Fact Sheet

Bridge Corporate Credit Unions

NCUA will implement a “Good Bank/Bad Bank” model to facilitate the corporate resolution process. Bridge corporate credit unions (“good banks”) will be chartered by the NCUA Board to purchase and assume “good” assets and member share deposits from the conserved corporate credit unions (“bad banks”). This document outlines the general operations of the bridge corporates, their purpose, as well as the planned balance sheet structure.

Operations

The overriding principles of the bridge corporates are continuing operations, preserving fiscal prudence, and ensuring the least cost to credit unions consistent with sound public policy. The bridge corporates will have simple balance sheets as the majority of former assets will remain with the asset management estate.

Bridge corporates will be highly liquid and operated to ensure stability and to minimize disruption to member settlement activities and operations. No new services will be offered by the bridge corporates except if there is a need to enhance the security and functionality of existing services. Bridge corporates will not offer investment products other than short-term certificates and as needed to support settlement activity. The bridge corporate will provide new loans primarily for settlement purposes and will continue to service existing loans.

Bridge corporate fields of membership will be identical to those of the conserved corporate. Members of record in the conserved corporate will be members of record in the bridge corporate; the bridge corporate will not accept new members.

Governance

The NCUA Board appointed the Agent for the conservator who will serve as the principal point of oversight for operational activities at each bridge corporate.

A conservatorship CEO will be appointed at each bridge corporate and will report directly to the Agent. Each conservatorship CEO will be responsible for ensuring compliance with applicable laws, regulations, and regulatory agreements and orders; managing relationships with members and other outside parties; implementing conservator authorized policies; and holding senior management accountable for the financial health of the bridge corporate. Each conservatorship CEO will operate under written responsibilities outlining his/her duties and responsibilities.

NCUA will establish an advisory council consisting of senior level NCUA staff to discuss critical strategic and financial issues at the discretion of the Agent. NCUA will maintain an on-site supervisory presence. Periodic exams of services and operations will be conducted at the Agent's discretion to ensure financial reporting is accurate and transparent, and operational systems support continuity of operations.

Balance Sheet

Bridge corporate balance sheets will consist of assets and liabilities sufficient to sustain the operational activities of the corporate over the transition period. The focus will be to facilitate payments and settlement activities. Funding will not be secured to build an asset portfolio above this stated purpose. As such, term deposit maturities will be restricted to 180 days or less. Investments will be restricted to cash held in correspondent accounts (e.g., FRB) or Treasury and Federal Agency Security with maximum (bullet) maturities of 180 days.

Due to the balance sheet constraints and operational objectives outlined above, bridge corporates are not projected to generate net profits.

Contracts

Existing contracts will be retained where they promote continuity of operations assuming they are economically rational. New contracts will be restricted in term to the lesser of one year or expiration of the bridge corporates' life unless not commercially available. Approvals of new contracts are subject to NCUA conservatorship delegations.

Personnel

As continuity of service is deemed an essential tenet of the bridge corporate, a retention pay incentive plan will be authorized to retain critical staff. NCUA may engage third parties to support, augment, and secure critical operations (e.g., outsource job functions through temporary labor).

Operational Integrity

Continuity of operations will be maintained through the use of existing corporate plans and policies applicable to the business units at each bridge corporate. Additionally, each bridge corporate will be required to prepare operational, financial, and other reports on its financial condition and operational capacities. Such reporting will include monthly financial and 5310 reporting, GAAP compliant financial statements, and an annual audit as required by regulation.

Future of Bridge Corporate Credit Unions

Bridge corporates will operate for a target of 24 months. This should allow the remaining corporate credit unions sufficient time to develop their business models under the new regulatory framework and obtain necessary contributed capital to meet the new regulatory standards. For those corporates unable to obtain sufficient capital, it will allow time for consolidation decisions.

Natural person credit unions will be able to use this extended timeframe to perform due diligence on potential new service providers, make informed decisions, move their processing to a provider of choice, and provide appropriate training to staff. The goal is to facilitate a single move of processing rather than multiple moves for any one credit union.

Other alternatives for the bridge corporates include the potential for existing members to charter a new corporate for the purpose of purchasing and assuming the assets and deposits of the bridge corporate. Members could also form a CUSO, pursuant to new regulatory requirements, to purchase the operations in tandem with another financial institution for settlement purposes.

For smaller credit unions, the 2011 Small Credit Union Workshops sponsored by NCUA will have sessions specifically geared to the due diligence process to aid in the decisions necessitated by this action.