NCUA 2017 FINANCIAL STATEMENT AUDIT FOR TEMPORARY CORPORATE CREDIT UNION STABILIZATION FUND

For the Nine Months Ended September 30, 2017

Audited Financial Statements	Audit Report Number
Temporary Corporate Credit Union Stabilization Fund	OIG-17-12

November 15, 2017

James W. Hagen
Inspector General

EXECUTIVE SUMMARY

Purpose and Scope

This report transmits KPMG LLP's (KPMG) report on its financial statement audit of the National Credit Union Administration's (NCUA) financial statements for the Temporary Corporate Credit Union Stabilization Fund (TCCUSF), which comprise the balance sheets as of September 30, 2017 and December 31, 2016, and the related statements of net cost, changes in net position, and combined statements of budgetary resources for the periods then ended, and the related notes to the financial statements. The NCUA prepared financial statements in accordance with the Office of Management and Budget (OMB) Circular No. A-136 Revised, *Financial Reporting Requirements*, and subjected them to audit.

The NCUA administers the TCCUSF.[1] Congress established the TCCUSF in May 2009 as a revolving fund in the U.S. Department of the Treasury under the management of the NCUA Board. The TCCUSF was established to accrue the losses of the failed corporate credit unions during the credit crisis and to recover such losses over time.

On September 28, 2017, the NCUA Board voted unanimously to close the TCCUSF effective October 1, 2017, ahead of its sunset date of June 30, 2021. As required by statute (12 U.S.C. §1790e(h)), the TCCUSF's remaining funds, property, and other assets were distributed to the National Credit Union Share Insurance Fund. Through the distribution, the NCUSIF assumed the activities and obligations of the TCCUSF, including the NCUA Guaranteed Notes Program, and will report on such going forward.

Audit Reports on Financial Statements, Internal Control, and Compliance and Other Matters

Under a contract monitored by the NCUA OIG, KPMG, an independent certified public accounting firm, performed an audit of the NCUA's financial statements as of September 30, 2017 and December 30, 2016. The contract required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States and in accordance with OMB Bulletin No. 17-03, Audit Requirements for Federal Financial Statements. Those standards and OMB Bulletin No. 17-03 require that KPMG plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

KPMG's audit report for 2017 includes: (1) an opinion on the financial statements, (2) conclusions on internal control over financial reporting, and (3) a section addressing compliance and other matters. In its audit, KPMG found:

[1] The TCCUSF was one of five funds established in the U.S. Department of the Treasury and administered by the NCUA Board. In addition to the TCCUSF, a temporary fund, the NCUA administers four permanent funds to include the National Credit Union Share Insurance Fund, the Operating Fund, the Central Liquidity Facility and the Community Development Revolving Loan Fund. In 2017, all five funds report under separate financial statements.

- The financial statements presented fairly, in all material respects, the financial position of the NCUA's TCCUSF in accordance with U.S. generally accepted accounting principles.
- No deficiencies in internal control were considered to be material weaknesses.
- The results of testing disclosed no instances of noncompliance or other matters that are required to be reported herein under Government Auditing Standards or OMB Bulletin No. 17-03.

OIG Evaluation of KPMG'S Audit Performance

To ensure the quality of the audit work performed, we reviewed KPMG's approach and planning of the audit, evaluated the qualifications and independence of the auditors, monitored the progress of the audit at key points, reviewed and accepted KPMG's reports and related documentation, and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on NCUA's financial statements or conclusions about the effectiveness of internal control, or conclusions on compliance with laws and regulations. KPMG is responsible for the attached auditor's report dated November 14, 2017, and the conclusions expressed in the report. However, our review disclosed no instances where KPMG did not comply, in all material respects, with generally accepted government auditing standards.

We would like to extend our thanks to NCUA management and staff involved in issuing the TCCUSF's financial statements. In addition, we appreciate the professionalism, courtesies, and cooperation extended to KPMG and the OIG throughout the audit and our oversight of the audit process.

OIG-17-12

National Credit Union Administration Temporary Corporate Credit Union Stabilization Fund

Financial Statements as of and for the Nine Months Ended September 30, 2017 and the Year Ended December 31, 2016, and Independent Auditors' Report

NATIONAL CREDIT UNION ADMINISTRATION
TEMPORARY CORPORATE CREDIT UNION STABILIZATION FUND

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Overview

I. Mission, Background, and Organizational Structure

TCCUSF Mission and Background

The National Credit Union Administration (NCUA) administers the Temporary Corporate Credit Union Stabilization Fund (TCCUSF).[1] Congress established the TCCUSF in May 2009 as a revolving fund in the Treasury of the United States (U.S. Treasury) under the management of the NCUA Board. The TCCUSF was established to accrue the losses of the failed corporate credit unions[2] during the credit crisis and to recover such losses over time.

On September 28, 2017, the NCUA Board voted unanimously to close the TCCUSF effective October 1, 2017, ahead of its sunset date of June 30, 2021. As required by statute (12 U.S.C. §1790e(h)), the TCCUSF's remaining funds, property, and other assets were distributed to the National Credit Union Share Insurance Fund (NCUSIF). Through the distribution, the NCUSIF assumed the activities and obligations of the TCCUSF, including the NCUA Guaranteed Notes (NGN) Program, and will report on such going forward. The TCCUSF Balance Sheet is presented as of September 30, 2017 with the Statement of Net Cost, Statement of Net Position and Statement of Budgetary Resources presented for the nine months ended September 30, 2017.

Acting under authority granted by Congress under the *Helping Families Save Their Homes Act of 2009*, Public Law 111-22 (Helping Families Act), the NCUA Board took action to provide significant relief to insured credit unions from assessments related to corporate credit union stabilization actions while maintaining a safe and strong (NCUSIF).[3] With the failures of several large corporate credit unions in 2009, the TCCUSF provided an opportunity to mitigate what would otherwise have been an immediate assessment burden on insured credit unions for corporate credit union stabilization actions. While it has recognized the corporate credit union stabilization costs under the TCCUSF, the NCUA Board, at its discretion, has been able to determine if, and when, to assess premiums over the life of the TCCUSF. From inception through September 30, 2017, special premium assessments collected from federally insured credit unions totaled $4.8 billion, and gross guarantee payments made totaled approximately $9.4 billion.

On September 24, 2010, the NCUA Board announced the Corporate System Resolution Program (CSRP). The CSRP was a multi-stage plan for stabilizing the corporate credit union system, providing short-term and long-term funding to resolve a portfolio of residential mortgage-backed securities, commercial mortgage-backed securities, other asset-backed securities and corporate bonds (collectively referred to as the Legacy Assets) held by the failed corporate credit unions, and establishing a new regulatory framework for corporate credit unions. Under the CSRP, the NCUA created a re-securitization program (NCUA Guaranteed Notes Program) to provide long-term funding for the Legacy Assets through the issuance of the NGNs by trusts established for

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[1] The TCCUSF was one of five funds established in the U.S. Treasury and administered by the NCUA Board. In addition to the TCCUSF, a temporary fund, the NCUA administers four permanent funds to include the National Credit Union Share Insurance Fund, the Operating Fund, the Central Liquidity Facility and the Community Development Revolving Loan Fund. In 2017, all five funds report under separate financial statements.

[2] References to credit unions or credit union system refer only to those credit unions that are federally insured.

[3] Subject to specific regulations that govern different types of accounts, the NCUSIF insures each member's accounts in insured credit unions up to the standard maximum share insurance amount.

this purpose (NGN Trusts). The NGNs are guaranteed by the NCUA, and backed by the full faith and credit of the United States.

The Legacy Assets from failed corporate credit unions consisted of over 2,000 investment securities, secured by approximately 1.6 million residential mortgages, as well as commercial mortgages and other assets. With the issuances of NGNs, the NCUA Board as liquidating agent transferred the associated Legacy Assets into the respective NGN Trusts.

As part of the CSRP, the NCUA Board liquidated five corporate credit unions during 2010. The assets and liabilities of the liquidated corporate credit unions, referred to as asset management estates, are administered by the NCUA Board as the liquidating agent, through its Asset Management and Assistance Center (AMAC), pursuant to applicable provisions of the *Federal Credit Union Act*, Public Law 73-467, as amended (FCU Act). To facilitate the resolution process, the NCUA Board chartered four bridge corporate credit unions (Bridge Corporates) to purchase certain assets and assume certain liabilities and member shares from the asset management estates. To the extent that the liabilities and shares assumed exceeded the assets purchased by the Bridge Corporates, the asset management estates issued promissory notes to the Bridge Corporates for the difference. Each promissory note was guaranteed by the NCUA and was primarily funded by the TCCUSF. During 2011, the NCUA repaid the outstanding promissory notes and approved the mergers of two of the Bridge Corporates with other corporate credit unions.

In 2012, the NCUA Board closed the remaining two Bridge Corporates.

The NCUA Board, as the liquidating agent of the corporate credit union asset management estates, continues to pursue legal claims against certain financial institutions, in connection with their conduct related to mortgage-backed securities to the failed corporate credit unions.

During 2016, NCUA Board as liquidating agent accepted offers of judgment from Credit Suisse and UBS and settled claims against Goldman Sachs, Royal Bank of Scotland and Nomura, adding almost $1.8 billion in recoveries from litigation against banks that sold residential mortgage-backed securities to corporate credit unions.

From January 1, 2017 to September 30, 2017, NCUA settled claims against Credit Suisse and UBS on behalf of liquidated corporate credit unions, adding $845 million in litigation recoveries. From inception through September 30, 2017, NCUA has recovered more than $5.1 billion from various financial institutions on behalf of the corporate credit union asset management estates.

From inception through September 30, 2017, the TCCUSF continued to provide funding necessary for the continuation of the NGN Program and for AMAC to continue the wind down of the corporate credit union asset management estates. Effective October 1, 2017, the NCUSIF will provide any necessary funding for the continuation of the NGN Program and for AMAC to complete the wind down of the corporate credit union asset management estates.

With the recoveries from litigation and the continued improvement in the performance of the Legacy Assets underlying the NGN Program, for the nine months ended September 30, 2017, insured credit unions were not charged a TCCUSF special premium assessment.

Organizational Structure

The NCUA Board authorized staff to establish the corporate governance structure of the TCCUSF. The NCUA Board delegated operational oversight and provided authority to staff to borrow funds, invest and approve assistance to corporate credit unions, subject to certain limitations and the FCU Act.

The NCUA Board created the NGN Securities Management and Oversight Committee to ensure that the NCUA meets all its statutory and legal obligations under the NGN Program. The Director of the Office of Examination and Insurance, the President of AMAC, and the Chief Financial Officer constitute the committee.

The Director of the Office of Examination and Insurance serves as the Chair of the NGN Securities Management and Oversight Committee and other NCUA offices provide operational and administrative services to the TCCUSF. AMAC administers the asset management estates, collects obligations due to the closed corporate credit unions, monetizes assets and distributes amounts to claimants, including the TCCUSF, in accordance with their respective regulatory pay-out priorities. These activities continue after the closing of the TCCUSF; that the NCUSIF takes the place of the TCCUSF with respect to funding activities and reimbursement obligations.

II. Performance Goals, Objectives, and Results

The focus of the NCUA's efforts in supervising corporate credit unions is to ensure their ongoing safety and soundness as well as their continued ability to provide uninterrupted services to the consumer credit unions that they serve.

The NCUA's mission, as outlined in the *NCUA Strategic Plan 2017 – 2021*, is to "provide through regulation and supervision, a safe and sound credit union system, which promotes confidence in the national system of cooperative credit." The NCUA's objectives related to corporate credit unions were to identify, measure, monitor and mitigate levels of risk in the credit union industry through effective regulations, supervision and examination. A performance measure to "maintain the aggregate corporate credit union leverage ratio above 5 percent, annually" was achieved; the ratio at September 30, 2017 was 6.26 percent.

Through September 30, 2017, corporate credit unions maintained sufficient liquidity to meet member needs and maintained adequate capital to meet the NCUA's Prompt Corrective Action requirements.

Achievement of the NCUA's mission is supported by the NCUA's continued transparency on the NGN Program through the distribution of press releases, periodic update of web pages devoted to the NGN Program and quarterly financial briefings at public meetings of the NCUA Board by the NCUA Chief Financial Officer.

Operational success is further evidenced by the continued improvement in the financial condition of the TCCUSF. For 2016 and the nine months ended September 30, 2017, the TCCUSF maintained sufficient liquidity to meet its obligations. During the same period, the TCCUSF's Net Position continued to increase, consistent with the design of the TCCUSF. For the nine months ended September 30, 2017, the Net Position improved from $1.5 billion to $2.6 billion, primarily from recoveries through litigation and the favorable change in the anticipated future cash flows of the Legacy Assets in the NGN Program.

For the nine months ended September 30, 2017, the TCCUSF was principally responsible for guarantees related to the NGNs. As of September 30, 2017 and December 31, 2016, the NCUA estimated no guarantee related losses from the NGN Program.

As of September 30, 2017, the NCUA estimated that $671.8 million may ultimately be recovered from the corporate credit union asset management estates, as further discussed in Note 5. Actual amounts recovered could differ from this estimate as the NGN Program continues and the corporate credit union asset management estates are resolved.

III. Financial Statement Analysis

For the nine months ended September 30, 2017, the financial condition of the TCCUSF improved, as seen by the increase in Net Position from $1.5 billion to $2.6 billion. This $1.1 billion change is primarily explained by Reduction of Insurance Losses of $487.2 million, Interest Revenue of $520.0 million and Guarantee Fee Revenue of $18.4 million, all shown on the Statements of Net Cost.

Summarized financial information is presented below for the TCCUSF.

Summarized Financial Information (in thousands)		
	As of and for the Nine Months Ended September 30, 2017	As of and for the Year Ended December 31, 2016
Total Assets	$ 2,562,736	$ 1,536,167
Receivables from Asset Management Estates, Net	671,838	1,078,072
Fund Balance with Treasury and Investments, Net	1,888,457	455,280
Borrowings from the U.S. Treasury	-	-
Insurance and Guarantee Program Liabilities	-	-
Net Position	2,562,069	1,534,457
Net Income from Operations	1,026,615	993,049
Guarantee Fee Revenue	18,394	32,135
Interest Revenue – Other	520,000	-
Gains on the Disposition of Assets	-	1,363
Reduction of Insurance Losses	487,214	966,786

Balance Sheet Highlights
Total Assets increased by $1.1 billion for the nine months ended September 30, 2017, primarily as a result of Net Income from Operations of $1.0 billion.

Receivables from Asset Management Estates, Net decreased by $406.2 million in 2017. The decrease reflects primarily the proceeds received from the asset management estates due to recoveries from litigation and improving values of the Legacy Assets.

During 2016 and through September 30, 2017, the TCCUSF did not borrow additional funds from the U.S. Treasury. There were no outstanding borrowings as of September 30, 2017 and December 31, 2016.

Insurance and Guarantee Program Liabilities, also referred to as contingent liabilities, were $0 at September 30, 2017 and December 31, 2016. While there was no contingent liability as of September 30, 2017 and December 31, 2016, ongoing guarantee obligations relating to the NGN

Program were fully assumed by the NCUSIF effective October 1, 2017. The contingent liability balance may increase in the future, depending on future analyses of the value of Legacy Assets in the NGN Program.

Statement of Net Cost Highlights

Net Income from Operations was $1.0 billion for 2017, as compared to $993.0 million for 2016. For the nine months ended September 30, 2017, net income was primarily due to $487.2 million recognized as a Reduction of Insurance Losses and $520.0 million recognized as Interest Revenue when cash was received by the TCCUSF under the cost recovery method, as further discussed in Note 1.

This $520.0 million was a partial recovery of the $1.0 billion capital note from the asset management estate of U.S. Central Federal Credit Union (USCFCU). The capital note was executed in January 2009 and an *other-than-temporary impairment* was recognized at December 31, 2009 due to the failing financial position of USCFCU. Legal recoveries, as pursued by the Board on behalf of the failed corporate credit unions, from Credit Suisse and UBS, contributed to the partial recovery of the capital note.

The $487.2 million Reduction of Insurance Losses was mainly due to proceeds from asset management estates due to recoveries from litigation received in 2017 and the favorable change in future cash flows of the Legacy Assets in the NGN Program.

Statement of Changes in Net Position Highlights

Cumulative Results of Operations increased by $1.1 billion in 2017 resulting in a positive Net Position of $2.6 billion. This increase was due to Net Income from Operations of $1.0 billion, as described above. This positive net position represents a measure of the difference between the TCCUSF's assets and liabilities as of September 30, 2017. The legal recoveries and improving values of the Legacy Assets primarily increased the net position.

Statement of Budgetary Resources Highlights

Activity impacting budget totals of the overall federal government was recorded in the TCCUSF's Statements of Budgetary Resources. The TCCUSF had negative net outlays of $1.4 billion in 2017 compared to negative net outlays of $2.0 billion for 2016. The primary source of the 2017 negative outlays was from recoveries from litigation from asset management estates. This item, plus the Guarantee Fee Revenue, were the major drivers of the TCCUSF's increase in its unobligated balance, or budget available to create future obligations, an increase of $1.4 billion.

Fiduciary Activity Highlights

As the TCCUSF was established to accrue the losses of the corporate credit union system during the credit crisis and to facilitate recovery of such losses over time, the TCCUSF's financial results are driven by the financial performance of the corporate credit union asset management estates, which includes the recoveries from litigation and the NGN Program. The financial results of the corporate credit union asset management estates and the NGN Trusts in the NGN Program are not presented in the results of the TCCUSF as described above, but are presented as fiduciary activities of the TCCUSF in accordance with the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standard (SFFAS) No. 31, *Accounting for Fiduciary Activities*, and are included in the notes to the TCCUSF financial statements.

NGN Program

The outstanding principal balance of the NGNs was $6.2 billion and $7.9 billion as of September 30, 2017 and December 31, 2016, respectively. This amount represents the maximum potential future guarantee payments that the NCUA could be required to make without consideration of future expected cash flows from underlying Legacy Assets and possible recoveries under the terms of the guarantees or from the asset management estates. Any potential losses from the guarantees of NGNs are expected to be significantly less than the above maximum potential exposure, and such losses are based on estimated guarantee payments, net of estimated guarantor reimbursements, if any, from the NGN Trusts and expected recoveries, if any, from the asset management estates. The NCUA’s estimate of the expected recovery from the asset management estates reflects the NCUA’s expectations and assumptions about the recovery value of the asset management estates’ assets, which include economic residual interests in the NGN Trusts.

The NCUA’s estimated guarantee payments, guarantor reimbursements and the recovery values, if any, of the asset management estates’ economic residual interests in the NGN Trusts are derived using an external model that distributes estimated cash flows of the Legacy Assets transferred to the NGN Trusts in the priority of payments pursuant to the governing documents of each NGN Trust. The estimated cash flows incorporate the NCUA’s assumptions about discount rates.

The estimated cash flows of the Legacy Assets transferred to the NGN Trusts are also derived from the external model that incorporates the NCUA’s expectations and assumptions about the estimated cash flows from the collateral that comprises the Legacy Assets, and the priority of payments and estimated cash flows of the Legacy Assets pursuant to the governing documents for the respective Legacy Assets. The external model produces estimated cash flows of collateral underlying the Legacy Assets by incorporating the NCUA’s expectations and assumptions about prepayments, defaults and loss severity of the collateral consisting of residential and commercial mortgage loans and other assets. Assumptions about prepayments, defaults, and loss severity are developed based on the characteristics and historical performance of the collateral, as well as assumptions about macroeconomic variables such as unemployment rates, housing prices, and interest rates.

As of September 30, 2017, the NCUA Board, as liquidating agent of the asset management estates, held approximately $655.7 million in post-securitized assets. Generally, post-securitized assets are the Legacy Assets that are no longer secured by the NGNs.

Cash flows from the Legacy Assets securing the NGN 2011-C1 1A Trust paid off the outstanding principal balances on September 28, 2017, resulting in the maturity of one series of this trust prior to its scheduled maturity date.

During 2016, cash flows from the Legacy Assets securing NGN 2010-R1 2A, NGN 2011-R5 1A and NGN 2010-C1 Trusts paid off their outstanding principal balances on March 8, 2016, July 8, 2016, and August 29, 2016, respectively, resulting in the maturity of these NGNs prior to their scheduled maturity dates.

The table below represents the composition of Legacy Assets collateralizing the remaining nine NGNs with an aggregate unpaid principal balance of $9.6 billion and recovery value of approximately $8.0 billion as of September 30, 2017, and ten NGN Trusts with an aggregate unpaid principal balance of $11.2 billion and recovery value of approximately $9.4 billion as of December 31, 2016.

Composition of Legacy Assets Collateralizing the NGN Trusts

Asset Type and Credit Rating [1]		Based on Recovery Value: September 30, 2017		Based on Recovery Value: December 31, 2016		Based on Unpaid Principal Balance: September 30, 2017		Based on Unpaid Principal Balance: December 31, 2016	
RMBS	AAA		1%		0%		1%		0%
	AA		1%		1%		1%		1%
	A	92%	3%	89%	3%	90%	2%	89%	3%
	BBB		3%		5%		3%		4%
	Below Investment Grade		91%		90%		92%		91%
	NA		1%		1%		1%		1%
CMBS	AAA		0%		8%		0%		7%
	AA		0%		12%		0%		13%
	A	1%	5%	4%	5%	1%	5%	3%	5%
	BBB		1%		5%		1%		5%
	Below Investment Grade		94%		70%		94%		70%
	NA		0%		0%		0%		0%
ABS [2]	AAA		55%		46%		31%		28%
	AA		4%		14%		2%		9%
	A	4%	1%	4%	2%	5%	0%	5%	0%
	BBB		16%		15%		9%		9%
	Below Investment Grade		23%		22%		49%		46%
	NA		1%		1%		9%		8%
Agency		3%	100%	3%	100%	3%	100%	3%	100%
Corporate	AAA		0%		0%		0%		0%
	AA		0%		0%		0%		0%
	A	0%	0%	0%	0%	1%	0%	0%	0%
	BBB		0%		0%		0%		0%
	Below Investment Grade		0%		18%		0%		18%
	NA		100%		82%		100%		82%

Percentages may not total 100% due to rounding.

[1] The rating is based on the lowest published rating by S&P, Moody's, or Fitch.

[2] The collateral underlying the ABS included in the table above is primarily student loans.

Due to uncertain economic risks and the possibility of variances from historical data, actual losses could differ materially from the contingent liabilities, if any, recorded by the TCCUSF through September 30, 2017.

Performance measures are designed to enable management and the NCUA's stakeholders to assess programs and financial performance and to use this information to make improvements. Performance measures have inherent limitations, including the change over time in the correlation of cause and effect. A strong correlation between cause and effect in one period may not continue into the next. In addition, performance measures may not address economic risks, which can have a significant effect on future results.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the TCCUSF. While the statements have been prepared from the books and records of the TCCUSF in accordance with U.S. generally accepted accounting principles (GAAP) for federal entities and the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity.

Liquidity Risk and Capital Resources

For liquidity, the TCCUSF maintained cash in its Fund Balance with Treasury (FBWT) account as well as investments in overnight U.S. Treasury Securities.

2017 and 2016 Fund Balance with Treasury and Investments (in thousands)		
	September 30, 2017	December 31, 2016
Fund Balance with Treasury	$ 1,888,457	$ 2,910
U.S. Treasury Securities, Overnight	-	452,370

Since inception, the FBWT account has increased by amounts collected from special premium assessments, guarantee fee revenue, borrowings from the U.S. Treasury, interest income on investments in U.S. Treasury Securities, distributions from the NCUSIF, and any recoveries from the asset management estates including proceeds recovered from legal claims and asset sales. The FBWT account was decreased by amounts expended in support of stabilizing the corporate credit union system, including guarantee payments, repayment of borrowings from the U.S. Treasury and related interest payments, and purchases of U.S. Treasury Securities.

The TCCUSF has been funded by multiple sources including:

- special premium assessments on insured credit unions, as necessary;
- guarantee fee revenue;
- borrowings from the U.S. Treasury; and
- distributions from the NCUSIF, as provided by the FCU Act.

Until its closing, the TCCUSF was a revolving fund in the U.S. Treasury and had access to sufficient funds to meet its obligations, including its Insurance and Guarantee Program Liabilities.

Special Premium Assessments

In January 2011, *The National Credit Union Authority Clarification Act*, Public Law 111-382 (Clarification Act), amended the FCU Act by clarifying the NCUA's authority to assess a premium against credit unions not only to repay TCCUSF advances but also to make TCCUSF expenditures without borrowing from the U.S. Treasury. The Clarification Act permitted the NCUA Board to assess a special premium with respect to each insured credit union in an aggregate amount that is reasonably calculated to make any pending or future TCCUSF expenditures, in addition to existing authority to make assessments to repay U.S. Treasury advances. The Clarification Act also stated that the NCUA Board must take into consideration any potential impact on credit union earnings that such an assessment may have and requires the premium be paid not later than 60 days after the date of the assessment. This special premium authority ended with the closure of the TCCUSF.

Borrowing Authority from the U.S. Treasury

Through October 1, 2017, the effective date of its closing, the TCCUSF had $6.0 billion in maximum statutory borrowing authority, shared with the NCUSIF, from the U.S. Treasury. As of September 30, 2017 and December 31, 2016, the TCCUSF and the NCUSIF had no borrowings outstanding from the U.S. Treasury. As a result, the TCCUSF had $6.0 billion and $6.0 billion as of September 30, 2017 and December 31, 2016, respectively, in available borrowing authority, shared with the NCUSIF.

IV. Systems, Controls and Legal Compliance

The NCUA, including the TCCUSF, is exempt from requirements under the *Federal Credit Reform Act of 1990* (2 U.S.C. §661 *et seq*.). The TCCUSF may make expenditures only in connection with the conservatorship, liquidation, or threatened conservatorship or liquidation of a corporate credit union.

Internal controls should be designed to provide reasonable assurance regarding prevention or prompt detection of unauthorized acquisition, use, or disposition of assets. The *Federal Manager's Financial Integrity Act*, Public Law 97-255 (FMFIA) requires agencies to establish management controls over their programs and financial systems. Accordingly, NCUA management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of FMFIA, which include safeguarding assets and compliance with applicable laws and regulations. NCUA managers monitor and assess their relevant internal controls and report on their assessment. This allows NCUA management to provide reasonable assurance that internal controls are operating effectively.

As required by the *Federal Information Security Management Act*, Public Law 107-347, as amended, the NCUA develops, documents, and implements an agency-wide program to provide information privacy and security (management, operational and technical security controls) for the information and information systems that support the operations of the agency, including those provided or managed by another agency, contractor, or other source.

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Independent Auditors' Report

Inspector General, National Credit Union Administration and
the National Credit Union Administration Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the National Credit Union Administration Temporary Corporate Credit Union Stabilization Fund (TCCUSF), which comprise the balance sheets as of September 30, 2017 and December 31, 2016, and the related statements of net cost, changes in net position, and combined statements of budgetary resources for the periods then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements[4] referred to above present fairly, in all material respects, the financial position of the National Credit Union Administration Temporary Corporate Credit Union Stabilization Fund as of September 30, 2017 and December 31, 2016, and its net costs, changes in net position, and budgetary resources for the periods then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

Subsequent Event

We draw attention to Note 14 of the financial statements, which describes that the NCUA Board's action taken on September 28, 2017 to close the Temporary Corporate Credit Union Stabilization Fund effective on October 1. As of October 1, the fund has ceased to be a separate, distinct reporting entity and all assets and liabilities from the TCCUSF have been transferred to the National Credit Union Shared Insurance Fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Overview and Required Supplementary Information sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2017, we considered the TCCUSF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the TCCUSF's internal control. Accordingly, we do not express an opinion on the effectiveness of the TCCUSF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

KPMG

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the TCCUSF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 17-03.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the TCCUSF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 14, 2017

NATIONAL CREDIT UNION ADMINISTRATION
TEMPORARY CORPORATE CREDIT UNION STABILIZATION FUND

BALANCE SHEETS
As of September 30, 2017 and December 31, 2016
(Dollars in thousands)

	2017	2016
ASSETS		
INTRAGOVERNMENTAL		
Fund Balance with Treasury (Note 2)	$ 1,888,457	$ 2,910
Investments, Net - U.S. Treasury Securities (Note 3)	-	452,370
Total Intragovernmental Assets	1,888,457	455,280
PUBLIC		
Prepaid Expenses	1,038	976
Accounts Receivable - Guarantee Fee on National Credit Union Administration Guaranteed Notes, Net (Note 4)	1,403	1,839
Other - Receivables from Asset Management Estates, Net (Note 5)	671,838	1,078,072
Total Public Assets	674,279	1,080,887
TOTAL ASSETS	$ 2,562,736	$ 1,536,167
LIABILITIES		
INTRAGOVERNMENTAL		
Accounts Payable - Due to the National Credit Union Operating Fund	$ 1	$ 123
Accounts Payable - Due to the National Credit Union Share Insurance Fund	38	-
Debt - Borrowings from the U.S. Treasury (Note 6)	-	-
Total Intragovernmental Liabilities	39	123
PUBLIC		
Accounts Payable	527	1,516
Other Liabilities	101	71
Other - Insurance and Guarantee Program Liabilities (Note 7)	-	-
Total Public Liabilities	628	1,587
TOTAL LIABILITIES	667	1,710
Commitments and Contingencies (Note 7)		
NET POSITION		
Cumulative Result of Operations	2,562,069	1,534,457
Total Net Position	2,562,069	1,534,457
TOTAL LIABILITIES AND NET POSITION	$ 2,562,736	$ 1,536,167

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
TEMPORARY CORPORATE CREDIT UNION STABILIZATION FUND

STATEMENTS OF NET COST
For the Nine Months Ended September 30, 2017 and the Year Ended December 31, 2016
(Dollars in thousands)

	2017	2016
GROSS COSTS		
Reduction of Insurance Losses		
AME Receivable Bad Debt Expense (Note 5)	$ (487,214)	$ (966,786)
Interest Expense on Borrowings (Note 6)	-	3,879
Imputed Costs	997	971
Gain on Early Retirement of Borrowings from the U.S. Treasury (Note 6)	-	(493)
Administrative Expenses and Other Expenses	5,097	3,639
Total Gross Costs	(481,120)	(958,790)
LESS EARNED REVENUES		
Guarantee Fee Revenue - National Credit Union Administration Guaranteed Notes	(18,394)	(32,135)
Special Premium Revenue	-	-
Interest Revenue - Investments	(7,101)	(761)
Interest Revenue - Other (Note 1)	(520,000)	-
Gains on the Disposition of Assets	-	(1,363)
Total Earned Revenues	(545,495)	(34,259)
NET (INCOME) FROM OPERATIONS	$ (1,026,615)	$ (993,049)

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
TEMPORARY CORPORATE CREDIT UNION STABILIZATION FUND

STATEMENTS OF CHANGES IN NET POSITION
For the Nine Months Ended September 30, 2017 and the Year Ended December 31, 2016
(Dollars in thousands)

	2017	2016
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	$ 1,534,457	$ 540,437
OTHER FINANCING SOURCES		
Imputed Financing	997	971
Total Financing Sources	997	971
Net Income from Operations	1,026,615	993,049
Net Change	1,027,612	994,020
CUMULATIVE RESULTS OF OPERATIONS	2,562,069	1,534,457
NET POSITION	$ 2,562,069	$ 1,534,457

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
TEMPORARY CORPORATE CREDIT UNION STABILIZATION FUND

STATEMENTS OF BUDGETARY RESOURCES

For the Nine Months Ended September 30, 2017 and the Year Ended December 31, 2016
(Dollars in thousands)

	2017	2016
BUDGETARY RESOURCES (Notes 9, 10, 11, and 13)		
Unobligated balance, brought forward, January 1	$ 6,452,818	$ 4,455,660
Borrowing authority (mandatory)	-	1,700,000
Spending authority from offsetting collections (mandatory)		
Collected	1,447,870	2,019,247
Change in receivables from federal sources	(5)	5
Permanently not available	-	(1,700,000)
TOTAL BUDGETARY RESOURCES	$ 7,900,683	$ 6,474,912
STATUS OF BUDGETARY RESOURCES		
New obligations and upward adjustments (total)	$ 13,611	$ 22,094
Unobligated balance, end of year:		
Exempt from apportionment	7,887,072	6,452,818
Total unobligated balance, end of year	7,887,072	6,452,818
TOTAL STATUS OF BUDGETARY RESOURCES	$ 7,900,683	$ 6,474,912
CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations:		
Unpaid obligations, brought forward, January 1	$ 2,462	$ 3,999
New obligations and upward adjustments	13,611	22,094
Outlays (gross)	(14,687)	(23,631)
Unpaid obligations, end of year	$ 1,386	$ 2,462
Uncollected payments:		
Uncollected customer payments from federal sources, brought forward, January 1	$ (5)	$ -
Adjustment to uncollected customer payments, start of year	-	-
Change in uncollected customer payments from Federal sources	5	(5)
Uncollected customer payments from Federal sources, end of year	$ -	$ (5)
Obligated balance, start of year (net)	$ 2,457	$ 3,999
Obligated balance, end of year (net)	$ 1,386	$ 2,457
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (mandatory)	$ 1,447,865	$ 2,019,252
Actual offsetting collections (mandatory)	(1,447,870)	(2,019,247)
Change in uncollected customer payments from Federal sources (mandatory)	5	(5)
BUDGET AUTHORITY, NET (MANDATORY)	$ -	$ -
Outlays, gross (mandatory)	$ 14,687	$ 23,631
Actual offsetting collections (mandatory)	(1,447,870)	(2,019,247)
Outlays, net (discretionary and mandatory)	(1,433,183)	(1,995,616)
AGENCY OUTLAYS, NET (MANDATORY)	$ (1,433,183)	$ (1,995,616)

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Temporary Corporate Credit Union Stabilization Fund (TCCUSF) was created by Public Law 111-22, *Helping Families Save Their Homes Act of 2009* (Helping Families Act), signed into law on May 20, 2009. The TCCUSF was established as a revolving fund in the Treasury of the United States (U.S. Treasury) under the management of the National Credit Union Administration (NCUA) Board (NCUA Board). The purposes of the TCCUSF are to accrue the losses of the corporate credit union (CCU) system and, over time, assess the credit union system for the recovery of such losses.

In January 2011, *The National Credit Union Authority Clarification Act*, Public Law 111-382, amended the *Federal Credit Union Act*, Public Law 73-467, as amended, (FCU Act) by clarifying the NCUA's authority to assess a premium against federally insured (insured) credit unions not only to repay TCCUSF advances but also to make TCCUSF expenditures without borrowing from the U.S. Treasury.

The TCCUSF may make expenditures only in connection with the conservatorship, liquidation, or threatened conservatorship or liquidation of a CCU. Governing legislation specified that the TCCUSF would terminate 90 days after the seven year anniversary of its first borrowing from the U.S. Treasury. The first borrowing occurred on June 25, 2009. With the concurrence of the U.S. Treasury and in accordance with the FCU Act, the TCCUSF's termination date was extended in September 2010 to June 30, 2021.

Pursuant to the FCU Act, § 217(h), 12 U.S.C. §1790e(h), the NCUA Board is authorized to close the TCCUSF at its discretion whenever the TCCUSF has no outstanding advance from the U.S. Treasury. At closure, the NCUA Board must distribute the funds, property, and other assets of the TCCUSF to the National Credit Union Share Insurance Fund (NCUSIF). On September 28, 2017, the NCUA Board voted unanimously to close the TCCUSF effective October 1, 2017. As required by statute, the TCCUSF's remaining funds, property, and other assets were distributed to the NCUSIF. Through the distribution, the NCUSIF assumed the activities and obligations of the TCCUSF, including the NGN Program, and will report on such going forward.

To initially stand up the TCCUSF, on June 18, 2009, the NCUA Board approved actions to obligate the TCCUSF for the costs of stabilizing the CCU system. The Board designated the TCCUSF as principal obligor for all liabilities arising from the Temporary Corporate Credit Union Share Guarantee Program (TCCUSGP) and the Temporary Corporate Credit Union Liquidity Guarantee Program (TCCULGP). Under the TCCUSGP, the NCUA guaranteed the entire share amount that member credit unions had on deposit with CCUs, subject to certain limitations. Under the TCCULGP, the NCUA guaranteed the timely payment of principal and interest on certain unsecured debt of participating CCUs. The funding for the NCUA's guarantees under the TCCUSGP and TCCULGP was primarily provided by the TCCUSF. The TCCUSGP ended December 31, 2012. The TCCULGP had no remaining guarantees on unsecured debt of participating CCUs as of and after December 31, 2012.

Fiduciary Responsibilities
Fiduciary activities are the collection or receipt, management, protection, accounting, investment, or disposition by the federal government of cash or other assets, in which non-federal individuals or entities have an ownership interest that the federal government must uphold.

On September 24, 2010, the NCUA Board announced the Corporate System Resolution Program (CSRP). The CSRP was a multi-stage plan for stabilizing the CCU system, providing short-term and long-term funding to resolve a portfolio of residential mortgage-backed securities, commercial mortgage-backed securities, other asset-backed securities and corporate bonds (collectively referred to as the Legacy Assets) held by failed CCUs, and establishing a new regulatory framework for CCUs. Under the CSRP, the NCUA created a re-securitization program to provide long-term funding for the Legacy Assets through the issuance of the NCUA Guaranteed Notes (NGNs) by the trusts established for this purpose (NGN Trusts). The NGNs are guaranteed by the NCUA, and backed by the full faith and credit of the United States. The principal funding for the NCUA's guarantees on the NGNs was provided by the TCCUSF. To the extent that required funding for the guarantees could exceed the funds available from the TCCUSF, the NCUSIF is obligated to provide the needed funds.

As part of the CSRP, the NCUA Board liquidated five CCUs during 2010. The assets and liabilities of liquidated CCUs, referred to as Asset Management Estates (AMEs), are administered by the NCUA Board as liquidating agent, through its Asset Management and Assistance Center (AMAC), pursuant to applicable provisions of the FCU Act. To facilitate the resolution process, the NCUA Board chartered four bridge corporate credit unions (Bridge Corporates) to purchase certain assets and assume certain liabilities and member shares from the AMEs. The Bridge Corporates were private legal entities. While legally separate from the TCCUSF and therefore not part of the reporting entity, they remained in the conservatorship of the NCUA Board. The U.S. Central Bridge Corporate Federal Credit Union (USC Bridge) and Western Bridge Corporate Federal Credit Union (Western Bridge) were placed into liquidation during 2012. The two other Bridge Corporates were resolved through unassisted mergers with other CCUs in 2011. When establishing the Bridge Corporates, to the extent that the liabilities and shares assumed exceeded the assets purchased by the Bridge Corporates, the AMEs issued promissory notes to the Bridge Corporates for the difference. Each promissory note was guaranteed by the NCUA through the TCCUSF. All promissory notes have been paid in full.

AMAC conducts liquidations and performs management and recovery of assets for failed credit unions, including failed CCUs and Bridge Corporates placed in liquidation. The assets and liabilities of the AMEs and NGN Trusts are considered fiduciary in accordance with the Statement of Federal Financial Accounting Standards (SFFAS) No. 31, *Accounting for Fiduciary Activities* (SFFAS No. 31). Fiduciary assets are not assets of the federal government and therefore are not recognized on the Balance Sheet. Additionally, NCUA entity assets are non-fiduciary.

Sources of Funding
Since inception through September 30, 2017, the TCCUSF has had multiple sources of funding, including special premium assessments, investment interest income, guarantee fees,

and borrowings from the U.S. Treasury shared with the NCUSIF, and any recoveries from the AMEs including proceeds recovered from legal claims and asset sales. The TCCUSF also received additional funding from the NCUSIF under certain circumstances. As part of the Helping Families Act, when the TCCUSF had an advance (borrowing) outstanding from the U.S. Treasury and the NCUSIF would have otherwise paid a distribution to insured credit unions, the NCUSIF was obligated to make distributions to the TCCUSF in lieu of distributions to insured credit unions to the maximum amount possible that does not reduce the NCUSIF's equity ratio below the normal operating level, as defined, and does not reduce the NCUSIF's available assets ratio, as defined, below 1.0 percent. For the nine months ended September 30, 2017, no NCUSIF distributions to TCCUSF were applicable.

Basis of Presentation

The TCCUSF's financial statements have been prepared from its accounting records in accordance with standards promulgated by the Federal Accounting Standards Advisory Board (FASAB). FASAB is designated by the American Institute of Certified Public Accountants as the source of generally accepted accounting principles (GAAP) for federal reporting entities. The format of the financial statements and footnotes are in accordance with the form and content guidance provided in Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, revised August 15, 2017.

Consistent with SFFAS No. 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, the NCUA considers and, where appropriate, applies Financial Accounting Standards Board guidance for those instances where no applicable FASAB guidance is available.

Basis of Accounting

In its accounting structure, the TCCUSF records both proprietary and budgetary accounting transactions. Following the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the actual collection or payment of cash.

Federal budgetary accounting recognizes the obligation of appropriations, borrowing authorities, and other funds upon the establishment of a properly documented legal liability, which may be different from the recording of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal controls over the use of federal funds and compliance with budgetary laws.

The NCUA, including the TCCUSF, is exempt from requirements of the *Federal Credit Reform Act of 1990* (2 U.S.C. §661 *et seq*.).

The Statement of Net Cost, the Statement of Changes in Net Position and the Statement of Budgetary Resources cover the nine-month period ending September 30, 2017 whereas the respective 2016 statements cover the twelve-month period ending December 31, 2016. Accordingly, comparability differences exist between the two periods presented.

Use of Estimates

The preparation of financial statements in conformity with GAAP for the federal government requires management to make estimates and assumptions that affect the following:

- reported amounts of assets and liabilities;
- disclosure of contingent assets and liabilities at the date of the financial statements; and
- the amounts of revenues and costs reported during that period.

Actual results could differ from estimates. Significant items subject to those estimates and assumptions include: (i) reserves for probable losses and contingencies related to Insurance and Guarantee Program Liabilities; (ii) the amount and timing of recoveries, if any, related to any claims paid in settlement of the guarantee liabilities; and (iii) allowance amounts established related to reimbursements from AMEs for claims paid on their behalf.

Fund Balance with Treasury

The Fund Balance with Treasury (FBWT) account is the aggregate amount of the TCCUSF's accounts with the federal government's central accounts, from which the TCCUSF is authorized to make expenditures and pay liabilities. The entire FBWT is a revolving fund type.

Investments

Investments represent non-marketable U.S. Treasury securities purchased and reported at par value, which are overnight securities managed by the Bureau of the Fiscal Service (BFS). Cash balances in FBWT may be invested in non-marketable U.S. Treasury securities.

Accounts Receivable

Accounts receivable represents the TCCUSF's claims for payment from other entities. Gross receivables are reduced to net realizable value by an allowance for doubtful accounts as further discussed below. Public accounts receivable represents outstanding balances of guarantee fees associated with the NGNs, as described herein.

Allowance for Doubtful Accounts
An allowance for doubtful accounts is the TCCUSF's best estimate of the amount of losses in an existing receivable. Based on an assessment of collectability, the TCCUSF calculates an allowance on an individual account basis for public accounts receivable. An account may be impaired or written off if it is probable that the TCCUSF will not collect all amounts contractually due. No allowance is calculated for intragovernmental accounts receivable, as these are deemed to be fully collectible.

Other - Receivables from Asset Management Estates, Net

Receivables from AMEs, Net include claims to recover payments made by the TCCUSF to satisfy obligations to insured shareholders and other guaranteed parties and to recoup administrative expenses paid on behalf of AMEs. A related allowance for loss represents the difference between the funds disbursed and obligations incurred and the expected repayment, when recognized, from the AMEs pursuant to the liquidation payment priorities set forth in §709.5(b) of Title 12 of the Code of Federal Regulations *Payout Priorities in Involuntary*

Liquidation (12 CFR §709.5(b)). Assets held by the AMEs are the main source of repayment of the TCCUSF's receivables from the AMEs. The recoveries from these AME assets are paid to the TCCUSF as AME assets are monetized and to the extent a receivable is due for guarantee obligations and administrative expenses.

The allowance for losses on receivables from AMEs is based on expected asset recovery rates and is estimated based on several sources, including:

- actual or pending AME asset disposition data;
- asset valuation data based upon the performance, quality, and type of the assets in the portfolio;
- estimated liquidation costs based on information from recently failed credit unions;
- estimated AME specific administrative expenses based upon complexity and expected duration of the AME; and
- recoveries from the AMEs related to legal claims.

Expected asset recovery rates are evaluated during the year and at the reporting date but remain subject to uncertainties because of potential changes in economic and market conditions.

Debt - Borrowings from the U.S. Treasury

The amount of debt owed and payable by the TCCUSF, if any, is recognized at par value and consists solely of borrowings from the U.S. Treasury, specifically through BFS.

Insurance and Guarantee Program Liabilities and Contingencies

In accordance with SFFAS No. 5, *Accounting for Liabilities of The Federal Government* (SFFAS No. 5), all federal insurance and guarantee programs, except social insurance and loan guarantee programs, should recognize a liability for:

- unpaid claims incurred, resulting from insured events that have occurred as of the reporting date;
- a contingent liability when an existing condition, situation, or set of circumstances involving uncertainty as to possible loss exists, and the uncertainty will ultimately be resolved when one or more probable future events occur or fail to occur; and
- a future outflow or other sacrifice of resources that is probable.

The TCCUSF records a contingent liability for probable losses, if any, for the guarantees associated with the NGNs.

Liabilities for loss contingencies also arise from claims, assessments, litigation, fines, penalties and other sources. These loss contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred for any contingencies.

Net Position

The TCCUSF, since inception through March 31, 2014, reported an accumulated deficit in its net position primarily due to the Insurance and Guarantee Program Liabilities, borrowings from the U.S. Treasury, and the allowance for losses associated with the receivables from AMEs. As allowed under the TCCUSF's enabling legislation, and incorporated into the FCU

Act as Section 217(g), 12 U.S.C. § 1790e(g), the financial condition of the TCCUSF may reflect a deficit. Since June 30, 2014, the TCCUSF reported a positive net position.

Revenue Recognition

Exchange Revenue
Exchange revenues arise and are recognized when a federal government entity provides goods and services to the public or to another federal government entity for a price. Exchange revenue may include special premium assessments, guarantee fee income, and interest revenue.

Special Premium Assessments from Insured Credit Unions
Under the statutory authority provided by the Helping Families Act, the NCUA Board may assess each insured credit union a special premium charge that shall be stated as a percentage of its insured shares as represented on the insured credit union's previous call report. This special premium authority ended with the closure of the TCCUSF.

Guarantee Fees on NCUA Guaranteed Notes
For a fee, the NCUA guarantees the timely payment of principal and interest on the NGNs, principally funded through the TCCUSF.

Interest Revenue – Other
On January 28, 2009, the NCUA Board approved the issuance of a $1.0 billion capital note to U.S. Central Federal Credit Union (USCFCU). The capital note was classified as a debt security held-to-maturity and issued by the NCUSIF, and was subsequently transferred to the TCCUSF on June 18, 2009. Due to the NCUA's understanding of USCFCU's financial position as of December 31, 2009, which included independent valuation analyses, NCUA concluded that an *other-than-temporary impairment* had occurred with the capital note, and, accordingly, recorded an impairment charge, or bad debt expense, for the entire value of the capital note.

In accordance with FASB ASC 310-30-35-3, due to the uncertainty of the amount and timing of the expected cash flows from U.S. Central AME, recoveries shall be recognized when cash is received by the TCCUSF under the cost recovery method. As of September 30, 2017, $520.0 million has been recognized as interest revenue due to partial recovery of the $1.0 billion capital note from the AME of USCFCU.

Non-exchange Revenue
Non-exchange revenues are inflows of resources that the federal government demands or receives by donation. Such revenues are recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that collection is probable (more likely than not) and the amount is reasonably estimable.

Imputed Financing Sources

The TCCUSF records an imputed cost on the Statement of Net Cost and an offsetting imputed financing source on the Statement of Changes in Net Position for administrative expenses paid by the NCUA Operating Fund but not reimbursed by the TCCUSF.

Tax-Exempt Status

The NCUA, as a government entity, is not subject to federal, state, or local income taxes and, accordingly, no provision for income taxes is recorded for the TCCUSF.

2. FUND BALANCE WITH TREASURY

FBWT balances and status as of September 30, 2017 and December 31, 2016, consisted of the following (in thousands):

	2017	2016
Total Fund Balance with Treasury: Revolving Funds	$ 1,888,457	$ 2,910
Status of Fund Balance with Treasury:		
Unobligated Balance - Available	$ 7,887,072	$ 6,452,818
Obligated Balances Not Yet Disbursed	1,386	2,462
Non-Budgetary Investment Accounts	(1)	(452,370)
Non-FBWT Budgetary Accounts	(6,000,000)	(6,000,000)
Total	$ 1,888,457	$ 2,910

As a revolving fund, the FBWT account is used for continuing business-like activities. The TCCUSF collects special premium assessments, guarantee fees and AME recoveries, which in turn are invested in overnight U.S. Treasury securities. The proceeds are primarily held to cover liquidation activities, guarantee payments and other administrative expenses, without requirement for annual appropriations. The FBWT account contains monies available for future obligations as well as monies obligated for current activities. Non-Budgetary Investment Accounts, which consist of U.S. Treasury investments, reduce the status of fund balance. Non-FBWT Budgetary Accounts may consist of borrowing authority, nonexpenditure transfers, and changes in federal receivables. Funds not needed for immediate liquidity are invested in overnight U.S. Treasury securities.

As of September 30, 2017 and December 31, 2016, there were no unreconciled differences between U.S. Treasury records and balances reported in the TCCUSF's general ledger.

3. INVESTMENTS

The TCCUSF invests in non-marketable daily overnight U.S. Treasury securities, which are purchased at par value. The cost and market value of U.S. Treasury securities were as follows (in thousands):

As of September 30, 2017 and December 31, 2016	Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investments, Net	Other Adjustments	Market Value Disclosure
Non-Marketable, par value, 09/30/2017	$ -	n/a	$ -	$ -	$ -	$ -	$ -
Non-Marketable, par value, 12/31/2016	$ 452,370	n/a	$ -	$ -	$ 452,370	$ -	$ 452,370

No investments were made for September 30, 2017 due to the closing of the TCCUSF.

4. ACCOUNTS RECEIVABLE

Public – Accounts Receivable

NGN Guarantee Fee Receivable
For a fee, the NCUA guarantees the timely payment of principal and interest on the NGNs, principally through the TCCUSF. Guarantee fees on each NGN Trust are 35 basis points per year, payable monthly, on the outstanding balance of the NGNs. As of September 30, 2017 and December 31, 2016, there were $1.4 million and $1.8 million in NGN guarantee fees receivable, respectively.

Allowance for Doubtful Accounts
The allowance for doubtful accounts on public accounts receivable was $0 as of September 30, 2017 and December 31, 2016.

5. OTHER – RECEIVABLES FROM ASSET MANAGEMENT ESTATES

As of September 30, 2017 and December 31, 2016, the gross receivables from AMEs were $3.4 billion and $4.2 billion, and the related allowance for losses was $2.7 billion and $3.1 billion, for net receivables from AMEs of $671.8 million and $1.1 billion, respectively. The net receivables from AMEs represent the TCCUSF's expected reimbursements from the AMEs for amounts paid by the TCCUSF on the behalf of the AMEs.

The allowance for losses takes into account the NCUA's assessment of expected recovery from the AMEs that reflects the NCUA's expectations and assumptions about the recovery value of the AMEs' assets, as further discussed under fiduciary activities in Note 12. Receivables from AMEs as of September 30, 2017 and December 31, 2016 were (in thousands):

	2017	2016
Gross Receivable from AMEs	$ 3,352,875	$ 4,246,323
Allowance for Loss, beginning balance	3,168,251	4,135,037
AME Receivable Bad Debt Expense (Reduction)	(487,214)	(966,786)
Allowance for Loss, ending balance	2,681,037	3,168,251
Receivable from AMEs, Net	$ 671,838	$ 1,078,072

6. DEBT – BORROWINGS FROM U.S. TREASURY

As of September 30, 2017 and December 31, 2016, the TCCUSF has no debt outstanding with the U.S. Treasury. In 2016, the TCCUSF repaid $1.7 billion of borrowings, incurred interest expense of $3.9 million on outstanding principal, and recognized a gain of $493 thousand on the early retirement of debt. As of September 30, 2017 and December 31, 2016, there was no accrued interest payable.

7. OTHER LIABILITIES – INSURANCE AND GUARANTEE PROGRAM LIABILITIES

With the expiration of TCCUSGP and the TCCULGP during 2012, as previously discussed herein, the TCCUSF was only responsible for the guarantees related to the NGNs.

NCUA Guaranteed Notes

The TCCUSF was principally responsible for the guarantees related to the NGNs. Effective October 1, 2017, these guarantee obligations transferred to the NCUSIF. The NCUA's guarantees on the NGNs are a direct result of the NCUA's implementation of the CSRP. Pursuant to the FCU Act, the NCUA is authorized to assess insured credit unions for the recovery of any losses from this initiative. The NCUA uses both internal and external models to estimate contingent liabilities associated with the NGN Program, as discussed herein. The TCCUSF recorded no contingent liabilities on the TCCUSF's Balance Sheet as of September 30, 2017 and December 31, 2016.

Beginning in October 2010, the NCUA Board, as liquidating agent of the AMEs, transferred Legacy Assets to NGN Trusts and re-securitized them through the issuance of a series of floating and fixed-rate NGNs. The NGNs have final maturities ranging from 2016 to 2021. As of September 30, 2017 and December 31, 2016, the outstanding principal balance of the NGNs was $6.2 billion and $7.9 billion, respectively. This amount represents the maximum potential, but not the expected, future guarantee payments that the NCUA could be required to make.

The NCUA, principally through the TCCUSF, is liable to make guarantee payments through the NGN Trusts to the NGN holders under certain conditions outlined in the respective indentures and related agreements with respect to timely payment of interest and ultimate principal on the NGNs. In addition to the ultimate payment of principal and interest, the guarantee requires parity payments when the unpaid principal balance of all Legacy Assets underlying a particular NGN Trust, after realized and implied losses, if applicable, is less than the remaining unpaid principal balance of the related NGNs after distribution of all cash collected on the Legacy Assets for any given payment date.

As of September 30, 2017 and December 31, 2016, there were no probable losses for the guarantee of NGNs associated with the re-securitization transactions. Although the gross estimated guarantee payments were approximately $3.1 billion and $3.2 billion, respectively, these payments are estimated to be offset by:

- i) contractual guarantee reimbursements and interest based on NGN governing documents from the Legacy Assets of the NGN Trusts of approximately $3.0 billion and $3.1 billion as of September 30, 2017 and December 31, 2016, respectively; and
- ii) receivables from the AMEs based on the value of their economic residual interests in NGN Trusts of up to approximately $2.2 billion and $2.4 billion as of September 30, 2017 and December 31, 2016, respectively.

Recoveries in the form of potential guarantor reimbursements by the NGN Trusts to the NCUA are subordinate to payments on the NGNs in accordance with the respective indentures. As such, reimbursements of guarantee payments to the NCUA will not occur until the applicable NGNs have been repaid in full; after the NGNs are repaid in full, any cash flows received on the Legacy Assets underlying the NGN Trusts are directed toward reimbursements until the

NCUA is reimbursed in full. The NCUA earns interest on any guarantee payments not yet reimbursed by the NGN Trusts at a rate equal to the interest rate on the associated NGNs.

Guarantee fees are senior in the NGN Trust payment waterfall in accordance with the respective indentures. It is expected that the NCUA will receive a guarantee fee payment from the NGN Trusts on each NGN payment date. The guarantee fee amount due to the NCUA, at each monthly payment date, is equal to 35 basis points per year on the outstanding NGN balance prior to the distribution of principal on the payment date.

The NCUA's estimated guarantee payments, guarantor reimbursements, and the recovery value of the AMEs' economic residual interests in the NGN Trusts are derived using an external model that distributes estimated cash flows of the Legacy Assets transferred to the NGN Trusts in the priority of payments pursuant to the indenture of each NGN Trust. The estimated cash flows incorporate the NCUA's assumptions about discount rates.

The estimated cash flows of the Legacy Assets transferred to the NGN Trusts are also derived from the external model that incorporates the NCUA's expectations and assumptions about the estimated cash flows from the collateral that supports the Legacy Assets, and the priority of payments and estimated cash flows of the Legacy Assets pursuant to the governing documents for the respective Legacy Assets.

The external model produces estimated cash flows of collateral underlying the Legacy Assets by incorporating the NCUA's expectations and assumptions about prepayments, defaults and loss severity of the collateral consisting of residential and commercial mortgage loans and other assets. Assumptions about prepayments, defaults and loss severity are developed based on the characteristics and historical performance of the collateral, as well as assumptions about macroeconomic variables such as unemployment rates, housing prices and interest rates.

8. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Program costs and revenues are separated between Intragovernmental and Public to facilitate government-wide financial reporting. Intragovernmental revenue and costs arise from transactions with other federal entities, including imputed costs for CSRP administrative expenses paid by the NCUA Operating Fund but not reimbursed by the TCCUSF. Public revenue and costs arise from transactions with domestic and foreign persons and organizations outside of the federal government. When guarantee payments are made for the TCCUSF's initiatives, the TCCUSF obtains funds from special premium assessments, available cash, receivables, investments, and borrowings from the U.S. Treasury. The associated costs and revenue of the TCCUSF's initiatives for the nine months ended September 30, 2017 and the year ended December 31, 2016 are provided below (in thousands):

For the Nine Months Ended September 30, 2017

Intragovernmental Costs and Exchange Revenue (Dollars in Thousands)	**NGNs**	**Other**	**TOTAL**
Intragovernmental Costs	$ -	$ 997	$ 997
Public Costs	-	(482,117)	(482,117)
Total	-	(481,120)	(481,120)
Intragovernmental Exchange Revenue	-	(7,101)	(7,101)
Public Exchange Revenue	(18,394)	(520,000)	(538,394)
Total	(18,394)	(527,101)	(545,495)
Net Cost/(Income)	$ (18,394)	$ (1,008,221)	$ (1,026,615)

For the Year Ended December 31, 2016

Intragovernmental Costs and Exchange Revenue (Dollars in Thousands)	**NGNs**	**Other**	**TOTAL**
Intragovernmental Costs	$ -	$ 4,357	$ 4,357
Public Costs	-	(963,147)	(963,147)
Total	-	(958,790)	(958,790)
Intragovernmental Exchange Revenue	-	(761)	(761)
Public Exchange Revenue	(32,134)	(1,364)	(33,498)
Total	(32,134)	(2,125)	(34,259)
Net Cost/(Income)	$ (32,134)	$ (960,915)	$ (993,049)

For the nine months ended September 30, 2017 and year ended December 31, 2016, other intragovernmental costs of $1.0 million and $4.4 million, respectively, included interest expense on borrowings, imputed costs, and the fee, if applicable, on the early retirement of borrowings from the U.S. Treasury. Public costs include administrative costs and a reduction in insurance losses of $482.1 million and $963.1 million for the nine months ended September 30, 2017 and year ended December 31, 2016, respectively. For 2017, public exchange revenue is $18.4 million primarily from guarantee fee income and $520.0 million from interest revenue related to the partial recovery of the $1.0 billion capital note from the AME of USCFCU. For 2016, public exchange revenue of $33.5 million is primarily guarantee fee income of $32.1 million and gains on the disposition of assets of $1.4 million that were recoveries from certain securities originally held by the failed corporate credit unions.

9. TERMS OF BORROWING AUTHORITY USED

On June 23, 2009, the NCUA entered into a Memorandum of Understanding (MOU) with the U.S. Treasury to establish the terms and conditions for borrowing from the U.S. Treasury. This MOU is reviewed and updated annually. Interest is payable annually on the anniversary of the first advance, which was June 25, 2009. The interest rate resets on each anniversary at a rate equal to the average market yield on the outstanding marketable obligations of the United States with maturities equal to 12 months. The interest rate per the MOU was 1.21 percent and 0.481 percent at September 30, 2017 and December 31, 2016, respectively, with a maturity of June 25, 2021. Early repayment of any advance is made at a price determined by the U.S. Treasury per the current MOU. With the closure of the TCCUSF effective October 1, 2017, the NCUA's ability to borrow under the MOU for the purpose of the TCCUSF ended.

10. AVAILABLE BORROWING AUTHORITY, END OF PERIOD

The TCCUSF shares its $6.0 billion borrowing authority from the U.S. Treasury with the NCUSIF. For the nine months ended September 30, 2017 and the year ended December 31, 2016, the TCCUSF did not borrow additional funds from the U.S. Treasury. The TCCUSF repaid the remaining outstanding borrowings of $1.7 billion in 2016.

The TCCUSF, together with the NCUSIF, had $6.0 billion in available borrowing capacity as of September 30, 2017 and December 31, 2016.

11. DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources discloses total budgetary resources available to the TCCUSF and the status of resources as of September 30, 2017 and December 31, 2016. Activity impacting budget totals of the overall federal government budget is recorded in the TCCUSF's Statement of Budgetary Resources budgetary accounts. As of September 30, 2017 and December 31, 2016, the TCCUSF's resources in budgetary accounts were $7.9 billion and $6.5 billion, respectively, and undelivered orders were $918 thousand and $899 thousand, respectively. All liabilities are covered by budgetary resources, excluding the Insurance and Guarantee Program Liabilities because they are contingent liabilities and do not require budgetary resources until the liabilities are no longer contingent. All obligations incurred by the TCCUSF are reimbursable. The TCCUSF is exempt from OMB apportionment control.

Budgetary resources listed on the TCCUSF's financial statements and the budgetary resources found in the budget of the federal government with respect to the nine months ended September 30, 2017 and the year ended December 31, 2016 differ because the TCCUSF's statements have been prepared as of December 31, on a calendar year, rather than as of September 30, the federal government's fiscal year end.

12. FIDUCIARY ACTIVITIES

The NCUA's fiduciary activities, in accordance with SFFAS No. 31, involve the collection or receipt, management, protection, accounting, investment, or disposition by AMEs and NGN Trusts of cash and other assets in which individuals or non-federal entities have an ownership interest. Fiduciary assets are not assets of the federal government. Fiduciary activities are not recognized on the financial statements, but are reported on schedules in the notes to the financial statements in accordance with SFFAS No. 31.

The NCUA Board, as liquidating agent of the AMEs, disburses funds for obligations owed by and collects money due to the AMEs.

The Bridge Corporates, as previously discussed herein, were established to function in a temporary capacity and were chartered by the NCUA Board as private entities to purchase and assume selected assets, liabilities and member shares of the AMEs resulting from the five CCU liquidations that occurred in 2010. The Bridge Corporates were established to provide uninterrupted services to the consumer credit unions and CCUs that were members of the now failed CCUs. As of December 31, 2012, all Bridge Corporates were resolved through merger or liquidation.

At the time of liquidation in 2010, the AMEs had an aggregate deficit of approximately $7.2 billion, which represented the difference between the value of the AMEs' assets and the contractual or settlement amount of the claims and member shares recognized by the NCUA Board as the liquidating agent.

As previously discussed herein, in an effort to maximize recoveries and minimize losses to the AMEs and all insured credit unions, the NCUA provided guarantees on the various obligations of the AMEs. In addition, to facilitate the orderly liquidation of the Legacy Assets held by the AMEs, the NCUA provided guarantees on the NGNs issued through a series of re-securitization transactions. During 2010 and 2011, the NCUA completed thirteen NGN transactions with net proceeds of $28.3 billion.

The schedules of fiduciary activity and the fiduciary net assets/liabilities of the AMEs and the NGN Trusts for the nine months ended September 30, 2017 and the year ended December 31, 2016 are presented below. The preparation of these schedules requires the NCUA Board, in its role as the liquidating agent, to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses of the AMEs and the NGN Trusts.

The NCUA, in its role as the guarantor, is exposed to the risk of loss from various guarantees extended to the creditors of both the AMEs and the NGN Trusts. The estimates and expectations regarding the contingent liabilities recorded on the TCCUSF's Balance Sheet related to these guarantees are based on our current assumptions about the future performance of Legacy Assets collateralizing the NGNs issued through the NGN Trusts and the recovery value of other assets held by the AMEs. Actual results could differ materially from our current estimates and expectations.

Following are the Schedules of Fiduciary Activity as of September 30, 2017 and December 31, 2016 (in thousands):

Schedule of Fiduciary Activity	For the Nine Months Ended September 30, 2017			
	AMEs	NGN Trusts	Eliminations	Total
Fiduciary Net Liabilities, beginning of Year	$ 682,257	$ -	$ -	$ 682,257
Revenues				
Interest on Loans	(1,843)	-	-	(1,843)
Income from AMEs on Re-Securitized Assets	-	(107,056)	107,056	-
Income from Investment Securities	(143,799)	-	-	(143,799)
Settlements and Legal Claims	(855,645)	-	-	(855,645)
Other Fiduciary Revenues	(3,166)	-	-	(3,166)
Expenses		-	-	-
Professional and Outside Services Expenses	214,948	-	-	214,948
Interest Expense on Borrowings and NGNs	-	88,662	-	88,662
Payments to NGN Trusts	107,056	-	(107,056)	-
Guarantee Fees	-	18,394	-	18,394
Other Expenses	563	-	-	563
Net Change in Recovery Value of Assets and Liabilities	110,492	-	-	110,492
Decrease in Fiduciary Net Liabilities	(571,394)	-	-	(571,394)
Fiduciary Net Liabilities, end of year	$ 110,863	$ -	$ -	$ 110,863

Schedule of Fiduciary Activity	For the Year Ended December 31, 2016			
	AMEs	NGN Trusts	Eliminations	Total
Fiduciary Net Liabilities, beginning of Year	$ 2,262,251	$ -	$ -	$ 2,262,251
Revenues				
Interest on Loans	(3,453)	-	-	(3,453)
Income from AMEs on Re-Securitized Assets		(149,005)	149,005	-
Income from Investment Securities	(209,138)	-	-	(209,138)
Settlements and Legal Claims	(1,817,782)			(1,817,782)
Other Fiduciary Revenues	(5,347)	-	-	(5,347)
Expenses				
Professional and Outside Services Expenses	472,539	-	-	472,539
Interest Expense on Borrowings and NGNs	-	116,870	-	116,870
Payments to NGN Trusts	149,005	-	(149,005)	-
Guarantee Fees	-	32,135		32,135
Other Expenses	1,039	-	-	1,039
Net Change in Recovery Value of Assets and Liabilities	(166,857)	-	-	(166,857)
Decrease in Fiduciary Net Liabilities	(1,579,994)	-	-	(1,579,994)
Fiduciary Net Liabilities, end of year	$ 682,257	$ -	$ -	$ 682,257

For the nine months ended September 30, 2017, Fiduciary Net Liabilities decreased by $571.4 million. This decrease represents a benefit to the AME claimants, of which a portion was recognized by TCCUSF through the reduction of the AME Receivable Bad Debt Expense, as discussed in Note 5. The main driver of this decrease was $855.6 million in revenues from Settlements and Legal Claims. When compared to 2016, this line was more than double at $1.8 billion. During the 2017 reporting period, major legal recoveries were from Credit Suisse and UBS, whereas 2016 legal recoveries included Goldman Sachs, Credit Suisse, UBS, Royal Bank of Scotland and Nomura.

The Net Change in Recovery Value of Assets and Liabilities line includes the realized and unrealized gains and losses on the Legacy Assets, loans, real estate, investments and other assets and liabilities. For the 2017 reporting period, this line was $110.5 million, which reflects a net loss that is the combination of the $520.0 million, paid on the $1.0 billion capital note by the AME of USCFCU, which was partially offset by improving values of the anticipated future cash flows of the Legacy Assets in the NGN Program.

The Schedule of Fiduciary Activity includes revenues earned on investments, including Legacy Assets, loans, real estate and other investments, and expenses incurred in orderly liquidation of the AMEs, including interest expense on borrowings and the NGNs. Following are the Schedules of Fiduciary Net Assets/Liabilities as of September 30, 2017 and December 31, 2016 (in thousands):

Schedule of Fiduciary Net Assets/Liabilities	**As of September 30, 2017**			
	AMEs	**NGN Trusts**	**Eliminations**	**Total**
Fiduciary Assets				
Cash and Cash Equivalents	$ 320,156	$ 190,157	$ -	$ 510,313
Legacy Assets	655,717	-	-	655,717
Legacy Assets/Investments Collateralizing the NGNs	7,996,563	290,277	-	8,286,840
Loans	56,693	-	-	56,693
Receivable from AMEs	-	5,755,568	(5,755,568)	-
Other Fiduciary Assets	227	-	-	227
Total Fiduciary Assets	9,029,356	6,236,002	(5,755,568)	9,509,790
Fiduciary Liabilities				
Accrued Expenses	(31,590)	(14,287)	-	(45,877)
NGNs	-	(6,221,715)	-	(6,221,715)
Due to NGN Trusts	(5,755,568)	-	5,755,568	-
Unsecured Claims and Payables	(186)	-	-	(186)
Due to TCCUSF (Note 5)	(3,352,875)	-	-	(3,352,875)
Total Fiduciary Liabilities	(9,140,219)	(6,236,002)	5,755,568	(9,620,653)
Total Fiduciary Net Assets/(Liabilities)	$ (110,863)	$ -	$ -	$ (110,863)

Schedule of Fiduciary Net Assets/Liabilities	**As of December 31, 2016**			
	AMEs	**NGN Trusts**	**Eliminations**	**Total**
Fiduciary Assets				
Cash and Cash Equivalents	$ 4,285	$ 249,930	$ -	$ 254,215
Legacy Assets	1,227,650	-	-	1,227,650
Legacy Assets/Investments Collateralizing the NGNs	9,396,700	563,175	-	9,959,875
Loans	87,943	-	-	87,943
Receivable from AMEs	-	7,108,846	(7,108,846)	-
Other Fiduciary Assets	780	-	-	780
Total Fiduciary Assets	10,717,358	7,921,951	(7,108,846)	11,530,463
Fiduciary Liabilities				
Accrued Expenses	(40,492)	(8,835)	-	(49,327)
NGNs	-	(7,913,116)	-	(7,913,116)
Due to NGN Trusts	(7,108,846)	-	7,108,846	-
Unsecured Claims and Payables	(3,954)	-	-	(3,954)
Due to TCCUSF (Note 5)	(4,246,323)	-	-	(4,246,323)
Total Fiduciary Liabilities	(11,399,615)	(7,921,951)	7,108,846	(12,212,720)
Total Fiduciary Net Assets/(Liabilities)	$ (682,257)	$ -	$ -	$ (682,257)

The Schedule of Fiduciary Net Assets reflects the expected recovery value of the AMEs' assets, including the Legacy Assets collateralizing the NGNs issued through the NGN Trusts, and the settlement value of valid claims against the AMEs outstanding at September 30, 2017 and December 31, 2016. Certain claims against the AMEs and the NGNs are guaranteed by the NCUA as previously discussed herein.

Cash flows from the Legacy Assets securing the NGN 2011-C1 1A Trust paid off the outstanding principal balances on September 28, 2017, resulting in the maturity of this trust prior to its scheduled maturity date. During 2016, the following NGNs matured: NGN 2010-R1 2A, NGN 2011-R5 1A and NGN 2010-C1 on March 8, 2016, July 8, 2016, and August 29, 2016, respectively.

As of September 30, 2017 and December 31, 2016, the NCUA held $311.9 million and $0, respectively, in fiduciary cash on behalf of the AMEs.

Fiduciary assets include cash, investments in U.S. Treasury securities held by TCCUSF, investments in Legacy Assets collateralizing the NGNs, consumer and mortgage loans, investments in credit union service organizations and other investments. Fiduciary assets are recorded at values that are estimated to be recovered based on market information and external valuations, such as appraisals, as well as internal and external models incorporating the NCUA's current assumptions regarding numerous factors, including prepayments, defaults, loss severity and discount rates. Legacy Assets may benefit from litigation and other efforts by various trustees, insurers, investors, and investor consortiums, including the NCUA Board as liquidating agent, to recover losses that the securities have suffered. Any benefits from these recovery efforts will be recognized when receipt is certain.

Fiduciary liabilities include the NGNs and related accrued interest expense, unsecured claims and accrued liquidation costs. Fiduciary liabilities related to borrowings and claims are recorded at their contractual or settlement amounts as agreed by the NCUA and the creditors. Contingent liabilities related to legal actions are recorded if probable and measurable. Accrued liquidation costs reflect the NCUA's estimates and assumptions regarding the timing and associated costs to dispose of the AME assets. The future estimate of liquidation costs, as well as the actual amounts, could differ materially from current estimates and assumptions.

Unless expressly guaranteed by the NCUA and backed by the full faith and credit of the United States, the AMEs' unsecured creditors could only expect to be paid if recoveries from the assets of the AMEs are sufficient to be distributed to the unsecured creditors in order of priority as set forth in 12 CFR §709.5(b).

13. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The Reconciliation of Net Cost of Operations to Budget explains the difference between the budgetary net obligations and proprietary net cost of operations. The Reconciliation of Net Cost of Operations to Budget consisted of the following (in thousands):

Reconciliation of Net Cost of Operations to Budget	2017	2016
Resources Used to Finance Activities:		
Unobligated Balance, brought forward, January 1	$ 6,452,818	$ 4,455,660
Borrowing Authority Realized	-	1,700,000
Spending Authority from Offsetting Collections		
Collected	1,447,870	2,019,247
Change in Receivables from Federal Sources	(5)	5
Permanently not available	-	(1,700,000)
Total Budgetary Resources	7,900,683	6,474,912
Less Unobligated Balance - Exempt from Apportionment	(7,887,072)	(6,452,818)
Total Obligations Incurred	13,611	22,094
Imputed Financing	997	971
Total Resources Used to Finance Activities	14,608	23,065
Resources Used to Fund Items Not Part of the Net Cost of Operations:		
Other Collections	(1,422,375)	(1,986,352)
Change in Budgetary Resources Obligated for Goods and Services Not Yet Received	(78)	(477)
Costs Capitalized/(Recovered) on the Balance Sheet	406,674	1,004,195
Other Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations	30	(661)
Total Resources Used to Fund Items Not Part of the Net Cost of Operations	(1,015,749)	(983,295)
Costs Included in the Net Cost of Operations That Do Not Require Resources During the Reporting Period:		
Unfunded Leave	$ 21	$ 76
Revenue Recognized		
Interest Collected - on Investments	(7,101)	(761)
Guarantee Fees	(18,394)	(32,134)
Total Costs That Do Not Require Resources	(25,474)	(32,819)
Net (Income) from Operations	$ (1,026,615)	$ (993,049)

14. SUBSEQUENT EVENTS

Except for the items listed below, subsequent events have been evaluated through November, 14, 2017, which is the date the financial statements were available to be issued, and management determined that there were no items to disclose.

Effective October 1, 2017, TCCUSF's remaining funds, property, and other assets were distributed to the NCUSIF.

On October 5, 2017, cash flows from the Legacy Assets securing the NGN 2011-R4 1A Trust paid off the outstanding principal balances, resulting in the maturity of this trust prior to its scheduled maturity date.

On November 6, 2017, NGN 2010-R2 1A matured on its legal maturity date.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Risk Assumed Information

Contingent Liability

As discussed previously herein, the purpose of the TCCUSF is to accrue the losses of the CCU system and recover such losses over time.

The TCCUSF recognized no net contingent liability for expected losses from the failed CCUs pursuant to SFFAS No. 5 at September 30, 2017 and December 31, 2016. For the nine months ended September 30, 2017 and the year ended December 31, 2016, the TCCUSF was responsible for the guarantees related to the NGNs. As of September 30, 2017 and December 31, 2016, the NCUA estimated no insurance losses from the NGNs.

At September 30, 2017 and December 31, 2016, the TCCUSF had accrued for losses of the CCU system of approximately $2.7 billion and $3.2 billion consisting of allowance for loss against receivables from the AMEs, respectively.

As of September 30, 2017 and December 31, 2016, the TCCUSF had gross receivables from the AMEs of $3.4 billion and $4.2 billion, against which an allowance for losses of approximately $2.7 billion and $3.1 billion was established, for net receivables from AMEs of $0.7 billion and $1.1 billion, respectively.

Fees and Premiums

Under the NGN Program, the TCCUSF is entitled to guarantee fees on a monthly basis for providing associated guarantees as previously discussed in Notes 4 and 7. As of September 30, 2017 and December 31, 2016, the estimated value of TCCUSF guarantee fees for the remaining term of the NGNs, which will lessen the expected losses recognized by TCCUSF, was $47.9 million and $68.2 million, respectively.

In addition, the NCUA Board, under the FCU Act, could have assessed insured credit unions TCCUSF special premiums to cover payments for the conservatorship, liquidation, or threatened conservatorship or liquidation of CCUs. The TCCUSF did not assess a special premium in 2017 and 2016.

Sensitivity, Risks, and Uncertainties of the Assumptions

As discussed in Note 7, the NCUA estimated the expected losses from the initiatives created to stabilize the CCU system using various methodologies, including internal and external models that incorporate the NCUA’s expectations and assumptions about the anticipated recovery value, if any, of the AMEs’ assets and the Legacy Assets collateralizing the NGNs.

The development of assumptions for key input variables of the estimation models and external valuations is a highly subjective process that involves significant judgment. Future values are difficult to estimate, especially over longer timeframes. Key assumptions in the modeling included borrower status, prepayments, default, loss severity, discount rates, forward interest rate curves, house price appreciation forecasts, legal and regulatory changes, property locations, and unemployment expectations. Assumptions also varied by asset type and vintage. The assumptions developed for the estimation models are regularly evaluated by the NCUA to determine the reasonableness of those assumptions over time.

As discussed in Note 7, the NCUA's estimated guarantee payments, guarantor reimbursements, and the recovery values, if any, of the AMEs' economic residual interests in the NGN Trusts are derived using an external model that distributes estimated cash flows of the Legacy Assets transferred to the NGN Trusts in the priority of payments pursuant to the governing documents of each NGN Trust. The estimated cash flows incorporated the NCUA's assumptions about discount rates.

The estimated cash flows of the Legacy Assets transferred to the NGN Trusts were also derived from the external model that incorporates the NCUA's expectations and assumptions about the estimated cash flows from the collateral underlying the Legacy Assets and the priority of payments and estimated cash flows of the Legacy Assets pursuant to the governing documents for the respective Legacy Assets.

The external model produced estimated cash flows of collateral underlying the Legacy Assets by incorporating the NCUA's expectations and assumptions about prepayments, defaults and loss severity of the collateral consisting of residential and commercial mortgages and other assets. Assumptions about prepayments, defaults and loss severity were developed based on the characteristics and historical performance of the collateral, as well as assumptions about macroeconomic variables such as unemployment rate and housing prices, among other factors.

While certain parts of the credit market have seen improvements, the performance of asset- and mortgage-backed securities, such as the Legacy Assets, remains uncertain. The longer-term outlook for borrower and loan performance is uncertain. Uncertainty around housing prices, interest and unemployment rates, legal and regulatory actions, and the relationship of these factors to prepayment, loss severity, default and delinquency rates will likely change over time. Legacy Asset performance continues to be challenging to predict, and the external model used to derive the expected losses to the TCCUSF from the guarantee of the NGNs is sensitive to assumptions made about Legacy Asset performance. For example, changing the assumptions for reasonably possible variations in certain macroeconomic factors such as a decline in housing prices from its most recent peak in the external model would have resulted in no expected losses, net of estimated guarantor reimbursements and the economic residual interests in the NGN Trusts (but exclusive of the estimated guarantee fees for the remaining term of the NGNs) associated with the re-securitization transactions, under any scenario as of September 30, 2017. However, such changes in the assumptions would have resulted in an amount for the Receivables from the AMEs, Net that differed from the recognized amount on the TCCUSF's Balance Sheet as of September 30, 2017.

The NCUA's estimates of future guarantee payments and potential recoveries under the NGN Program require significant judgment and will change over time. Following the closure of the TCCUSF, any required guarantee payments will be paid from the NCUSIF.