
Results	Slight declines in share and first mortgage account growth mirror slowing growth rates in overall share and first mortgage loan balances.			
Performance	2003	2004	2005	2006
Share accounts	4.30%	2.28%	4.71%	3.92%
1st Mortgage accounts	11.51%	3.16%	5.85%	3.49%
Business Loan accounts	22.34%	22.42%	30.46%	31.81%

STRATEGIC GOAL 3

A prudent, flexible and efficient regulatory environment for all federally insured credit unions.

Strategic Indicator 3.1	Percentage of the credit union system's market share of federally insured assets[1] and consumer credit[2]			
Desired Level 3.1	Improve or maintain from prior year			
Results	The credit union industry experienced a slight decline in consumer credit during 2006 as finance companies continue to increase their market share percentage of consumer credit. NCUA's 2007 Performance Budget includes strategies to address this area.			
All FICUs	2003	2004	2005	2006
Insured Assets	N/A	6.02%	5.95%	5.99%
Consumer Credit	9.73%	9.65%	9.83%	9.72%

Annual Performance Goal 3.1

Credit union growth and development through regulatory measures.

Annual Indicator 3.3.1	Percentage of FICUs involved in various products and services			
Desired Level 3.3.1	Improve from prior year			
Results	Met			
All FICUs	2003	2004	2005	2006
Real Estate Loans	66.23%	67.58%	68.72%	69.68%
Member Business Lending	7.43%	18.66%	21.20%	23.04%
Transactional Websites	35.57%	40.75%	47.21%	53.01%

[1] Market share is based on the percentage of federally insured assets held by credit unions in relation to all federally insured assets—both NCUA and FDIC insured assets.

[2] Consumer credit is based on the percentage of revolving and non-revolving credit held by credit unions in relation to all revolving and non-revolving credit outstanding. Consumer credit includes credit held by the following—commercial banks, finance companies, credit unions, federal government, savings institutions, and pools of securitized assets. This information is released monthly by the Federal Reserve.

Auditors' Report and Financial Statements

We conducted our audits in accordance with auditing standards generally accepted in the United States of America

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INDEPENDENT AUDITORS' REPORT

To the Inspector General of
National Credit Union Administration

We have audited the financial statements appearing on pages 48-75 of this Annual Report of respectively, the National Credit Union Share Insurance Fund, the National Credit Union Administration Operating Fund, the National Credit Union Administration Central Liquidity Facility, and the National Credit Union Administration Community Development Revolving Loan Fund (collectively, the "NCUA Funds") as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the National Credit Union Administration's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NCUA Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the National Credit Union Share Insurance Fund, of the National Credit Union Administration Operating Fund, of the National Credit Union Administration Central Liquidity Facility, and of the National Credit Union Administration Community Development Revolving Loan Fund as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

February 12, 2007

NATIONAL CREDIT UNION SHARE INSURANCE FUND

BALANCE SHEETS
AS OF DECEMBER 31, 2006 AND 2005
(Dollars in thousands)

ASSETS	**2006**	**2005**
ASSETS:		
Investments (Note 6)	$5,257,216	$4,808,210
Cash and cash equivalents	1,683,462	1,798,763
Accrued interest receivable	63,244	52,102
Due from National Credit Union Administration Operating Fund (Note 8)	98	-
Assets acquired in assistance to insured credit unions	14,461	17,588
Loans to credit unions	15,000	-
Note receivable—National Credit Union Administration Operating Fund (Note 8)	22,461	23,802
Contributions receivable from insured credit unions	47	1,740
Fixed assets—net of accumulated depreciation and amortization (Note 3)	762	104
TOTAL	$7,056,751	$6,702,309

LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Estimated losses from supervised credit unions (Note 4)	$ 70,229	$ 72,976
Amounts due to insured shareholders of liquidated credit unions	7,291	8,257
Due to National Credit Union Administration Operating Fund (Note 8)	-	133
Cash assistance liability	-	2,357
Accounts payable	109	35
Obligations under capital leases (Note 9)	806	107
Total liabilities	78,435	83,865
FUND BALANCE:		
Insured credit unions' accumulated contributions	5,306,286	5,128,031
Insurance fund balance	1,672,030	1,490,413
Total fund balance	6,978,316	6,618,444
TOTAL	$7,056,751	$6,702,309

See notes to financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Dollars in thousands)

	2006	2005
REVENUES:		
Interest	$ 264,895	$ 175,017
Other	1,326	645
Total revenues	266,221	175,662
EXPENSES (Note 8):		
Administrative expenses:		
Employee wages and benefits	61,958	59,739
Travel	7,401	6,743
Rent, communications, and utilities	2,113	2,239
Contracted services	3,844	3,691
Provision for insurance losses (Note 4)	2,548	20,940
Other	6,740	8,061
Total expenses	84,604	101,413
EXCESS OF REVENUES OVER EXPENSES	$ 181,617	$ 74,249

See notes to financial statements.

STATEMENTS OF FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Dollars in thousands)

	Insured Credit Unions' Accumulated Contributions	Insurance Fund Balance
BALANCE AT JANUARY 1, 2005	$4,943,144	$1,416,164
Contributions from insured credit unions	184,887	-
Excess of revenues over expenses	-	74,249
BALANCE AT DECEMBER 31, 2005	5,128,031	1,490,413
Contributions from insured credit unions	178,255	-
Excess of revenues over expenses	-	181,617
BALANCE AT DECEMBER 31, 2006	$5,306,286	$1,672,030

See notes to financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Dollars in thousands)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	$ 181,617	$ 74,249
Adjustments to reconcile excess of revenues over expenses to cash provided by operating activities:		
Depreciation and amortization	415	414
Amortization of premiums and discounts on investments—net	1,806	49,022
(Recoveries) reserves relating to losses from supervised credit unions—net	(2,747)	5,850
Decrease (increase) in assets:		
Accrued interest receivable	(11,142)	(13,856)
Assets acquired in assistance to insured credit unions—net	3,127	(961)
Contributions receivable from insured credit unions	-	(182)
Increase (decrease) in liabilities:		
Amounts due to insured shareholders of liquidated credit unions	(966)	(3,344)
Amounts due to National Credit Union Administration Operating Fund	(231)	(17)
Cash assistance liability	(2,357)	1,279
Accounts payable	74	(37)
Net cash provided by operating activities	169,596	112,417
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loans to credit unions	(15,000)	-
Purchases of investments	(2,550,812)	(2,271,641)
Proceeds from maturities of investments	2,100,000	1,900,000
Collections on note receivable—National Credit Union Administration Operating Fund	1,341	1,341
Net cash used in investing activities	(464,471)	(370,300)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions from insured credit unions	179,948	184,887
Principal payments under capital lease obligation	(374)	(415)
Net cash provided by financing activities	179,574	184,472
NET DECREASE IN CASH AND CASH EQUIVALENTS	(115,301)	(73,411)
CASH AND CASH EQUIVALENTS—Beginning of year	1,798,793	1,872,174
CASH AND CASH EQUIVALENTS—End of year	$1,683,462	$1,798,763
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES—Acquisition of equipment under capital lease	$ 1,073	$ -
CASH PAYMENTS FOR INTEREST	$ 5	$ -

See notes to financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. ORGANIZATION AND PURPOSE

The National Credit Union Share Insurance Fund (the "Fund" or "NCUSIF") was created by the Public Law 91-468 (Title II of the Federal Credit Union Act), which was amended in 1984 by Public Law 98-369. The Fund was established as a revolving fund in the United States Treasury under the management of the National Credit Union Administration ("NCUA") Board for the purpose of insuring member share deposits in all federal credit unions and in qualifying state credit unions that request insurance. The maximum amount of insurance is $100,000 per shareholder account and $250,000 on certain retirement accounts.

NCUA exercises direct supervisory authority over federal credit unions and coordinates required supervisory involvement with the state chartering authority for state-chartered credit unions insured by the Fund. Insured credit unions are required to report certain financial and statistical information to NCUA on a semiannual or quarterly basis depending on the size of the credit union and are subject to periodic examination by NCUA. Information derived through the supervisory and examination process provides the Fund with the ability to identify credit unions experiencing financial difficulties that may require assistance from the Fund.

Credit unions experiencing financial difficulties may be assisted by the Fund in continuing their operations if these difficulties are considered by the Fund to be temporary or correctable. This special assistance may be in the form of a waiver of statutory reserve requirements, a guarantee account, and/or cash assistance. If continuation of the credit union's operations with Fund assistance is not feasible, a merger partner may be sought. If the assistance or merger alternatives are not practical, the credit union is liquidated.

The first form of special assistance is waivers of statutory reserve requirements, whereby the credit union is permitted to cease making additions to its regular reserve and, in more severe cases, to commence charging operating losses against its regular reserve. When all reserves have been depleted by the credit union, the Fund may provide a reserve guarantee account in the amount of the reserve deficit. In addition, the Fund may provide cash assistance in the form of share deposits and NCUSIF subordinated notes, or may purchase assets from the credit union.

Mergers of financially troubled credit unions with stronger credit unions may also require Fund assistance. Merger assistance may be in the form of cash assistance, purchase of certain assets by the Fund, and/or guarantees of the values of certain assets (primarily loans).

When a credit union is no longer able to continue operating and the merger and assistance alternatives are not practical, the Fund will liquidate the credit union, dispose of its assets, and pay members' shares up to the maximum insured amount. The values of certain assets sold (primarily loans) are sometimes guaranteed to third-party purchasers by the Fund.

2. SIGNIFICANT ACCOUNTING POLICIES

Investments—Title II of the Federal Credit Union Act limits the Fund's investments to United States Government securities or securities guaranteed as to both principal and interest by the United States Government. All investments are classified as held-to-maturity under Statement of Financial Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Accordingly, the Fund records investments at amortized cost. Amortized cost is the face value of the securities plus the unamortized premium or less the unamortized discount.

Cash and Cash Equivalents—The Federal Credit Union Act permits the Fund to make investments in United States Government securities or securities guaranteed as to both principal and interest by the United States Government. Cash equivalents are highly liquid investments with original maturities of three months or less.

Assets Acquired in Assistance to Insured Credit Unions—The Fund acquires the assets of liquidating credit unions pending their ultimate disposition. To assist in the merger of credit unions, the Fund may purchase certain credit union assets. In addition, the Fund may provide cash assistance by acquiring non-performing assets of a credit union experiencing financial difficulty. These acquired assets are maintained by the Asset Management and Assistance Center in Austin, Texas, and are recorded by the Fund at their estimated net realizable value.

Advances to Insured Credit Unions—The Fund provides cash assistance in the form of interest and noninterest-bearing NCUSIF ("National Credit Union Share Insurance Fund") subordinated notes (carried at face value), share deposits, and loans to certain credit unions to assist them in continuing their operations.

Depreciation and Amortization—Furniture and equipment are recorded at cost. Equipment acquired under capital lease agreements is recorded at the present value of the future minimum lease payments. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the furniture and equipment and the shorter of the estimated useful life or lease term for capital leases. Estimated useful lives are three years for the furniture, equipment and capital leases.

Guarantees—Guarantees are recorded in accordance with FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, which requires the Fund to recognize, at the inception of a guarantee, a liability for the fair value of obligation undertaken in issuing the guarantee.

Premium Revenue—The Fund may assess each insured credit union a premium charge for insurance in an amount stated as a percentage of insured shares outstanding as of December 31 of the preceding insurance year if the Fund's equity ratio is less than 1.3% (Note 5).

Income Taxes—The Fund is exempt from Federal income taxes under Section 501(c)(1) of the Internal Revenue Code.

Fair Value of Financial Instruments—The following methods and assumptions were used in estimating the fair value disclosures for financial instruments:

Investments—The fair value for investments is the quoted market value.

Cash and Cash Equivalents—The carrying amounts for cash and cash equivalents approximate fair values.

Loans to Credit Unions—It is not practicable to estimate the fair value of these assets as there is no secondary market. All outstanding loans are secured by a perfected lien against the assets of the credit union and are fully secured

Other—Accrued interest receivable, due from/to NCUA Operating Fund, note receivable from NCUA Operating Fund, contributions receivable from insured credit unions, due to insured shareholders of liquidated credit unions, accounts payable, and obligations under capital leases are recorded at book values, which approximate the respective fair values.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's estimates. The more significant estimates include the estimated losses from supervised credit unions and the allowance for loss on assets acquired in assistance to insured credit unions.

3. FIXED ASSETS

At December 31, 2006 and 2005, fixed assets are comprised of the following (in thousands):

	2006	2005
Furniture and equipment	$ 501	$ 500
Equipment under capital leases	1,073	1,237
Total	1,574	1,737
Less—Accumulated depreciation and amortization	(812)	(1,633)
Total fixed assets—net	$ 762	$ 104

Accumulated amortization balances for equipment under capital leases as of December 31, 2006 and 2005, totaled (in thousands) $311 and $1,133, respectively.

4. PROVISION FOR INSURANCE LOSSES

Management identifies credit unions experiencing financial difficulty through NCUA's supervisory and examination process. The estimated losses from these supervised credit unions are determined by management on a specified case basis. Management also evaluates overall economic trends and monitors potential system-wide risk factors such as increasing levels of consumer debt, bankruptcies, and delinquencies. NCUA applies a rating system to assess a credit union's financial condition and operations in the areas of Capital Adequacy, Asset Quality, Management, Earnings, and Asset/Liability Management ("CAMEL"). The CAMEL Rating System is a tool to measure risk and allocate resources for supervisory purposes. NCUA periodically reviews the CAMEL Rating System to respond to continuing economic and regulatory changes in the credit union industry. For non-specified case reserve requirements, risk profile categories are established based on the CAMEL ratings of problem credit unions, and probable failure and loss rates are applied based on historical data. The anticipated losses are net of estimated recoveries from the disposition of the assets of failed credit unions.

Total estimated insurance in force as of December 31, 2006 and December 31, 2005, is $535.3 billion and $516.6 billion, respectively, which includes natural person and corporate credit unions. The total net reserves for identified and anticipated losses from supervised credit unions' failures are $70 million and $73 million at December 31, 2006 and 2005, respectively.

In exercising its supervisory function, the Fund will, at times, extend guarantees of assets (primarily loans) to third-party purchasers or to credit unions to facilitate mergers. The Fund would be obligated upon non-performance. No such guarantees were outstanding at December 31, 2006 and 2005. The estimated losses from asset and merger guarantees are determined by management on a case-by-case evaluation.

In addition, the Fund may grant a guaranteed line-of-credit to a third party credit provider, such as a corporate credit union or bank, if a credit union has a current or immediate liquidity concern and the credit provider has refused to extend credit without a guarantee. The Fund would be obligated if the credit union failed to perform. Total line-of-credit guarantees of credit unions at December 31, 2006 and 2005, are approximately $20 million and $2.2 million, respectively. The total balances outstanding under these line-of-credit guarantees at December 31, 2006 and 2005 are approximately $0 and $2.1 million, respectively. The carrying amount of the liability as of December 31, 2006, for the outstanding NCUSIF guarantee is $422,876. All guarantees outstanding at December 31, 2006 expire on March 31, 2007.

From time to time, the Fund provides indemnifications in merger assistance agreements to acquiring credit unions. Such indemnifications make the Fund contingently liable based on the outcome of legal actions. No such indemnification contingencies existed at December 31, 2006.

The activity in the reserves for estimated losses from supervised credit unions for the periods ended December 31, 2006 and 2005, was as follows (in thousands):

	2006	2005
Beginning Balance	$72,976	$67,126
Insurance losses	(10,833)	(24,177)
Recoveries	5,538	9,087
Provision for insurance losses	2,548	20,940
Ending Balance	$70,229	$72,976

5. FUND CAPITALIZATION

The Credit Union Membership Access Act of 1998 ("CUMAA") mandated changes to the Fund's capitalization provisions effective January 1, 2000. Each insured credit union shall pay to and maintain with the Fund a deposit in an amount equaling 1% of the credit union's insured shares. The amount of each insured credit union's deposit shall be adjusted as follows, in accordance with procedures determined by the NCUA Board, to reflect changes in the credit union's insured shares: (i) annually, in the case of an insured credit union with total assets of not more than $50 million; and (ii) semiannually, in the case of an insured credit union with total assets of $50 million or more. The annual and semiannual adjustments are based on member share deposits outstanding as of December 31 of the preceding year and June 30 of the current year, respectively. The 1% contribution will be returned to the insured credit union in the event that its insurance coverage is terminated, or is obtained from another source, or the operations of the Fund are transferred from the NCUA Board.

The CUMAA mandates certain premium charges from insured credit unions and distributions from the Fund under certain circumstances. A premium charge to insured credit unions is required if the Fund's equity ratio (as defined in the CUMAA) falls below 1.2% of insured shares. Also, pro rata distributions to insured credit unions after each calendar year are required if, as of year-end:

(i) Any loans to the Fund from the Federal Government, and any interest on those loans, have been repaid;

(ii) The Fund's equity ratio exceeds the normal operating level (as defined in the CUMAA, an equity ratio specified by the NCUA Board, which shall be not less than 1.2% and not more than 1.5%); and

(iii) The Fund's available assets ratio, as defined in the CUMAA, exceeds 1.0%.

The NCUA Board set the normal operating level for 2007 and 2006 at 1.30%. The calculated equity ratios at December 31, 2006 and December 31, 2005, were 1.304% and 1.28%, respectively.

Beginning in 2000, the CUMAA mandates that dividends are determined from specific ratios, which are based upon year-end reports of insured shares. Accordingly, dividends associated with insured shares at year-end are declared and paid in the subsequent year.

The NCUA Board will convene early in 2007 to declare dividends payable on insured shares as of December 31, 2006, because the equity ratio of 1.304% is above the normal operating level of 1.30%. Total insured shares as of December 31, 2006 and December 31, 2005, were estimated to be $535.3 billion and $516.6 billion, respectively.

6. INVESTMENTS

All cash received by the Fund that is not used for outlays related to assistance to insured credit unions and liquidation activities is invested in U.S. Treasury securities.

At December 31, 2006 and 2005, investments consist of the following (in thousands):

	December 31, 2006				
	Yield to Maturity at Market (At Purchase Date)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasury Securities:					
Maturities up to one year	2.96%	$ 1,703,200	$ -	$ (13,138)	$1,690,062
Maturities after one year through five years	4.48	3,554,016	-	(11,891)	3,542,125
Total		$5,257,216	$ -	$ (25,029)	$5,232,187

	December 31, 2005				
	Yield to Maturity at Market (At Purchase Date)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasury Securities:					
Maturities up to one year	2.38%	$ 2,308,827	$ -	$ (21,265)	$2,287,562
Maturities after one year through five years	3.26	2,499,383	-	(35,367)	2,464,016
Total		$4,808,210	$ -	$ (56,632)	$4,751,578

Total investment purchases during 2006 and 2005 were approximately $2.6 billion and $2.3 billion, respectively. Investment maturities during 2006 and 2005 were approximately $2.1 billion and $1.9 billion, respectively. The Fund has the capability and management has the intention to hold all investments held at December 31, 2006 and 2005 to maturity. There were no investment sales during 2006 and 2005.

7. AVAILABLE BORROWINGS

The Fund is authorized by the Federal Credit Union Act to borrow from the Treasury of the United States, upon authorization by the NCUA Board, up to a maximum of $100,000,000. The NCUA Central Liquidity Facility ("CLF") is authorized to make advances to the Fund under terms and conditions established by the NCUA Board. No borrowings were obtained from these sources during 2006 and 2005.

8. TRANSACTIONS WITH NCUA OPERATING FUND

Substantial administrative services are provided to the Fund by the NCUA Operating Fund. The NCUA Operating Fund charges the Fund for these services based on an annual allocation factor approved by the NCUA Board and derived from a study of actual usage conducted by the management of these Funds. The allocation factor was 57% to the Fund for both 2006 and 2005. The cost of services provided by the NCUA Operating Fund was approximately $80,642,000 and $78,832,000 for 2006 and 2005, respectively, and includes pension contributions of approximately $6,629,000 and $6,304,000 to the Civil Service Retirement System and Federal Employees Retirement System defined benefit retirement plans for 2006 and 2005, respectively.

In 1992, the Fund entered into a commitment to fund up to $41,975,000 through a thirty-year secured term note with the NCUA Operating Fund. The monies were advanced to the NCUA Operating Fund as needed to fund the costs of constructing a building. Interest income was approximately $873,000 and $626,000 for 2006 and 2005, respectively. The note receivable balances at December 31, 2006 and 2005 were approximately $22,461,000 and $23,802,000, respectively.

The above note matures as follows (in thousands):

	Secured Term Note
2007	$ 1,341
2008	1,341
2009	1,341
2010	1,341
2011	1,341
Thereafter	15,756
Total	$22,461

The variable rate on the term note is equal to the Fund's prior-month yield on investments. The average interest rates during 2006 and 2005 were approximately 3.79% and 2.57%, respectively. At December 31, 2006 and 2005, the rates were 4.29% and 3.19%, respectively.

The NCUA Operating Fund leases certain office space and equipment under operating lease agreements that expire through 2014. Based on the allocation factor determined by the NCUA's Board, the Fund reimbursed the NCUA Operating Fund approximately 57% of the total lease payments. The cost of services provided by the NCUA Operating Fund includes rental charges of approximately $422,700 and $452,300 for December 31, 2006 and 2005, respectively.

Based on the allocation factor approved by the NCUA Board for 2007, NCUSIF will reimburse the Fund for approximately 53.3% of the future operating lease payments. The Fund's allocation of the NCUA Operating Fund's total future minimum lease payments on operating leases as of December 31, 2006, is expected to be as follows (in thousands):

	Total
2007	$ 367
2008	303
2009	311
2010	160
2011	164
Thereafter	380
Total	$1,685

9. LEASE COMMITMENTS

Description of Leasing Agreements—The Fund has entered into lease agreements with vendors for the lease of equipment that includes computers, laptops, and printers. The Fund leases computer equipment under capital lease agreements that expire through 2009.

A schedule of future minimum lease payments as of December 31, 2006, is as follows (in thousands):

2007	$ 360
2008	360
2009	90
Total	810
Less imputed interest	(4)
Present value of minimum lease payments	$ 806

10. DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and the estimated fair value of the Fund's financial instruments, at December 31, 2006 and 2005, are as follows:

	December 31, 2006		December 31, 2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Investments	$ 5,257,216	$ 5,232,187	$ 4,808,210	$ 4,751,578
Cash and cash equivalents	1,638,462	1,638,462	1,798,763	1,798,763
Accrued interest receivable	63,244	63,244	52,102	52,102
Loans to credit unions	15,000	15,000		
Notes receivable—NCUA Operating Fund	22,461	22,461	23,802	23,802
Contributions receivable from insured credit unions	47	47	1,740	1,740
Amounts due to insured shareholders of liquidated credit unions	7,291	7,291	8,257	8,257
Due from (to) NCUA Operating Fund	98	98	(133)	(133)
Cash assistance liability			2,357	2,357
Accounts payable	109	109	35	35
Obligations under capital leases	806	806	107	107

11. CONCENTRATIONS

There are no significant concentrations of member share deposits within any region of the United States. Concentrations of member shares do exist within the manufacturing, governmental, and educational industries.

12. CONTINGENCIES

The Fund is currently a party to a number of disputes that involve or may involve litigation. In the opinion of management, the ultimate liability with respect to any other disputes, if any, will not be material to the Fund's financial position.

* * * * * *

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

BALANCE SHEETS
AS OF DECEMBER 31, 2006 AND 2005
(Dollars in thousands)

ASSETS	2006	2005
Cash and cash equivalents	$25,394	$26,730
Due from National Credit Union Share Insurance Fund (Note 4)	-	133
Employee advances	902	835
Other accounts receivable (Note 5)	172	480
Prepaid expenses and other assets	1,683	681
Fixed assets—Net of accumulated depreciation and amortization (Note 3)	35,309	35,199
TOTAL	$63,460	$64,058
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	$ 3,817	$ 6,399
Obligations under capital leases (Note 6)	2,138	328
Accrued wages and benefits	2,571	6,391
Accrued annual leave	8,319	8,197
Accrued employee travel	11	20
Due to National Credit Union Share Insurance Fund (Note 4)	98	
Note payable to National Credit Union Share Insurance Fund (Note 4)	22,461	23,802
Total liabilities	39,415	45,137
FUND BALANCE (Note 11)	24,045	18,921
TOTAL	$63,460	$64,058

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Dollars in thousands)

	2006	2005
REVENUES:		
Operating fees	$63,577	$61,959
Interest	2,203	1,332
Other	179	164
Total revenues	65,959	63,455
EXPENSES (Note 4):		
Employee wages and benefits	46,740	45,066
Travel	5,583	5,087
Rent, communications, and utilities	1,594	1,689
Contracted services	2,900	2,784
Other	4,018	4,843
Total expenses	60,835	59,469
EXCESS OF REVENUES OVER EXPENSES	5,124	3,986
FUND BALANCE—Beginning of year	18,921	14,935
FUND BALANCE—End of year	$24,045	$18,921

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Dollars in thousands)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	$ 5,124	$ 3,986
Adjustments to reconcile excess of revenues over expenses to cash provided by operating activities:		
Depreciation and amortization	3,719	3,339
Provision for loss on disposal of employee residences held for resale	261	108
Loss on disposal of fixed assets	1	2
(Increase) decrease in assets:		
Due from National Credit Union Share Insurance Fund	231	17
Employee advances	(67)	(295)
Other accounts receivable	308	(342)
Prepaid expenses	(237)	182
(Decrease) increase in liabilities:		
Accounts payable	(2,582)	2,226
Accrued wages and benefits	(3,820)	4,010
Accrued annual leave	122	431
Accrued employee travel	(9)	(1)
Net cash provided by operating activities	3,051	13,663
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(1,049)	(2,511)
Purchases of employee residences held for sale	(1,839)	(988)
Proceeds from sale of employee residences held for resale	813	723
Net cash used in investing activities	(2,075)	(2,776)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of note payable	(1,341)	(1,341)
Principal payments under capital lease obligations	(971)	(1,043)
Net cash used in financing activities	(2,312)	(2,384)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,336)	8,503
CASH AND CASH EQUIVALENTS—Beginning of year	26,730	18,227
CASH AND CASH EQUIVALENTS—End of year	$25,394	$26,730
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES— Acquisition of equipment under capital lease	$ 2,781	$ 35
CASH PAYMENTS FOR INTEREST	$ 889	$ 626

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. ORGANIZATION AND PURPOSE

The National Credit Union Administration Operating Fund (the "Fund") was created by the Federal Credit Union Act of 1934. The Fund was established as a revolving fund in the United States Treasury under the management of the National Credit Union Administration ("NCUA") Board for the purpose of providing administration and service to the Federal Credit Union System.

2. SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents—The Federal Credit Union Act permits the Fund to make investments in United States Government securities or securities guaranteed as to both principal and interest by the United States Government. Cash equivalents are highly liquid investments with original maturities of three months or less. All investments in 2006 and 2005 were cash equivalents and are stated at cost, which approximates fair value.

Depreciation and Amortization—Building, furniture, equipment and leasehold improvements are recorded at cost. Capital leases are recorded at the present value of the future minimum lease payments. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the building, furniture, and equipment, and the shorter of the estimated useful life or lease term for leasehold improvements and capital leases. Estimated useful lives are forty years for the building and three to ten years for the furniture, equipment, and leasehold improvements.

Operating Fees—The Fund assesses each federally chartered credit union an annual fee based on the credit union's asset base as of the preceding December 31. The fee is designed to cover the costs of providing administration and service to the Federal Credit Union System. The Fund recognizes this operating fee revenue ratably over the year.

Income Taxes—The Fund is exempt from Federal income taxes under Section 501(c) (1) of the Internal Revenue Code.

Fair Value of Financial Instruments—The following methods and assumptions were used in estimating the fair value disclosures for financial instruments:

Cash and cash equivalents, receivables from National Credit Union Share Insurance Fund ("NCUSIF") and National Credit Union Administration Central Liquidity Facility ("NCUA CLF"), employee advances, other accounts receivable, accounts and notes payable to NCUSIF, and other accounts payable are recorded at book values, which approximate the respective fair values.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's estimates.

3. FIXED ASSETS

Fixed assets are comprised of the following at December 31, 2006 and 2005 (in thousands):

	2006	2005
Office building and land	$42,651	$42,626
Furniture and equipment	11,900	13,338
Equipment under capital leases	2,983	3,243
Assets under construction	139	-
Total	57,673	59,207
Less accumulated depreciation and amortization	(22,364)	(24,008)
Fixed assets—net	$35,309	$35,199

4. TRANSACTIONS WITH NCUSIF

Certain administrative services are provided by the Fund to NCUSIF. The Fund charges NCUSIF for these services based upon an annual allocation factor approved by the NCUA Board and derived from a study of actual usage. The allocation factor was 57% to NCUSIF for both 2006 and 2005. The cost of the services allocated to NCUSIF, which totaled approximately $80,642,000 and $78,832,000 for 2006 and 2005, respectively, is reflected as a reduction of the corresponding expenses in the accompanying financial statements.

In 1992, the Fund entered into a commitment to borrow up to $41,975,000 in a thirty-year secured term note with NCUSIF. The monies were drawn as needed to fund the costs of constructing a building in 1993. Interest costs incurred were approximately $873,000 and $626,000 for 2006 and 2005, respectively. The note payable balances at December 31, 2006 and 2005, were approximately $22,461,000 and $23,802,000, respectively.

The above note requires principal repayments at December 31, 2006 as follows (in thousands):

	Secured Term Note
2007	$ 1,341
2008	1,341
2009	1,341
2010	1,341
2011	1,341
Thereafter	15,756
Total	$22,461

The variable rate on the note is equal to NCUSIF's prior-month yield on investments. The average interest rates during 2006 and 2005 were 3.79% and 2.57%, respectively. The interest rates at December 31, 2006 and 2005, were 4.29% and 3.19%, respectively.

5. TRANSACTIONS WITH NCUA CLF

Certain administrative services are provided by the Fund to NCUA CLF. The Fund charges NCUA CLF for these services based upon rates approved by the NCUA Board. The costs of the services provided to NCUA CLF were $253,000 and $220,000 for 2006 and 2005, respectively, and are reflected as a reduction of the corresponding expenses in the accompanying financial statements.

Other accounts receivable include approximately $95,000 and $91,000 of amounts due from NCUA CLF as of December 31, 2006 and 2005, respectively.

6. LEASE COMMITMENTS

Description of Leasing Agreements—The Fund has entered into a number of lease agreements with vendors for the rental of office space, as well as the lease of office equipment that includes laptops, printers, monitors, and copiers.

Operating Leases—The Fund leases office space under lease agreements that expire through 2014. Office rental charges amounted to approximately $741,600 and $793,600 of which approximately $422,700 and $452,300 was reimbursed by NCUSIF for 2006 and 2005, respectively. In addition, the Fund leases office equipment under operating leases with lease terms of less than one year.

Capital Leases—The Fund leases equipment under lease agreements that expire through 2009.

The future minimum lease payments as of December 31, 2006, are as follows (in thousands):

	Operating Leases	Capital Leases
2007	$ 663	$ 960
2008	561	954
2009	575	240
2010	297	-
2011	303	-
Thereafter	704	-
Total	$3,103	2,154
Less imputed interest		(16)
Present value of net minimum lease payments		$2,138

Based on the allocation factor approved by the NCUA Board for 2007, NCUSIF will reimburse the Fund for approximately 53.3% of the future operating lease payments.

7. RETIREMENT PLANS

The employees of the Fund are participants in the Civil Service Retirement and Disability Fund, which includes the Federal Employees' Retirement System ("FERS"). Both plans are defined benefit retirement plans covering all of the employees of the Fund. FERS is comprised of a Social Security Benefits Plan, a Basic Benefits Plan, and a Savings Plan. Contributions to the plans are based on a percentage of employees' gross pay. Under the Savings Plan, employees can also elect additional contributions between 1% and 15% of their gross pay, up to $15,000 in 2006, and the Fund will match up to 5% of the employees' gross pay. In 2006 and 2005, the Fund's contributions to the plans were approximately $11,630,000 and $11,060,000, respectively, of which approximately $6,629,000 and $6,304,000, respectively, were reimbursed by NCUSIF.

The Fund does not account for the assets of the above plans and does not have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported by the U.S. Office of Personnel Management for the Civil Service Retirement and Disability Fund and are not allocated to individual employers.

8. DISCLOSURES OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and the estimated fair value of the Fund's financial instruments are as follows (in thousands):

	December 31, 2006		December 31, 2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 25,394	$ 25,394	$ 26,730	$ 26,730
Due from NCUSIF			133	133
Due to NCUSIF	98	98		
Employee advances	902	902	835	835
Other accounts receivable	172	172	480	480
Accounts payable	3,817	3,817	6,399	6,399
Obligation under capital lease	2,138	2,138	328	328
Note payable to NCUSIF	22,461	22,461	23,802	23,802

9. CONTINGENCIES

The Fund is currently a party to a number of disputes that involve or may involve litigation. In the opinion of management, the ultimate liability with respect to any other disputes, if any, will not be material to the Fund's financial position.

10. HURRICANE RELATED MATTERS

As part of its regulatory relief and forbearance efforts for credit unions and their members impacted by hurricanes, the NCUA Board allowed credit unions that are located in hurricane-affected areas to pay an operating fee that was based on assets that excluded hurricane-related Federal Emergency Management Agency and insurance payouts. This resulted in a reduction in operating fee collections in the amount of $167,000 during 2006.

Once again in 2007, the NCUA Board will again allow credit unions that are still affected by the hurricanes to pay a reduced operating fee. In the opinion of management, this will not have a material impact on operating fee collections.

11. RETAINED EARNINGS APPROPRIATION

In 2006, the NCUA Board established an appropriation of the Fund's fund balance in an effort to more transparently disclose and communicate to stakeholders earnings that are needed for major projects that cannot be accrued or that do not warrant inclusion in the annual operating expense budget. The initial appropriation of $1,000,000 is for repairs and maintenance on NCUA's Alexandria headquarters building.

12. COMMITMENTS

NCUA shares a common plaza and parking garage with owners of real estate adjacent to their headquarters office building. In 2006, NCUA, along with the other owners, entered into contracts for the restoration and preservation of the Alexandria, Virginia King Street Station complex's plaza and garage. The value of the contracts totals $3,465,624 with $721,028 for NCUA's share. As of December 31, 2006, the Fund has advanced $237,939 towards the project and has recorded $139,000 as construction in progress and the remainder as a prepaid expense. The Fund is expected to pay an additional $483,089 for this work in 2007. The project is expected to be completed in 2007.

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NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

BALANCE SHEETS
AS OF DECEMBER 31, 2006 AND 2005
(In thousands)

ASSETS	2006	2005
ASSETS:		
Cash	$ 12	$ 10
Investments with U.S. Central Federal Credit Union (Notes 5, 8, and 9)	1,549,678	1,470,390
Accrued interest receivable	21,386	14,557
TOTAL	$1,571,076	$1,484,957
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES:		
Accounts payable and other liabilities	$ 130	$ 120
Dividends payable (Note 7)	21,267	14,475
Member deposits (Note 7)	622	509
Total liabilities	22,019	15,104
MEMBERS' EQUITY:		
Capital stock—required (Note 7)	1,537,649	1,458,445
Retained earnings	11,408	11,408
Total members' equity	1,549,057	1,469,853
TOTAL	$1,571,076	$1,484,957

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(In thousands)

	2006	2005
REVENUE:		
Investment income	$ 78,213	$ 46,985
Interest—loans to members (Note 6)	75	-
Total revenue	78,288	49,985
EXPENSES (Note 10):		
Operating expenses:		
Group agent service fee	-	1
Personnel services	141	135
Other services	63	42
Rent, communications, and utilities	8	7
Personnel benefits	33	34
Supplies and materials	3	3
Printing and reproduction	5	6
Total operating expenses	253	228
Interest—Federal Financing Bank loans (Note 6)	75	-
Interest—liquidity reserve	37	13
Total expenses	365	241
EXCESS OF REVENUE OVER EXPENSES	$ 77,923	$ 46,744

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(In thousands)

	Capital Stock	Retained Earnings
BALANCE—January 1, 2005	$1,345,345	$ 11,408
Issuance of required capital stock	113,554	-
Redemption of required capital stock	(454)	-
Dividends	-	(46,744)
Excess of revenue over expenses	-	46,744
BALANCE—December 31, 2005	1,458,445	11,408
Issuance of required capital stock	81,143	-
Redemption of required capital stock	(1,939)	-
Dividends	-	(77,923)
Excess of revenue over expenses	-	77,923
BALANCE—December 31, 2006	$1,537,649	$ 11,408

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(In thousands)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenue over expenses	$ 77,923	$ 46,744
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
(Increase) in accrued interest receivable	(6,829)	(8,024)
Increase in accounts payable and other liabilities	10	12
Net cash provided by operating activities	71,104	38,732
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments—net	(79,288)	(113,362)
Net cash used in investing activities	(79,288)	(113,362)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additions to member deposits	1,578	864
Issuance of required capital stock	81,143	113,554
Dividends	(71,131)	(38,747)
Withdrawal of member deposits	(1,465)	(587)
Redemption of required capital stock	(1,939)	(454)
Net cash provided by financing activities	8,186	74,630
NET INCREASE IN CASH	2	-
CASH—Beginning of year	10	10
CASH—End of year	$ 12	$ 10
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION—Cash paid during the year for interest	$ 108	$ 13

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. ORGANIZATION AND PURPOSE

The National Credit Union Administration Central Liquidity Facility ("CLF") was created by the National Credit Union Central Liquidity Facility Act (the "Act"). CLF is designated as a mixed-ownership government corporation under the Government Corporation Control Act. CLF exists within the National Credit Union Administration ("NCUA") and is managed by the National Credit Union Administration Board. CLF became operational on October 1, 1979.

The purpose of CLF is to improve general financial stability by meeting the liquidity needs of credit unions. CLF is a tax-exempt organization under Section 501(c)(1) of the Internal Revenue Code.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—CLF maintains its accounting records on the accrual basis of accounting.

Loans and Allowance for Loan Losses—Loans, when made to members, are on a short-term or long-term basis. For all loans, CLF may obtain a security interest in the assets of the borrower. In determining the allowance for loan losses, when applicable, CLF evaluates the collectibility of its loans to members through examination of the financial condition of the individual borrowing credit unions and the credit union industry in general.

Funds on Deposit with U.S. Central Federal Credit Union—CLF invests in redeposits and share accounts at U.S. Central Federal Credit Union (see Notes 5 and 9). These are non-transferable, non-negotiable instruments that are acquired at face value and carried at cost.

Fair Value of Financial Instruments—The following methods and assumptions were used in estimating the fair value disclosures for financial instruments:

Cash—The carrying amounts for cash approximate fair value.

Investments—Fair values of financial instruments with maturities over one year are computed using the market rate of interest at year-end. For financial instruments with maturities of one year or less, the carrying amounts approximate fair value.

Loans—For loans advanced to member credit unions, the carrying amounts approximate fair value.

Member Deposits—Funds maintained with the CLF in excess of required capital amounts are recorded as member deposits. These deposits are due upon demand and the carrying amounts approximate the fair value.

FFB Notes Payable—For notes issued to the Federal Financing Bank, when applicable, the carrying amounts approximate fair value.

Other—Accrued interest receivable, accounts payable and other liabilities are recorded at book values, which approximate the respective fair values.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's estimates.

3. GOVERNMENT REGULATIONS

CLF is subject to various Federal laws and regulations. CLF's operating budget requires Congressional approval, and CLF may not make loans to members for the purpose of expanding credit union loan portfolios. CLF's investments are restricted to obligations of the United States Government and its agencies, deposits in Federally insured financial institutions, and shares and deposits in credit unions. Borrowing is limited by statute to twelve times the subscribed capital stock and surplus. However, there is a Congressional limitation of $1.5 billion on funds that are borrowed and then loaned out to credit unions at any one point in time.

At December 31, 2006 and 2005, CLF was in compliance with its borrowing authority. Borrowings would be from the Federal Financing Bank with interest generally payable upon maturity (see Notes 6 and 12).

4. LOANS TO MEMBERS

There were no loans or loan commitments outstanding at December 31, 2006 and 2005. CLF can provide members with extended loan commitments.

5. FUNDS ON DEPOSIT WITH U.S. CENTRAL FEDERAL CREDIT UNION

Funds not currently required for operations are invested as follows (in thousands):

	December 31,	
	2006	2005
U.S. Central Federal Credit Union Share Account	$1,545,678	$1,468,390
U.S. Central Federal Credit Union Share Certificates	4,000	2,000
	$1,549,678	$1,470,390

A Memorandum of Understanding ("MOU"), effective July 1, 2005, sets forth the understanding of CLF and the U.S. Central Federal Credit Union ("USC") concerning the investments by CLF in USC Share Accounts and Certificates.

As provided in the MOU, all investments by CLF in shares of USC will be in either the Share Account or Share Certificates. The Share Account is a three-month, fixed rate account that provides for automatic re-investment at maturity and daily availability of funds with no penalty for early withdrawal. The Share Account is only available to CLF. In the event of liquidation of the USC, shares in the account will be redeemable in full, prior to the redemption of any other shares of USC.

The Share Certificates are fixed rate, with a maturity fixed upon issuance (three or five years under the current MOU). Redemption prior to maturity is permitted, in whole or in part, if the CLF requests early redemption and if the USC and the CLF agree on an "early redemption value". The Share Certificates are neither negotiable nor assignable.

6. BORROWING AUTHORITY

CLF is authorized by statute to borrow, from any source, an amount not to exceed twelve times its subscribed capital stock and surplus.

On July 15, 1999, the National Credit Union Administration signed a note purchase agreement with the Federal Financing Bank on behalf of CLF. The first promissory note under that note purchase agreement originally provided for a commitment amount of $20.7 billion. Subsequently, the note purchase agreement expired on September 30, 2000, and was extended through amendments annually. The amount of each promissory note was reduced to $5 billion and expires yearly on the 31st of March. The current promissory note expires March 31, 2007. Congress, however, has restricted CLF's borrowing authority to $1.5 billion for the fiscal years 2005, 2006 and 2007, for the principal amount of new direct loans to member credit unions. Borrowings would be from the Federal Financing Bank with interest generally payable upon maturity. During 2006, CLF borrowed amounts totaling $6,210,600 from the Federal Financing Bank under two separate loan agreements, which it, in turn, loaned to a member credit union. All amounts borrowed during 2006 were repaid by December 31, 2006.

The Secretary of the Treasury is authorized by the Act to lend up to $500 million to CLF in the event that the Board certifies to the Secretary that CLF does not have sufficient funds to meet the liquidity needs of credit unions. This authority to lend is limited to such extent and in such amounts as are provided in advance by Congressional Appropriation Acts. On December 23, 1981, the President signed PL 97-101, which provided $100 million of permanent indefinite borrowing authority that may be provided by the Secretary of the Treasury to CLF to meet emergency liquidity needs of credit unions.

7. CAPITAL STOCK AND MEMBER DEPOSITS

The required capital stock account represents subscriptions remitted to CLF by member credit unions. Regular members' required subscription amounts equal one-half of one percent of their paid-in and unimpaired capital and surplus, one-half of which is required to be remitted to CLF. Agent members' required subscription amounts equal one-half of one percent of the paid-in and unimpaired capital and surplus of all of the credit unions served by the agent member, one-half of which is required to be remitted to CLF. In both cases, the remaining one-half of the subscription is required to be held in liquid assets by the member credit unions subject to call by the National Credit Union Administration Board. These unremitted subscriptions are not reflected in CLF's financial statements. Subscriptions are adjusted annually to reflect changes in the member credit unions' paid-in and unimpaired capital and surplus. Dividends are declared and paid on required capital stock.

Member deposits represent amounts remitted by members over and above the amount required for membership. Interest is paid on member deposits at a rate equivalent to the dividend rate paid on required capital stock.

Dividends payable represents dividends declared in 2006 to be paid in 2007.

8. U.S. CENTRAL FEDERAL CREDIT UNION MEMBERSHIP

During fiscal year 1984, CLF accepted a membership request from U.S. Central Federal Credit Union ("USC") on behalf of its corporate credit union members. At December 31, 2006 and 2005, $1,479,256,000 and $1,401,373,000, respectively, of the required portion of subscribed capital stock were purchased from CLF by USC on behalf of member credit unions of its corporate credit union members. The USC has 28 and 29 corporate credit union members as of December 31, 2006 and 2005, respectively.

CLF reinvests all of its agent member share capital in USC at market rates of interest. At December 31, 2006 and 2005, approximately $1,549,678,000 and $1,470,390,000, respectively, were invested in USC accounts at 5.46% and 3.92%, respective yields.

9. CONCENTRATION OF CREDIT RISK

At December 31, 2006 and 2005, CLF has a concentration of credit risk for its investments on deposit with USC of approximately $1,549,678,000 and $1,470,390,000, respectively (Notes 5 and 8).

10. SERVICES PROVIDED BY THE NATIONAL CREDIT UNION ADMINISTRATION

The National Credit Union Administration provides CLF with data processing and other miscellaneous services and supplies. In addition, the National Credit Union Administration pays CLF's employees' salaries and benefits as well as CLF's portion of monthly building operating costs. CLF reimburses the National Credit Union Administration on a monthly basis for these items. The total amounts charged by the National Credit Union Administration were approximately $253,000 and $220,000 for the years ended December 31, 2006 and 2005, respectively. As of December 31, 2006 and 2005, accounts payable and other liabilities include approximately $95,000 and $91,000, respectively due to the National Credit Union Administration Operating Fund for services provided.

11. DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and the estimated fair value of CLF's financial instruments are as follows (in thousands):

	December 31, 2006		December 31, 2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	$ 12	$ 12	$ 10	$ 10
Funds on deposit with U.S. Central Federal Credit Union	1,549,678	1,549,668	1,470,390	1,470,345
Accrued interest receivable	21,386	21,386	14,557	14,557
Accounts payable and other liabilities	130	130	120	120
Dividends payable	21,267	21,267	14,475	14,475
Member deposits	622	622	509	509

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NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

BALANCE SHEETS
AS OF DECEMBER 31, 2006 AND 2005

ASSETS	2006	2005
Cash and cash equivalents	$ 8,668,980	$11,959,875
Loans—Net of allowance (Note 4)	7,386,864	4,554,047
Interest receivable	17,703	11,293
TOTAL	$16,073,547	$16,525,215

LIABILITIES AND FUND BALANCE		
LIABILITIES—Accrued technical assistance	$ 1,091,418	$ 837,265
Total liabilities	1,091,418	837,265
FUND BALANCE:		
Revolving fund capital (Note 3)	13,435,642	14,337,778
Accumulated earnings	1,546,487	1,350,172
Total fund balance	14,982,129	15,687,950
TOTAL	$16,073,547	$16,525,215

See notes to financial statements.

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
SUPPORT AND REVENUES:		
Interest on cash equivalents	$ 451,184	$ 274,095
Interest on loans	57,271	52,700
Appropriation revenue	892,636	793,600
Total support and revenues	1,401,091	1,120,395
EXPENSES:		
Technical assistance	1,224,956	886,865
(Reduction of) provision for allowance for loan losses	(20,180)	37,358
Total expenses	1,204,776	924,223
EXCESS OF SUPPORT AND REVENUES OVER EXPENSES	$ 196,315	$ 196,172

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
FUND BALANCE—Beginning of year	$15,687,950	$14,343,378
Change in unexpended appropriations:		
Operating appropriations received (Note 3)	-	1,942,000
Rescission of appropriations received (Note 3)	(9,500)	-
Appropriation revenue recognized (Note 3)	(892,636)	(793,600)
Excess of support and revenues over expenses	196,315	196,172
FUND BALANCE—End of year	$14,982,129	$15,687,950

See notes to financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of support and revenues over expenses	$ 196,315	$ 196,172
Adjustments to reconcile the excess of support and revenues over expenses to net cash used in operating activities:		
Change in unexpended appropriations	(892,636)	(793,600)
Reduction of allowance for loan losses—net of recoveries	(20,180)	(12,913)
Changes in assets and liabilities:		
(Increase) decrease in interest receivable	(6,410)	5,764
Increase in accrued technical assistance	254,153	109,964
Net cash used in operating activities	(468,758)	(494,613)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loan principal repayments	1,331,863	2,145,022
Loan disbursements	(4,144,500)	(1,669,000)
Net cash (used in) provided by investing activities	(2,812,637)	476,022
CASH FLOWS FROM FINANCING ACTIVITIES:		
Appropriations received—revolving fund capital	-	1,942,000
Rescission of appropriations received	(9,500)	-
Net cash (used in) provided by financing activities	(9,500)	1,942,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,290,895)	1,923,409
CASH AND CASH EQUIVALENTS—Beginning of year	11,959,875	10,036,466
CASH AND CASH EQUIVALENTS—End of year	$ 8,668,980	$11,959,875

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. NATURE OF ORGANIZATION

The Community Development Revolving Loan Fund for Credit Unions ("CDRLF") was established by an act of Congress (Public Law 96-123, November 20, 1979) to stimulate economic development in low-income communities. The National Credit Union Administration ("NCUA") and the Community Services Association ("CSA") jointly adopted Part 705 of NCUA Rules and Regulations, governing administration of the Fund, on February 28, 1980.

Upon the dissolution of CSA in 1983, administration of CDRLF was transferred to the Department of Health and Human Services ("HHS"). Because HHS never promulgated final regulations governing the administration of CDRLF, the Fund was dormant.

The Community Development Credit Union Transfer Act (Public Law 99-604, November 6, 1986) transferred CDRLF administration back to NCUA. The NCUA Board adopted amendments to Part 705 of NCUA Rules and Regulations on September 16, 1987, and began making loans/deposits to participating credit unions in 1990.

The purpose of CDRLF is to stimulate economic activities in the communities served by low-income credit unions which will result in increased income, ownership, and employment opportunities for low-wealth residents, and other economic growth. The policy of NCUA is to revolve the loans to qualifying credit unions as often as practical in order to gain maximum impact on as many participating credit unions as possible.

2. SIGNIFICANT ACCOUNTING AND OPERATIONAL POLICIES

Basis of Accounting—CDRLF reports its financial statements on the accrual basis of accounting.

Cash Equivalents—The Federal Credit Union Act permits CDRLF to make investments in United States Government Treasury securities. All investments in 2006 and 2005 were cash equivalents and are stated at cost which approximates fair value. Cash equivalents are highly liquid investments with original maturities of three months or less.

Allowance for Loan Losses—CDRLF records a provision for estimated loan losses. Loans considered to be uncollectible are charged to the allowance for loan losses. Management continually evaluates the adequacy of the allowance for loan losses based upon prevailing circumstances and an assessment of collectibility risk of the total loan portfolio. Accrual of interest is discontinued on non-performing loans when management believes collectibility is doubtful. At December 31, 2006 and 2005, there were no nonaccrual loans.

Salary and Operating Expenses—NCUA provides certain general and administrative support to the CDRLF, including office space, salaries, and certain supplies. The value of these contributed services is not charged to CDRLF.

Revenue Recognition—Appropriation revenue is recognized as the related technical assistance expense is recognized. Total appropriation revenues will differ from total technical assistance expenses because not all technical assistance is funded by appropriations.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's estimates.

3. GOVERNMENT REGULATIONS

CDRLF is subject to various Federal laws and regulations. Assistance, which includes lending and technical assistance, is limited by Congress to a total of the $18,660,515 appropriated for CDRLF, plus accumulated earnings. Federally chartered and state-chartered credit unions may participate in CDRLF's Community Loan Fund. Loans may only be made to low-income credit unions as defined by NCUA.

NCUA Rules and Regulations Section 705.7 permit the classification of the loan in the participating credit union's accounting records as either a note payable or a nonmember deposit. As a nonmember deposit, an amount not to exceed $100,000 per credit union is insured by the National Credit Union Share Insurance Fund ("NCUSIF"). The covered amount of loans recorded as nonmember deposits by participating credit unions insured by the NCUSIF totaled approximately $4,553,000 and $3,034,000 at December 31, 2006 and 2005, respectively. Under the CDRLF Loan Program, loans recorded in the credit union's accounting records as notes payable may be collateralized.

Loans are limited to a maximum amount of $300,000 per credit union. Loans issued after January 1, 2002, carry a fixed rate of 1%. Interest and principal are repaid on a semiannual basis beginning six months and one year, respectively, after the initial distribution of the loan. The maximum term of each loan is five years. Participating credit unions are required to match the value of the loan within one year of the date of approval of the loan.

During the year ended December 31, 2005, appropriations for loans and technical assistance in the amount of $1,942,000 were received, of which $950,000 was for fiscal years 2006–2007. Of this amount, $1,743,600 was designated to be used as operating appropriations for technical assistance and $198,400 was designated to be used as revolving fund capital.

In January 2006, $9,500 of the fiscal 2006–2007 appropriation was rescinded, making a net appropriation of $940,500 for technical assistance for fiscal years 2006–2007.

For the appropriations received for technical assistance for fiscal 2006–2007, $940,500 expires on September 30, 2007. Appropriations of $941,000 for technical assistance grants are proposed for fiscal 2007–2008.

	Public Laws			
Activities by each appropriation, from inception	No. 108-199	No. 108-199	No. 109-115	Total
Operating appropriation received—2005	$ 793,600	$ 198,400	$ 950,000	$ 1,942,000
Appropriation revenue recognized—2005	793,600	-	-	793,600
Operating appropriation rescinded—2006	-	-	(9,500)	(9,500)
Appropriation revenue recognized—2006	-	-	892,636	892,636
Balance—December 31, 2006	$ -	$ 198,400	$ 47,864	$ 246,264

	2006	2005
Unexpended appropriations:		
Balance—beginning of the year	$ 2,043,578	$ 895,178
Operational appropriations (rescinded) received	(9,500)	1,942,000
Appropriation revenue recognized	(892,636)	(793,600)
Balance of unexpended appropriations—end of year	$ 1,141,442	$ 2,043,578
Revolving fund capital:		
Balance—beginning of the year	$14,337,778	$13,189,378
Change in unexpended appropriations	(902,136)	1,148,400
Balance of revolving fund capital—end of year	$13,435,642	$14,337,778

4. LOANS

Loans outstanding at December 31, 2006 and 2005, are scheduled to be repaid during the following subsequent years:

	2006	2005
2007	$1,828,997	$1,298,223
2008	1,655,690	1,310,287
2009	1,549,027	826,790
2010	1,247,700	720,127
2011	1,105,450	418,800
	7,386,864	4,574,227
Less allowance for loan losses	-	(20,180)
Net loans outstanding	$7,386,864	$4,554,047

Changes in the allowance for loan losses are summarized below:

	2006	2005
Balance—beginning of year	$ 20,180	$ 33,093
Write-offs	-	(50,271)
(Reduction of) provision for allowance for loan losses	(20,180)	37,358
Balance—end of year	$ -	$ 20,180

5. CONCENTRATION OF CREDIT RISK

At December 31, 2006 and 2005, there are no significant concentrations of credit risk in the loan portfolio. As discussed in Note 1, CDRLF provides loans to credit unions that serve predominantly low-income communities.

6. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosures of the estimated fair value of financial instruments are made in accordance with the requirements of Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments*. The methods and assumptions used in estimating the fair value disclosures for financial instruments are as follows:

Cash and Cash Equivalents—The carrying amounts for cash and cash equivalents approximate fair values.

Interest Receivable **and** ***Accrued Technical Assistance***—Such items are recorded at book values, which approximate the respective fair values.

Loans—The fair value is estimated by discounting projected future cash flows using current market interest rates. For purposes of this calculation, the discount rate used was the prime interest rate plus two percent (6.76% and 6.37% at December 31, 2006 and 2005, respectively).

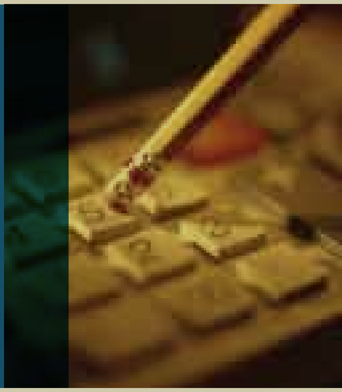
The carrying amount and the estimated fair value of the CDRLF's financial instruments are as follows:

	December 31, 2006		December 31, 2005	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Cash and cash equivalents	$ 8,668,980	$8,668,980	$11,959,875	$11,959,875
Interest receivable	$ 17,703	$ 17,703	$ 11,293	$ 11,293
Loans	$ 7,386,864	$ 6,358,776	$ 4,574,227	$ 4,394,307
Allowance for loan losses	-	-	(20,180)	(20,180)
Loans—net of allowance	$ 7,386,864	$ 6,358,776	$ 4,554,047	$ 4,374,127
Liabilities—				
Accrued technical assistance	$ 1,091,418	$ 1,091,418	$ 837,265	$ 837,265

It is the intent of CDRLF to hold its loans to maturity. CDRLF anticipates realizing the carrying amount in full. Fair value is less than the carrying amount because loans are made at less than market interest rates.

* * * * * *

Financial Tables



Federally insured credit unions posted solid growth in 2006

INSURANCE FUND TEN-YEAR TRENDS

Fiscal year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Income (in thousands)										
Regular premium-federal	—	—	—	—	—	—	—	—	—	—
Regular premium-state	—	—	—	—	—	—	—	—	—	—
Interest income	$201,938	$217,965	$227,281	$268,169	$252,853	$213,252	$151,175	$124,836	$175,017	$264,895
Other income	2,151	2,033	1,850	1,952	1,703	1,226	760	515	645	1,326
Total income	$204,089	$219,998	$229,131	$270,121	$254,556	$214,478	$151,935	$125,351	$175,662	$266,221
Expenses (in thousands)										
Operating	$49,767	$51,071	$58,392	$65,898	$90,505	$85,367	$85,026	$81,405	$80,473	$82,056
Insurance losses	—	—	—	—	—	12,513	38,043	(3,424)	20,940	2,548
Losses on investment sales	—	—	—	—	—	—	—	—	—	—
Total expenses	$49,767	$51,071	$58,392	$65,898	$90,905	$97,880	$123,068	$77,981	$101,413	$84,604
Net income (in thousands)	$154,322	$168,927	$170,739	$204,223	$164,051	$116,598	$28,867	$47,370	$74,249	$181,617
Data highlights										
Total equity (in millions)	$3,594	$3,811	$4,170	$4,628	$5,036	$5,607	$6,073	$6,359	$6,618	$6,978
Equity as a percentage of shares in insuredcredit unions	1.30%	1.30%	1.30%	1.30%	1.25%	1.27%	1.27%	1.27%	1.28%	1.30%
Contingent liabilities (in thousands)	$933	$556	$1,281	$2,362	$2,217	$0	$0	$0	$3,475	$0
Contingent liabilities as a percentage of equity	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
NCUSIF loss per $1,000 of insured shares	$0.00	$0.00	$0.00	$0.00	$0.00	$0.03	$0.08	$0.00	$0.04	$0.00
Operating ratios										
Premium income	—	—	—	—	—	—	—	—	—	—
Interest income	99.0%	99.1%	99.2%	99.3%	99.3%	99.4%	99.5%	99.6%	99.6%	99.5%
Other income	1.0%	0.9%	0.8%	0.7%	0.7%	0.6%	0.5%	0.4%	0.4%	.5%
Operating expenses	24.4%	23.2%	25.5%	24.4%	35.5%	39.8%	56.0%	64.9%	45.8%	30.8%
Insurance losses	0.0%	0.0%	0.0%	0.0%	0.0%	5.8%	25.0%	(2.7)%	11.9%	1.0%
Total expenses	24.4%	23.2%	25.5%	24.4%	35.6%	45.6%	81.0%	62.2%	57.7%	31.8%
Net income	75.6%	76.8%	74.5%	75.6%	64.4%	54.4%	19.0%	37.8%	42.3%	68.2%
Involuntary liquidations commenced										
Number	8	13	15	20	17	14	8	14	10	12
Share payouts (in thousands)	$17,888	$6,298	$5,403	$10,393	$16,290	$40,003	$ 7,774	$88,746	$27,137	$19,799
Share payouts as a percentage of total insured shares	0.006%	0.002%	0.002%	0.003%	0.004%	0.009%	0.002%	0.018%	.005%	.004%

INSURANCE FUND TEN-YEAR TRENDS

Fiscal year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mergers—fiscal year										
Assisted	8	5	8	9	5	1	5	7	5	4
Unassisted	164	217	315	284	295	271	166	331	260	281
Section 208 (FCU Act) assistance to avoid liquidation (in thousands)										
Capital notes and other cash advances outstanding	$1,211	$1,466	$325	$146	$2,050	$0	$0	$0	$0	$15,000
Non-cash guaranty accounts	$1,343	$1,557	$4,516	$8,450	$2,559	$156	$7,872	$70	$4,649	$679
Number of active cases	7	12	16	17	10	3	10	1	8	4
Number of problem case insured credit unions (CODE 4 & 5)										
Number	326	308	338	202	205	211	217	255	280	240
Shares (millions)	$2,928	$3,181	$2,693	$1,483	$1,731	$2,901	$3,568	$4,350	$5,771	$5,160
Problem case shares as a percentage of insured shares	0.95%	0.99%	0.80%	0.42%	0.43%	0.66%	0.74%	0.87%	1.12%	0.96%

December 31	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Shares in insured credit unions (in millions)[1]										
Federal credit unions	$178,948	$191,328	$194,766	$195,871	$217,112	$238,912	$262,420	$276,395	$285,713	$296,469
State credit unions	114,327	130,129	140,857	157,996	185,574	202,552	215,056	222,573	229,909	237,724
Total shares	$293,275	$321,457	$335,623	$353,867	$402,686	$441,464	$477,476	$498,968	$515,622	$534,193
Number of member accounts in insured credit unions (in thousands)										
Federal credit unions	73,566	72,848	73,466	74,125	74,886	76,554	79,819	81,668	84,556	87,869
State credit unions	45,690	49,130	52,787	57,397	61,290	62,597	62,489	63,585	64,632	67,432
Total	119,256	121,978	126,253	131,522	136,176	139,151	142,308	145,253	149,188	155,302
Number of insured credit unions										
Federal credit unions	6,981	6,815	6,566	6,336	6,118	5,953	5,776	5,572	5,393	5,189
State credit unions	4,257	4,180	4,062	3,980	3,866	3,735	3,593	3,442	3,302	3,173
Total	11,238	10,995	10,628	10,316	9,984	9,688	9,369	9,014	8,695	8,362
Insured shares as a percentage of all credit union shares	99.0%	99.0%	94.0%	93.3%	92.1%	91.2%	90.4%	89.7%	89.0%	88.9%
State credit union portion of insured shares	40.0%	40.5%	42.0%	44.7%	46.1%	45.9%	45.0%	44.6%	44.4%	44.5%

[1] *Insured shares in natural person credit unions.*

FEDERAL CREDIT UNION TEN-YEAR SUMMARY

Federal credit unions December 31 (dollar amounts in millions)

December	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Number of credit unions	6,981	6,815	6,566	6,336	6,118	5,953	5,776	5,572	5,393	5,189
Number of members	43,500,553	43,864,851	44,076,428	43,883,106	43,816,877	44,610,949	46,155,018	46,857,723	47,913,908	48,254,366
Assets	$215,097	$231,904	$239,316	$242,881	$270,125	$301,238	$336,612	$358,704	$377,826	394,130
Loans outstanding	140,100	144,849	155,172	163,851	170,326	181,767	202,898	223,878	249,521	270,418
Shares	187,817	202,651	207,614	210,188	235,202	261,819	291,485	308,318	321,831	333,914
Reserves[1]	9,371	9,837	10,314	10,837	11,339	12,227	12,881	13,342	13,368	14,096
Undivided earnings	14,365	15,468	16,546	17,279	18,596	20,855	23,526	26,054	28,855	31,580
Gross income	17,404	18,137	18,530	19,456	20,042	19,676	19,764	20,302	22,796	26,137
Operating expenses	7,793	8,241	8,551	8,721	9,287	10,158	11,239	12,128	13,308	13,900
Dividends	7,425	7,760	7,698	8,120	8,277	6,369	5,199	4,683	5,930	8,398
Reserve transfers	201	211	323							
Net income[2]	$2,113	$2,081	$2,184	$2,470	$2,436	$3,082	$3,273	$3,351	$3,295	$3,419
Percent change										
Total assets	4.1%	7.8%	3.2%	1.5%	11.2%	11.5%	11.7%	6.6%	5.3%	4.3%
Loans outstanding	4.5	3.4	7.1	5.6	4.0	6.7	11.6	10.3	11.5	8.4
Shares	3.8	7.9	2.4	1.2	11.9	11.3	11.3	5.8	4.4	3.6
Reserves[1]	3.1	5.0	4.8	5.1	4.6	7.8	5.3	3.6	0.2	5.4
Undivided earnings	9.8	7.7	7.0	4.4	7.6	12.1	12.8	10.7	10.8	9.4
Gross income	4.6	4.2	2.2	5.0	3.0	-1.8	0.4	2.7	12.3	14.7
Operating expenses	7.5	5.7	3.8	2.0	6.5	9.4	10.6	7.9	9.7	4.4
Dividends	4.8	4.5	-0.8	5.5	1.9	-23.1	-18.4	-9.9	26.6	41.6
Net income[2]	-5.3	-1.5	5.0	13.1	-1.4	26.5	6.2	2.4	-1.7	3.8
Significant ratios										
Reserves to assets	4.4%	4.2%	4.3%	4.5%	4.2%	4.1%	3.8%	3.7%	3.5%	3.6%
Reserves and undivided earnings to assets	11.0	10.9	11.2	11.6	11.1	11.0	10.8	11.0	11.2	11.6
Reserves to loans	6.7	6.8	6.6	6.6	6.7	6.7	6.3	6.0	5.4	5.2
Loans to shares	74.6	71.5	74.7	78.0	72.4	69.4	69.6	72.6	77.5	81.0
Operating expenses to gross income	39.4	45.4	46.1	44.8	46.3	51.6	56.9	59.7	58.41	48.6
Salaries and benefits to gross income	19.3	19.7	20.5	20.2	21.0	23.3	25.9	27.0	25.8	24.2
Dividends to gross income	42.7	42.8	41.5	41.7	41.3	32.4	26.3	23.1	26.0	32.1
Yield on average assets	8.3	8.1	7.9	8.3	7.8	6.9	6.2	5.8	6.2	5.5
Cost of funds to average assets	3.6	3.5	3.3	3.5	3.3	2.3	1.7	1.4	1.7	2.3
Gross spread	4.7	4.6	4.6	4.8	4.5	4.6	4.5	4.4	4.5	4.5
Net income divided by gross income[2]	12.1	11.5	11.8	12.7	12.2	14.8	16.6	16.5	14.5	13.1
Yield on average loans	8.7	8.6	8.3	8.5	8.2	7.7	6.9	6.3	6.2	6.5
Yield on average investments[3]	5.9	5.7	5.3	6.4	4.9	3.5	2.7	2.6	3.2	4.0

[1] Does not include the allowance for loan losses
[2] Net income prior to reserve transfers
[3] Starting in 2000, investments includes cash on deposit and cash equivalents

FEDERALLY INSURED STATE-CHARTERED CREDIT UNION TEN-YEAR SUMMARY

Federally insured state-chartered credit unions December 31 (dollar amounts in millions)

December	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Number of credit unions	4,257	4,180	4,062	3,980	3,866	3,735	3,593	3,442	3,302	3,173
Number of members	27,921,882	29,673,998	31,307,907	33,704,772	35,532,391	36,336,258	36,273,168	36,710,301	36,896,076	37,499,194
Assets	$136,107	$156,787	$172,086	$195,363	$231,280	$255,838	$273,572	$288,296	$300,871	315,817
Loans outstanding	92,117	100,890	116,366	137,485	152,014	160,881	173,236	190,377	208,734	223,917
Shares	119,359	137,347	149,305	169,053	201,807	222,377	236,856	247,804	255,588	267,274
Reserves[1]	6,421	7,125	7,946	9,120	10,266	11,105	10,895	10,997	11,117	11,474
Undivided earnings	8,779	9,876	11,060	12,830	14,563	16,229	18,231	20,202	21,943	24,337
Gross income	11,124	12,309	13,413	15,714	17,385	17,075	16,378	16,538	18,164	20,936
Operating expenses	4,939	5,548	6,165	7,024	8,053	8,990	9,629	10,250	10,806	11,348
Dividends	3,790	4,229	4,315	5,256	5,547	4,020	3,123	2,800	3,557	5,084
Reserve transfers	138	161	190							
Net income[2]	$1,381	$1,424	$1,566	$1,859	$2,060	$2,584	$2,508	$2,439	$2,363	$2,302
Percent change										
Total assets	13.2%	15.2%	9.7%	13.5%	18.4%	10.6%	6.9%	5.4%	4.4%	5.0%
Loans outstanding	15.6	9.5	15.3	18.1	10.6	5.8	7.7	9.9	9.6	7.3
Shares	12.9	15.1	8.7	13.2	19.4	10.2	6.5	4.6	3.1	4.6
Reserves[1]	12.9	10.9	11.5	14.8	12.6	8.2	-1.9	0.9	1.1	3.2
Undivided earnings	17.2	12.5	12.0	16.0	13.5	11.4	12.3	10.8	8.6	10.9
Gross income	14.3	10.6	9.0	17.2	10.6	-1.8	-4.1	1.0	9.8	15.3
Operating expenses	17.7	12.3	11.1	13.9	14.6	11.6	7.1	6.4	5.4	5.0
Dividends	12.6	11.6	2.0	21.8	5.5	-27.5	-22.3	-10.3	27.0	42.9
Net income[2]	6.4	3.1	10.0	18.7	10.8	25.5	-2.9	-2.8	-3.1	-2.6
Significant ratios										
Reserves to assets	4.7%	4.5%	4.6%	4.7%	4.4%	4.3%	4.0%	3.8%	3.7%	3.6%
Reserves and undivided earnings to assets	11.2	10.8	11.0	11.2	10.7	10.7	10.6	10.8	11.0	11.3
Reserves to loans	7.0	7.1	6.8	6.6	6.8	6.9	6.3	5.8	5.3	5.1
Loans to shares	77.2	73.5	77.9	81.3	75.3	72.3	73.1	76.8	81.7	83.8
Operating expenses to gross income	39.5	45.1	46.0	44.7	46.3	52.7	58.8	62.0	59.5	54.2
Salaries and benefits to gross income	19.0	19.4	20.2	19.9	20.6	23.2	26.2	27.8	26.7	24.9
Dvidends to gross income	34.1	34.3	32.2	33.4	31.9	23.5	19.1	16.9	19.6	24.3
Yield on average assets	8.7	8.4	8.2	8.3	8.2	7.0	6.2	5.9	6.2	5.5
Cost of funds to average assets	3.8	3.7	3.5	3.6	3.5	2.3	1.7	1.4	1.7	2.4
Gross spread	4.9	4.7	4.7	4.7	4.7	4.7	4.5	4.5	4.4	4.4
Net income divided by gross income[2]	12.4	11.6	11.7	11.8	11.8	15.1	15.3	14.7	13.0	11.0
Yield on average loans	9.1	8.8	8.4	8.5	8.4	7.6	6.6	6.1	6.0	6.4
Yield on average investments[3]	6.1	5.8	5.4	6.3	5.1	3.4	2.7	2.6	3.2	3.9

[1] Does not include the allowance for loan losses
[2] Net income prior to reserve transfers
[3] Starting in 2000 investments includes cash on deposit and cash equivalents

HISTORICAL FEDERAL CREDIT UNION DATA

Historical data for federal credit unions December 31, 1935 to 1969

Year	Charters issued	Charters cancelled	Net change	Total outstanding	Inactive credit unions	Active credit unions	Members	(Amounts in thousands of dollars) Assets	Shares	Loans outstanding
1935	828		828	906	134	772	119,420	$ 2,372	$ 2,228	$ 1,834
1936	956	4	952	1,858	107	1,751	309,700	9,158	8,511	7,344
1937	638	69	569	2,427	114	2,313	483,920	19,265	17,650	15,695
1938	515	83	432	2,859	99	2,760	632,050	29,629	26,876	23,830
1939	529	93	436	3,295	113	3,182	850,770	47,811	43,327	37,673
1940	666	76	590	3,855	129	3,756	1,127,940	72,530	65,806	55,818
1941	583	89	494	4,379	151	4,228	1,408,880	106,052	97,209	69,485
1942	187	89	98	4,477	332	4,145	1,356,940	119,591	109,822	43,053
1943	108	321	- 213	4,264	326	3,938	1,311,620	127,329	117,339	35,376
1944	69	285	- 216	4,048	233	3,815	1,306,000	144,365	133,677	34,438
1945	96	185	- 89	3,959	202	3,757	1,216,625	153,103	140,614	35,155
1946	157	151	6	3,965	204	3,761	1,302,132	173,166	159,718	56,801
1947	207	159	48	4,013	168	3,845	1,445,915	210,376	192,410	91,372
1948	341	130	211	4,224	166	4,058	1,628,339	258,412	235,008	137,642
1949	523	101	422	4,646	151	4,495	1,819,606	316,363	285,001	186,218
1950	565	83	482	5,128	144	4,984	2,126,823	405,835	361,925	263,736
1951	533	75	458	5,586	188	5,398	2,463,898	504,715	457,402	299,756
1952	692	115	577	6,163	238	5,925	2,853,241	662,409	597,374	415,062
1953	825	132	693	6,856	278	6,578	3,255,422	854,232	767,571	573,974
1954	852	122	730	7,586	359	7,227	3,598,790	1,033,179	931,407	681,970
1955	777	188	589	8,175	369	7,806	4,032,220	1,267,427	1,135,165	863,042
1956	741	182	559	8,734	384	8,350	4,502,210	1,529,202	1,366,258	1,049,189
1957	662	194	468	9,202	467	8,735	4,897,689	1,788,768	1,589,191	1,257,319
1958	586	255	331	9,533	503	9,030	5,209,912	2,034,866	1,812,017	1,379,724
1959	700	270	430	9,963	516	9,447	5,643,248	2,352,813	2,075,055	1,666,526
1960	685	274	411	10,374	469	9,905	6,087,378	2,669,734	2,344,337	2,021,463
1961	671	265	406	10,780	509	10,271	6,542,603	3,028,294	2,673,488	2,245,223
1962	601	284	317	11,097	465	10,632	7,007,630	3,429,805	3,020,274	2,560,722
1963	622	312	310	11,407	452	10,955	7,499,747	3,916,541	3,452,615	2,911,159
1964	580	323	257	11,664	386	11,278	8,092,030	4,559,438	4,017,393	3,349,068
1965	584	270	324	11,978	435	11,543	8,640,560	5,165,807	4,538,461	3,864,809
1966	701	318	383	12,361	420	11,941	9,271,967	5,668,941	4,944,033	4,323,943
1967	636	292	344	12,705	495	12,210	9,873,777	6,208,158	5,420,633	4,677,480
1968	662	345	317	13,022	438	12,584	10,508,504	6,902,175	5,986,181	5,398,052
1969	705	323	382	13,404	483	12,921	11,301,805	7,793,573	6,713,385	6,328,720

Data for 1935-44 are partly estimated.

HISTORICAL FEDERAL CREDIT UNION DATA

Historical data for federal credit unions December 31, 1970 to 2006

Year	Charters issued	Charters cancelled	Net change	Total outstanding	Inactive credit unions	Active credit unions	Members	Assets (Amounts in thousands of dollars)	Shares (Amounts in thousands of dollars)	Loans outstanding (Amounts in thousands of dollars)
1970	563	412	151	13,555	578	12,977	11,966,181	$ 8,860,612	$ 7,628,805	$ 6,969,006
1971	400	461	-61	13,494	777	12,717	12,702,135	10,533,740	9,191,182	8,071,201
1972	311	672	-361	13,133	425	12,708	13,572,312	12,513,621	10,956,007	9,424,180
1973	364	523	-159	12,974	286	12,688	14,665,890	14,568,736	12,597,607	11,109,015
1974	367	369	-2	12,972	224	12,748	15,870,434	16,714,673	14,370,744	12,729,653
1975	373	334	39	13,011	274	12,737	17,066,428	20,208,536	17,529,823	14,868,840
1976	354	387	-33	12,978	221	12,757	18,623,862	24,395,896	21,130,293	18,311,204
1977	337	315	22	13,000	250	12,750	20,426,661	29,563,681	25,576,017	22,633,860
1978	348	298	50	13,050	291	12,759	23,259,284	34,760,098	29,802,504	27,686,584
1979	286	336	-50	13,000	262	12,738	24,789,647	36,467,850	31,831,400	28,547,097
1980	170	368	-198	12,802	362	12,440	24,519,087	40,091,855	36,263,343	26,350,277
1981	119	554	-435	12,367	398	11,969	25,459,059	41,905,413	37,788,699	27,203,672
1982	114	556	-442	11,925	294	11,631	26,114,649	45,482,943	41,340,911	28,184,280
1983	107	736	-629	11,296	320	10,976	26,798,799	54,481,827	49,889,313	33,200,715
1984	135	664	-529	10,767	219	10,548	28,191,922	63,656,321	57,929,124	42,133,018
1985	55	575	-520	10,247	122	10,125	29,578,808	78,187,651	71,616,202	48,240,770
1986	59	441	-382	9,865	107	9,758	31,041,142	95,483,828	87,953,642	55,304,682
1987	41	460	-419	9,446	45	9,401	32,066,542	105,189,725	96,346,488	64,104,411
1988	45	201	-156	9,290	172	9,118	34,438,304	114,564,579	104,431,487	73,766,200
1989	23	307	-284	9,006	185	8,821	35,612,317	120,666,414	109,652,600	80,272,306
1990	33	410	-377	8,629	118	8,511	36,241,607	130,072,955	117,891,940	83,029,348
1991	14	291	-277	8,352	123	8,229	37,080,854	143,939,504	130,163,749	84,150,334
1992	33	341	-308	8,044	128	7,916	38,205,128	162,543,659	146,078,403	87,632,808
1993	42	258	-216	7,828	132	7,696	39,755,596	172,854,187	153,505,799	94,640,348
1994	39	224	-185	7,643	145	7,498	40,837,392	182,528,895	160,225,678	110,089,530
1995	28	194	-166	7,477	148	7,329	42,162,627	193,781,391	170,300,445	120,514,044
1996	14	189	-175	7,302	150	7,152	43,545,541	206,692,540	180,964,338	134,120,610
1997	17	179	-162	6,994	13	6,981	43,500,553	215,097,395	187,816,918	140,099,926
1998	8	174	-166	6,816	1	6,815	43,864,851	231,904,308	202,650,793	144,849,109
1999	17	265	-248	6,566	0	6,566	44,076,428	239,315,693	207,613,549	155,171,735
2000	12	235	-223	6,343	7	6,336	43,883,106	242,881,164	210,187,670	163,850,918
2001	14	228	-214	6,129	11	6,118	43,816,877	270,125,345	235,202,500	170,325,562
2002	21	180	-159	5,959	6	5,953	44,610,949	301,238,242	261,819,003	181,766,655
2003	28	193	-165	5,788	12	5,776	46,153,243	336,611,886	291,484,763	202,898,454
2004	22	172	-150	5,626	54	5,572	46,857,723	358,704,157	308,318,116	223,878,376
2005	19	177	-158	5,414	21	5,393	47,913,908	377,826,822	321,830,899	249,520,685
2006	17	201	-184	5,209	20	5,189	48,254,366	394,130,999	333,914,263	270,418,116

Who's Who at NCUA

JoAnn M. Johnson
Chairman

Rodney E. Hood
Vice Chairman

Christiane Gigi Hyland
Board Member

J. Leonard Skiles
Executive Director

Mary F. Rupp
Secretary of the Board

Peter C. Barrett
Senior Policy Advisor to Chairman Johnson

Carlton L. Hoskins
Senior Policy Advisor to Vice Chairman Hood

Gary J. Kohn
Senior Policy Advisor to Board Member Hyland

Robert M. Fenner
General Counsel

John J. McKechnie III
Director, Office of Public & Congressional Affairs

David M. Marquis
Director, Office of Examination and Insurance

Dennis Winans
Chief Financial Officer

Kathy Sachen-Gute
Director, Office of Human Resources

Tawana Y. James
Director, Office of Small Credit Union Initiatives

Kent Buckham
Director, Office of Corporate Credit Unions

J. Owen Cole, Jr.
Director, Office of Capital Markets and Planning
Central Liquidity Facility President

Doug Verner
Chief Information Officer

Mike Barton
President, Asset Management & Assistance Center

William DeSarno
Inspector General

NCUA Board

NCUA has a three-member board appointed by the President of the United States and confirmed by the Senate. No more than two board members are from the same political party, and members serve staggered six-year terms. The NCUA board normally meets monthly, except August, in open session in Alexandria, Virginia.

Chairman JoAnn Johnson was nominated by President George W. Bush and confirmed by the U.S. Senate March 22, 2002, to a Republican seat on the NCUA Board. Iowa State Senator Johnson is a former educator, athletic coach and community activist. She was elected to office in 1994 and chaired both the Iowa Senate Commerce Committee and Ways and Means Committee before resigning to join NCUA. Mrs. Johnson was designated NCUA chairman May 3, 2004. Her term expires August 2, 2007.

Vice Chairman Rodney E. Hood was appointed by President George W. Bush to a seat on the NCUA Board November 15, 2005. His term expires April 10, 2009. Mr. Hood joins the NCUA Board after serving the Department of Agriculture as USDA Associate Administrator for Rural Development's Housing Program since September 2004, addressing the housing needs of rural America. Vice Chairman Hood has nearly two decades of experience in affordable housing and community development.

Board Member Christiane Gigi Hyland was appointed by President George W. Bush to a seat on the National Credit Union (NCUA) Board effective November 18, 2005. Her term expires August 2, 2011. When nominated to the NCUA Board, she served as Senior Vice President, General Counsel for Empire Corporate Federal Credit Union in Albany, New York. She previously served concurrently as Vice President, Corporate Credit Union Relations of the Credit Union National Association, Inc. and Executive Director for the Association of Corporate Credit Unions.

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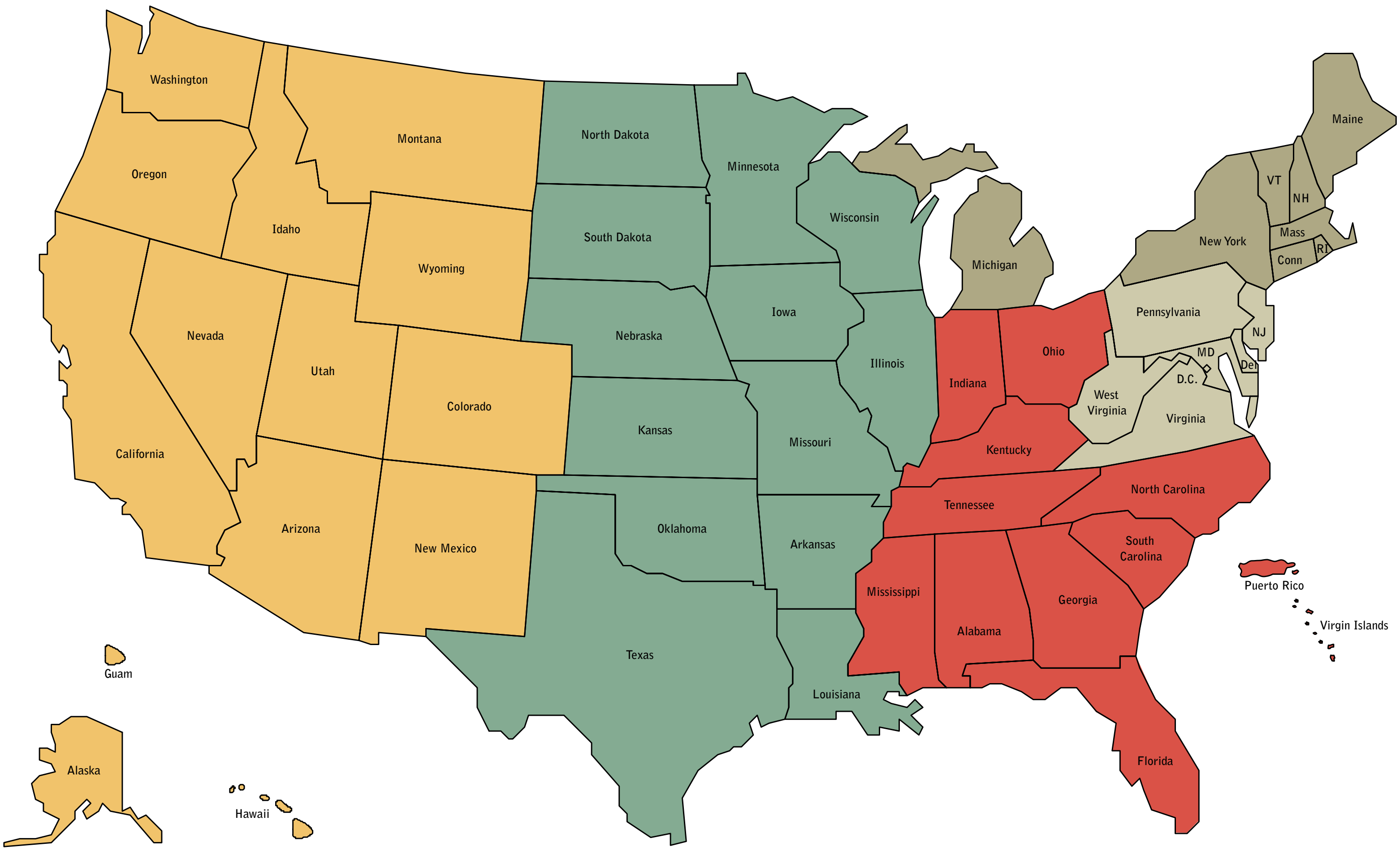
Regional Offices



Region I—Albany

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National Credit Union Administration

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