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NCUA Media Release

NCUA Encourages Credit Unions to Carefully Evaluate Corporate Capitalization Plans

April 20, 2011, Alexandria, Va. -- The National Credit Union Administration (NCUA) today released correspondence sent to the member credit unions of the three retail bridge corporate credit unions -- Members United Bridge, Southwest Bridge, and Western Bridge. The letter provides timely information about the review of the corporate credit union capitalization plans recently submitted to NCUA. The NCUA letter also encourages credit unions to carefully evaluate their options before choosing to join or remain a member of a corporate credit union.

“NCUA recognizes the next few months will require many credit unions to make important decisions about the future of their corporate credit union relationships,” said Office of Corporate Credit Unions Director Scott Hunt, who sent the letter acting in his role as Agent for the Conservator. “Credit unions should explore their options and understand the pros and cons to continuing with current practices or transitioning to new service providers. All credit unions desiring to remain or become a member of a corporate credit union are encouraged to review the corporate’s capital plan and capital offering circular, and attend informational sessions or speak with their assigned representatives to learn more about the future of the corporate.”

All corporate credit unions must comply with NCUA’s new capitalization rules by October 20. As part of this process, NCUA required all undercapitalized corporate credit unions and members of bridge corporate credit unions desiring to purchase and assume the assets and liabilities through a merger or a new charter to submit capital compliance plans by March 31. NCUA received plans from Members United Bridge, Southwest Bridge, and Western Bridge, as well as all undercapitalized corporate credit unions, by the deadline.

The capital plans establish how each corporate credit union will reach the adequately capitalized levels required under NCUA’s rules. Under the implementation timeline, all affected corporate and bridge corporate credit unions must share capital compliance plans with their member credit unions by May 31, 2011. NCUA is therefore expeditiously reviewing the submitted capitalization plans. After NCUA has reviewed the plans for reasonableness and transparency, the corporate credit unions may share the materials with their members.

The distribution of capitalization plans to a corporate credit union's members will assist credit unions in deciding whether to continue to support their current corporate credit union, join another corporate credit union, or seek services from another entity. NCUA's new rules specifically allow for the conditioning of membership, services or pricing on a member's ownership of perpetual contributed capital in a corporate credit union. As a result, credit unions should carefully consider their options before making any business decision.

From the beginning of the corporate resolution process, NCUA has sought a member-driven solution to the future of the corporate system. To that end, the member advisory council for each retail bridge corporate credit union has submitted a plan to transition services, assets and liabilities to a new entity. The proposed solutions, however, may not fit the needs of all member credit unions.

Member credit unions that opt out of purchasing perpetual contributed capital in a corporate credit union must receive at least a six-month written notice of changes related to membership, pricing and services. Additionally, a corporate or bridge corporate credit union may, in no instance, terminate membership, change pricing or alter access to services prior to October 20.

NCUA encourages credit unions seeking to leave a corporate credit union to begin searching for a new provider as soon as possible to minimize service disruptions. Such credit unions should also inform the bridge corporate credit union of their plans in an effort to facilitate the transfer of any records or files to the new service provider, including check images.

To review a sample of the letter from Director Hunt sent to members of the three retail bridge corporate credit unions, click [here](#).

NCUA is the independent federal agency that regulates, charters and supervises federal credit unions. With the backing of the full faith and credit of the U.S. government, NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of more than 90 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

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