National Credit Union Administration

May 13, 2009

To the Corporate Credit Union Addressed:

This Letter serves to provide information and guidance on issues related to actions taken as part of the Corporate Credit Union Stabilization Program.

Temporary Corporate Credit Union Share Guarantee Program (TCCUSGP)

On January 28, 2009, the National Credit Union Administration (NCUA) Board approved the TCCUSGP. On April 21, 2009, the NCUA Board approved revisions to the TCCUSGP. This letter will not reiterate all the elements of the revised TCCUSGP, but will highlight several key provisions. Please review the TCCUSGP Fact Sheet for additional information. A link to the Fact Sheet on NCUA's website is provided below.

- The revised TCCUSGP extends the share guarantee until September 30, 2011, with the option for additional quarterly extensions of the expiration date, as deemed necessary.

- Term certificates issued under the revised TCCUSGP Letter of Understanding and Agreement (LUA) are guaranteed **only if they have a maturity of two years or less.** Existing term certificates issued under the original TCCUSGP guarantee are covered under the original guarantee until the guarantee expires, or the maturity of the certificate, whichever occurs first. For example, assuming the revised share guarantee goes into effect June 1, 2009, and the corporate is participating in the revised share guarantee program:

    - ABC CU purchases an 18 month CD from Corporate A on June 2, 2009. This certificate is guaranteed until its maturity.
    - ABC CU purchases a 25 month CD from Corporate A on June 2, 2009. This certificate is not guaranteed at all.
    - ABC CU owns an existing CD at Corporate A with a maturity of July 31, 2011. It is fully guaranteed until the CD matures (July 31, 2011).
    - CU owns an existing CD at Corporate A with a maturity of December 31, 2013. It is guaranteed up until September 30, 2011 (unless the guarantee is extended beyond this date by NCUA).

- If a corporate credit union is participating in the current TCCUSGP, and elects not to participate in the revised TCCUSGP, all new and existing certificates will be guaranteed up through December 31, 2010.

- The corporate credit union is determined to be operating under the revised share guarantee program upon the NCUA Executive Director signing the revised LUA (which will occur after the LUA is signed and submitted by the corporate credit union).

- All corporates are eligible to participate in the revised TCCUSGP, even those that did not participate in the original TCCUSGP. Corporate credit unions that did not participate in the original TCCUSGP have until May 15, 2009, to select to participate in the revised TCCUSGP. Each participant must submit its signed LUA to OCCU by May 31, 2009.

- A list of corporate credit unions participating in the revised TCCUSGP will be published on NCUA's website by June 1, 2009.

A corporate credit union will be required to enter into a new LUA to participate in the revised TCCUSGP. The LUAs for the revised TCCUSGP were amended to address the unintended concerns with the wording noted by some corporate credit unions in the original LUAs. The LUAs were forwarded to all corporate credit union upon receipt of a confidentiality agreement signed by the board chairman on behalf of all officials and staff of the corporate credit union. Upon the Executive Director signing the LUA for the revised TCCUSGP, the original LUA will be terminated. Any specific waivers granted to a corporate credit union related to requirements set forth in the LUA for the original TCCUSGP are grandfathered under the revised TCCUSGP. The following link will take you to the revised TCCUSGP fact sheet http://www.ncua.gov/CoporateStabilizationProgram/RevisedFactSheet-4-15-09finalforShareGuarantee.doc (Press Cntrl + Click to follow link).

Regulatory Capital Level for Part 704

On April 21, 2009, the NCUA Board also issued an Order pertaining to corporate credit union compliance with the capital based-requirements set forth in Part 704 of NCUA's Rules and Regulations. The Order permits corporate credit unions to use their capital levels, as reported on their November 30, 2008, NCUA 5310 Call Report for purposes of determining regulatory compliance. This action should allow corporate credit unions to continue to provide normal daily services to their natural person credit union members despite the likely recognition of losses at a number of corporate credit unions for the time periods of December 31, 2008, and/or March 31, 2009, attributed to the write-down of capital held at U.S. Central Federal Credit Union. The Order also delegates to the Director of the Office of Corporate Credit Unions (OCCU) the authority to restrict or modify the general waiver as it applies to particular corporate credit unions based on safety and soundness considerations. The following link will take you to the Board Order http://www.ncua.gov/BoardOrderforWebsite.doc (Press Cntrl + Click to follow link).

Payment of Dividends

As federal corporate credit union may pay dividends as long as some capital (retained earnings, paid-in capital, or membership capital) remains after the payment of dividends. In the event all capital is depleted, federal corporates will not be able to pay dividends without NCUA approval. During this time of unprecedented strain on liquidity, it is critical that members retain confidence in the corporate credit union system, and maintain their deposits in their corporate. The NCUA

Board delegated to the OCCU Director authority to authorize dividend payments for corporate credit unions having capital deficits. This authority is substantially similar to authority that currently is delegated to the regional directors for natural person credit unions. Federal corporate credit unions facing a capital deficit may submit a request to pay dividends to the OCCU Director. State-chartered corporates must consult with their state regulator to ensure compliance with any requirements related to the payment of dividends, and also obtain approval of the OCCU Director.

Membership Capital Adjustments

In many cases, the impairment of U.S. Central capital investments recognized by corporate credit unions will result in membership capital being used to cover losses in retained earnings. Most membership capital accounts are adjustable balance accounts, where the depletion of membership capital may trigger the need for members to provide additional membership capital at the next adjustment date, as determined by each corporate's policies and bylaws. At a time when it is imperative to retain member confidence, requesting members to provide additional capital may erode member confidence. The Regulatory Capital Level for Part 704, discussed above, provides flexibility for each corporate to determine whether or not it chooses to require replenishment of membership capital accounts.

The decision whether or not to replenish membership capital must be made by the officials of each corporate based on that institution's specific capital needs and anticipated member response. If the decision is made to waive the collection of additional capital at the adjustment period, this action should be fully reflected in the corporate's capital plan, and disclosed to the members.

State-chartered corporate credit unions should consult their state regulator before determining the appropriate courses of action with regard to all of the issues outlined in this Letter.

If you have any questions, please contact your examiner or my office at (703) 518-6640.

Sincerely,

David A. Shetler

Mark A. Treichel
Acting Director
Office of Corporate Credit Unions

cc: State Regulators
ACCU
NASCUS
NAFCU