

# CORPORATE CREDIT UNION GUIDANCE LETTER

No. 2008-02

DATE: November 20, 2008

SUBJ: Additional Information Regarding the Temporary Corporate Credit Union  
Liquidity Guarantee Program

TO: The Corporate Credit Union Addressed

On October 16, 2008, the National Credit Union Administration Board approved the Temporary Corporate Credit Union Liquidity Guarantee Program (Program). The Program was initially described in OCCU Guidance Letter 2008-1, dated October 28, 2008. This current Letter is intended to provide additional information and guidance regarding the Program.

As noted in the initial Guidance Letter, the amount of debt obligations covered by the guarantee per eligible corporate credit union is limited to 100 percent of the eligible corporate credit union's maximum unsecured debt obligations outstanding during the period September 30, 2007 through September 30, 2008. Each corporate credit union was provided its current guarantee limitation. The amount may be increased with the prior written approval of NCUA.

A number of questions have been raised as to corporate credit unions utilizing the guarantee on transactions with member credit unions. The intent of the Program is to ensure marketplace confidence of the holders of corporate credit union unsecured debt obligations thus maintaining adequate access to liquidity. It was envisioned the guarantee would be provided to creditors external to the credit unions system. However, each corporate credit union may decide how to allocate its guaranteed limit among its newly-issued unsecured debt obligation issuances. It is prohibited for Program guaranteed unsecured debt to be used to prepay other outstanding obligations.

Corporate credit unions that chose to opt out of the Program were required to inform the Office of Corporate Credit Unions, in writing, by no later than November 17, 2008. Corporate credit unions that opted out of the Program will not be permitted to join the Program at a later date. A list of participating corporate credit unions is available on NCUA's website.

Corporate credit unions that failed to opt out of the Program by November 17, 2008, are participating in the Program and must execute a written agreement with NCUA. A draft copy of a standard agreement is enclosed. The draft agreement provides detailed information related to the Program. NCUA will be in contact with individual corporate credit unions in order to execute the written agreements.

As corporate credit unions may decide which transactions will be guaranteed under the Program, they must disclose to creditors if the unsecured debt obligation is guaranteed. The guarantee, if any, must attach from the first day of the obligation. The guarantee cannot be added to any obligation after the first day. The guarantee must be in place until the obligation is repaid, and the corporate must pay the full assessment on the outstanding principal. Neither the corporate nor the creditor may cancel the guarantee once it is in place. Preferably, the disclosure should be in written format. However, some transactions are normally conducted via telephone. In such cases, the telephone recording will serve as the disclosure notification. For telephonic transactions, it is recommended that a follow-up written confirmation be provided to the creditor. The Office of Corporate Credit Unions must be copied on all written confirmations. A sample confirmation notice is enclosed. The specific sample format is not required as long as the relevant information is provided.

For corporate credit unions that utilize the Program, a fee is imposed on each guaranteed debt obligation equal to 0.75 percent times the amount of guaranteed debt obligation times the actual number of days the debt obligation is outstanding divided by 365. Fees will be assessed on a monthly basis. Corporate credit unions are required to track each guaranteed debt obligation on a daily basis utilizing the enclosed spreadsheet. The spreadsheet collects information on the creditor, type of transaction, dollar amount of the guarantee, and the beginning and ending dates of the guaranteed debt obligation. Corporate credit unions must provide the spreadsheet information to the Office of Corporate Credit Unions by the third business day following the previous month end. The spreadsheet will be submitted electronically via email to OCCUmail@ncua.gov. Invoices will be provided to the corporate credit union by the 10<sup>th</sup> business day following the previous month end. Fees will be paid by the 15<sup>th</sup> day following the previous month end. The invoice will provide wiring instructions for paying the assessed fees.

As noted in the initial Guidance Letter, corporate credit unions availing themselves of the guarantee program will be subject to enhanced supervisory oversight to prevent rapid growth or excessive risk-taking. Corporate examiners will be reviewing each corporate credit union's Program recordkeeping on an ongoing basis.

If you have any questions, please contact Senior Corporate Program Specialist David Shetler at (703) 518-6640.

Sincerely,

Scott Hunt  
Acting Director  
Office of Corporate Credit Unions

Enclosures

cc: State Supervisory Authorities  
NASCUS  
NAFCU  
ACCU

bcc: Reading File  
All OCCU Staff  
Office of Examination & Insurance  
Office of Capital Markets and Planning

draft: s:\WIP\OS\Shetler\2008-02 TCCULP Info and Agreement.doc

final: s:\Directives\OCUGuidanceLetter\2008-02 TCCULP Info and Agreement.doc

Enclosures:

S:wip/os/shetler/2008-02 Encl TCCULP Confirmation

S:wip/os/shetler/2008-02 Encl TCCULP Draft Agreement

S:wip/os/shetler/2008-02 Encl TCCULP Spreadsheet