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# INTRODUCTION

This Credit Union Merger and Conversion Manual (Manual) provides guidance and forms for credit unions planning to merge with other credit unions or planning to convert from federal share insurance to private share insurance. The Manual replaces previously issued Credit Union Merger Manuals.

This Manual covers mergers and conversions involving both federal and state chartered credit unions and corporate credit unions. It summarizes portions of the following regulations:

- Mergers of Federally-Insured Credit Unions; Voluntary Termination or Conversion of Insured Status, Part 708b of NCUA's Rules and Regulations.
- Chartering and Field of Membership Manual, NCUA Interpretive Ruling and Policy Statement (IRPS) 03-1.

Credit unions should refer to the full text of Part 708b or IRPS 03-1 as needed for additional information. Both regulations are available on NCUA's website: [www.ncua.gov](http://www.ncua.gov).

Converting credit unions needing additional assistance may contact their State Supervisory Authority or NCUA Regional Office. Credit unions should consult with legal and accounting professionals as necessary to plan and execute a merger or conversion properly.

# CHAPTER 1 - MERGERS

## STEP 1: DO SOME EARLY THINKING

### *Permissibility of the Merger*

Part 708b of the National Credit Union Administration's (NCUA) Rules and Regulations describes our procedures and notice requirements for mergers involving a federally insured credit union:

- If the continuing credit union is a federal credit union (FCU), the merger must follow NCUA's chartering policies.
- If the continuing and/or merging credit unions are state-chartered, prior approval of the appropriate state regulator(s) must be obtained, and any applicable state regulations must be followed. In addition, NCUA's field of membership policies do not apply.
- If a federally insured credit union merges into a nonfederally insured (privately insured) or uninsured state-chartered credit union, the merger must follow state laws and federal laws related to share insurance conversion or termination.

A federally-insured credit union must have the prior written approval of the NCUA before merging with any other credit union.

The following is a synopsis of the permissibility of different types of mergers. For more detailed information, federal credit unions should see NCUA's Chartering and Field of Membership Manual (IRPS 03-1).

#### Scenario 1: The continuing credit union is state-chartered

The merger is permissible if—

- State requirements are followed.

While NCUA's field of membership policies do not apply when the continuing credit union is state-chartered, a merging *federal* credit union must follow NCUA's voting requirements.

#### Scenario 2: A single common bond CU merging into another single common bond FCU

The merger is permissible if—

- Both CUs share a common bond; or
- It is an emergency merger (see scenario 9).

Scenario 3: Multiple common bond CU merging into a multiple common bond FCU

The merger is permissible if—

- Each select group in the merging credit union’s field of membership has fewer than 3,000 primary potential members; or
- It is a supervisory or emergency merger (see scenario 8 or 9).

If any select group in the merging credit union’s field of membership has 3,000 or more primary potential members, and the continuing credit union does not serve the group, NCUA must analyze the group to determine whether the group could form its own credit union, unless it is a supervisory or emergency merger (see scenario 8 or 9).

Scenario 4: Single common bond CU with a primary potential membership less than 3,000, merging into a multiple common bond FCU

The merger is permissible.

Scenario 5: Single common bond CU with a primary potential membership of 3,000 or more, merging into a multiple common bond FCU

The merger is permissible if—

- The continuing credit union already has within its field of membership the group served by the merging single common bond FCU; or
- It is an emergency merger (see scenario 9).

Scenario 6: A single or multiple common bond CU merging into a community chartered FCU

The merger is permissible if—

- The merging credit union has a service facility within the community boundaries;
- A majority of the merging credit union’s field of membership would qualify for membership in the community chartered federal credit union;
- The continuing community chartered FCU previously added an underserved area and the merging credit union’s field of membership is contained within the specific underserved area; or
- It is an emergency merger (see scenario 9).

Groups within the merging credit union’s field of membership located outside the community boundaries of the continuing FCU may not continue to be served. However, the credit union can continue to serve members of record. If the merging CU is state-chartered, the approval of the state regulators is required.

#### Scenario 7: Community chartered CU merging into a community chartered FCU

The merger is permissible if—

- The merging CU's boundaries are entirely within the continuing FCU's boundaries;
- The continuing FCU meets the criteria for expanding its boundaries to include the merging CU's boundaries;
- a majority of the merging credit union's field of membership would qualify for membership in the community chartered FCU; or
- It is an emergency merger (see scenario 9).

#### Scenario 8: Supervisory merger (only applies to multiple common bond credit unions)

The merger is permissible if supervisory concerns exist. That is, the merging credit union is experiencing safety and soundness concerns. Examples of these concerns include; abandonment of management and/or officials and an inability to find replacements, loss of sponsor support, serious and persistent recordkeeping problems, sustained material decline in financial condition, or other serious or persistent circumstances.

We can act on supervisory merger applications without regard to the 3,000 numerical limitation and the merging credit union does not need to be insolvent or in danger of insolvency.

#### Scenario 9: Emergency merger

The merger is permissible if an emergency exists. That is, the merging credit union is insolvent or likely to become insolvent. A few conditions that may lead to insolvency: abandonment by management, loss of sponsor, or serious and persistent record keeping problems.

We can act on emergency merger applications without regard to field of membership requirements, the 3,000 numerical limitation or other legal constraints. However, we must determine (a) an emergency exists, (b) other alternatives are not reasonably available, and (c) the public interest will best be served by approving the merger.

#### Scenario 10: Corporate credit unions

The merger is permissible if deemed to be in the best interest of the corporate credit union's natural person credit union members. In cases where the continuing and/or merging corporate credit unions are state-chartered, the prior approval of the appropriate state regulator(s) must be obtained, and any applicable state regulations must be followed.

### ***Analysis of Probable Asset/Share Ratio***

As part of the merger plan, a share analysis is required for both the merging and continuing credit unions. To help you with the share analysis, you can use Forms NCUA 6311 and 6312 in Appendix A or download the spreadsheets from our web site at [www.ncua.gov](http://www.ncua.gov).

The probable asset/share ratio (PAS) is the relative worth of each \$1 in shares, assuming the credit union is an ongoing concern. The PAS can be used as a tool to determine whether a merging dividend is appropriate.

The PAS is not applicable to corporate credit unions. As such, corporate credit unions need not submit Forms NCUA 6311 and 6312 as part of their merger package. In lieu of the PAS calculation, corporate credit unions should provide a schedule of the retained earnings, core capital, and capital ratios as set forth in Part 704 of NCUA's Rules and Regulations. The ratios are to be calculated for the merging and continuing corporates, as well as on a consolidated basis.

### ***Accounting Implications of the Merger***

Section 741.6 of NCUA's Rules and Regulations requires that all insured credit unions file quarterly call reports. Credit unions with assets of \$10 million or greater must follow generally accepted accounting principles (GAAP). The Financial Accounting Standards Board requires the purchase accounting method for business combinations generally, but has granted a deferral of the effective date for the application of purchase accounting to the merger of mutual enterprises, i.e., merger of a credit union with another credit union. During the period of this deferral, credit unions may continue to simply combine (add together) the financial statement components of the two merging credit unions.

Credit unions planning to merge should obtain the advice of a qualified accountant on the accounting implications of the planned merger.

### ***Other Board of Directors Considerations***

Before you vote to merge with another credit union, you should notify your NCUA District Examiner and consider the following:

- Alternatives to merging, such as working with a mentor credit union or expanding your credit union's field of membership.
- The potential impact on your credit union's financial condition and operational capacity to serve the combined membership.
- Whether the merger is in your members' best interest.

After you vote, you should complete Form NCUA 6302 or 6303 in Appendix A, as appropriate.

## STEP 2: PREPARE AND SUBMIT THE MERGER PACKAGE

### *Contents of the Merger Package*

The continuing credit union completes the merger package. Check to see that your package is complete by using Form NCUA 6301, Merger Package Checklist, in Appendix A.

1. Details required for **all** merger packages:
  - Detailed explanation of the reason for the merger.
  - Proposed effective date of the merger.
  - Current financial statements (same reporting period) for both credit unions.
  - Current delinquent loan summary (same reporting period) for both credit unions.
  - Current analysis of the adequacy of the Allowance for Loan and Lease Losses Account (same reporting period) for both credit unions.
  - Consolidated financial statements, including an assessment of net worth of each credit union before the merger and the net worth of the continuing credit union after the merger.
  - Analyses of share values (Forms NCUA 6311 and 6312 in Appendix A). This requirement is not applicable to corporate credit unions. In lieu of Forms NCUA 6311 and 6312, corporate credit unions are to submit a schedule of the retained earnings, core capital, and capital ratios as set forth in Part 704 of NCUA's Rules and Regulations. The ratios are to be calculated for the merging and continuing corporates, as well as on a consolidated basis.
  - Explanation of any proposed share adjustment.
  - Proposed Merger Agreement (Form NCUA 6304 in Appendix A) stating any terms related to share adjustments. **This copy must not be dated, signed, or notarized at this time.** Submit the executed final merger agreement only after the merger is approved and completed.
  - Explanation of any provisions for reserves, undivided earnings, or dividends.
  - Provisions for notifying and paying creditors.
  - Explanation of any changes to insurance, such as life savings and insurance of member accounts.
  - Copies of the fields of membership for the merging and continuing credit unions.
  - Information on where the members will be served. Include the location of the continuing credit union office(s) and whether there are plans to serve the members through the merging credit union's existing office(s).
  - If the merging credit union has \$50 million or more in assets on its latest call report, a statement about whether the two credit unions intend to make a Hart-Scott-Rodino Act (HSRA) premerger notification filing with the Federal Trade Commission and, if not, why not (see Page 14).

- One primary contact person at both the merging and continuing credit unions. Include their mailing addresses, e-mail addresses, and phone numbers (for questions or notification of merger decisions).
- Resolutions of both boards of directors (Forms NCUA 6302 and 6303 in Appendix A).
- From the merging federal credit union, a proposed Notice of Special Meeting of the Members (Form NCUA 6305A, 6305B, or 6305C in Appendix A). **We can waive the vote by members of the merging federal credit union only if the merging credit union is insolvent or in danger of insolvency and is merging into another federally insured credit union.**
- From the merging federal credit union, a copy of the ballot to be sent to the members (Form NCUA 6306A, 6306B, or 6306C in Appendix A).

2. Details required of some merger packages:

- If the merging credit union is state-chartered and the continuing credit union is federally chartered, provisions for determining that all assets and liabilities of the continuing credit union will conform with the Federal Credit Union Act.
- If applicable, evidence your State Supervisory Authority approves of the proposed merger.
- If the continuing credit union is not federally-insured and will not apply for federal insurance, (a) a written statement from the continuing credit union that it is aware of the requirements of 12 U.S.C. §1831t(b), including all notification and acknowledgment requirements and (b) proof that the accounts of the merging credit union will be accepted for coverage by the nonfederal insurer (private insurer).

*Items Specific to Corporate Credit Unions*

In addition to the items required of natural person credit union merger packages in #1 and #2 above, a corporate credit union must also include a merger consolidation plan which addresses the following areas:

- Budget,
- Strategic plan,
- Marketing,
- Capital accumulation, and
- Information systems conversion and integration.

Corporate credit union examiners will perform on-site and off-site analyses of merger packages prior to official action being taken on the request. Examiners will meet with senior management to:

- Review the merger plan documents,
- Ensure an appropriate staff person has been assigned overall responsibility for supervising the merger process, and
- Determine whether a retention and contingency plan for key employees has been established.

The examiners will review the continuing corporate's plans for each department, operational area, and/or branch facility, as well as meet with key personnel in each area, to determine whether:

- Staffing and technology needs are adequately addressed,
- Overhead costs have been analyzed and allocated,
- Task lists and time tables are reasonable,
- Plans are in place to communicate necessary information to the members of the merging corporate,
- Contingency plans have been developed to address any problems as they emerge; and
- Reporting mechanisms are in place to ensure senior management and the board of directors are informed of the merger's progress.

### ***Tips to Speed Up the Approval Process***

You can speed up the merger process in two ways:

- Notify NCUA and, if applicable, your State Supervisory Authority as early as possible of your intent to merge.
- Simultaneously provide a complete merger package to both NCUA and, if applicable, your State Supervisory Authority.

### ***NCUA Approval***

NCUA will approve the proposed merger if the merger:

- Is in the best interest of the members;
- Meets the requirements of the Federal Credit Union Act, NCUA's Rules and Regulations, and IRPS 03-1;
- Minimizes undue risk to the NCUSIF; and
- Meets applicable state law, as determined by the State Supervisory Authority.

If the NCUA Regional Director denies the proposed merger, he or she will provide you with an explanation for the denial and your right to appeal the decision. After the denial, you have 30 days to provide supplemental information for the regional director's reconsideration or 60 days to appeal the decision to the NCUA Board.

Only the NCUA Board has the authority to approve corporate credit union mergers. Merger requests are to be submitted to the Director of the Office of Corporate Credit Unions (OCCU). The OCCU Director will submit the merger proposal to the NCUA Board for appropriate action. Corporate credit unions are encouraged to contact OCCU early in the merger process for any additional information and guidance.

## **STEP 3: CONDUCT THE MEMBERSHIP VOTE**

### ***Member Notification***

After NCUA approves your merger proposal, the merging federal credit union must present the proposal for approval at a membership meeting. Members have the right to vote on the merger proposal.

- In person at the annual meeting (if it takes place within 60 days after NCUA approval),
- At a special meeting to be called within 60 days of NCUA approval, or
- By mail or electronic ballot received no later than the date and time announced for the annual meeting or the special meeting called for that purpose.

You are also required to give members of the merging federal credit union advance notice of the meeting. You must mail or deliver the notice and ballot in person to each member at least 7 days before the scheduled meeting. The notice should include the following:

- The purpose, time, and location of the meeting.
- A summary of the merger plan, including individual and consolidated financial statements for the two credit unions.
- Reasons for the proposed merger.
- The name and location of the continuing credit union.
- The members have the right to vote on the merger proposal in person at the meeting, or by written ballot to be received no later than the date and time announced for the meeting.
- A copy of the merger proposal ballot.

Merging federally-insured state chartered credit unions must follow state requirements.

## ***Votes Needed for Approval***

### Scenario 1: FCU merging into a federally insured credit union

A majority of the members of the merging credit union who vote on the proposal must approve the merger.

### Scenario 2. FCU merging into an uninsured credit union

A majority of the merging credit union's total membership must approve the merger and termination of insurance. An independent entity must collect and tally the votes and certify the results. The vote must be taken by secret ballot, meaning that no credit union employee or official can determine how a particular member voted.

### Scenario 3: FCU merging into a nonfederally insured (privately insured) credit union

A majority of the merging credit union's members who vote on the proposal must approve the merger and insurance conversion, provided at least 20 percent of the total membership participates in the voting. An independent entity must collect and tally the votes and certify the results. The vote must be taken by secret ballot, meaning that no credit union employee or official can determine how a particular member voted.

With all three scenarios, mail and electronic ballots must be received no later than the date and time announced for the membership meeting.

Merging federally-insured state chartered credit unions must follow state requirements.

## **STEP 4: COMPLETE THE MERGER**

### ***Federal Share Insurance Coverage***

Part 708b.101 of NCUA's Rules and Regulations describes the special provisions for federal share insurance coverage in merger situations.

#### Scenario 1: Continuing credit union is federally insured

NCUA will assess a National Credit Union Share Insurance Fund (NCUSIF) capitalization deposit based on insured share dollars if the merging credit union is a nonfederally insured (privately insured) or uninsured credit union. While historically rare, an insurance premium may be assessed for all federally insured credit unions during the calendar year. If a premium is assessed in the year the merger takes place, a prorated insurance premium on the additional share accounts insured as a result of the merger will be charged.

If both the merging and continuing credit unions are federally-insured and the two credit unions have overlapping fields of membership, the continuing credit union must, within three months after completion of the merger, either: (a) notify all members of the continuing credit union of the potential loss of insurance coverage if they had overlapping membership, (b) notify all individuals and entities that were actually members of both credit unions of the potential loss of insurance coverage, or (c) determine which members of both credit unions may actually have uninsured funds six months after the merger and notify those members of the potential loss of insurance coverage.

Scenario 2: Continuing credit union wants to convert to federal insurance

When the continuing credit union is nonfederally insured (privately insured) or uninsured but wants to be federally insured, the credit union needs to submit an application for federal insurance to the appropriate NCUA Regional Director at least 90 days before the merger application. If we approve the insurance application, then we will assess a NCUSIF capitalization deposit based on insured share dollars. While historically rare, an insurance premium may be assessed for all federally insured credit unions during the calendar year. If a premium is assessed in the year the merger takes place, a prorated insurance premium on the additional share accounts insured as a result of the merger will be charged.

Scenario 3: Continuing credit union is uninsured, but the merging credit union is federally insured

After the one-year period of continued insurance coverage, we will provide the continuing credit union with a refund of the merging credit union's NCUSIF capitalization deposit and a refund of any unused portion of the NCUSIF share insurance premium if one was assessed in the year the merger took place.

The merging, federally insured credit union must notify its members of the discontinuance of federal insurance before they vote on the proposed merger (Form NCUA 6305C in Appendix A).

Scenario 4: Continuing credit union is nonfederally insured (privately insured), but the merging credit union is federally insured

NCUSIF insurance of the member accounts of the merging credit union ceases as of the effective date of the merger. The merging federally insured credit union must notify its members of the discontinuance of federal insurance before they vote on the proposed merger (Form NCUA 6305B in Appendix A).

Under both Scenarios 3 and 4 where the continuing credit union is not federally-insured, the continuing credit union must submit the following:

- A written statement that it is aware of the requirements of 12 U.S.C. §1831t(b), including all notification and acknowledgment requirements; and
- Proof that the accounts of the credit union will be accepted for coverage by the nonfederal insurer (private insurer) (in the case of Scenario 4).

### ***Federal Trade Commission Notification***

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (HSRA), as amended, some merging credit unions must submit prior notification of the merger to the Federal Trade Commission (FTC). The purpose of the filing is to give the FTC an opportunity to review the proposed merger to determine if it would violate federal antitrust laws. If the merging credit union reported more than \$50 million in assets on its last call report, your merger proposal must state whether you plan to make a HSRA filing and if not, why not.

For more information, see the FTC's web site at [www.ftc.gov](http://www.ftc.gov).

### ***Surety Bond Coverage***

The continuing federal credit union needs to review its surety bond coverage to ensure compliance with Part 713 of NCUA's Rules and Regulations. The continuing federal credit union must have the minimum dollar amount of coverage as of the effective date of the merger. It also should notify its surety bond carrier of a pending merger.

The merging credit union cannot cancel its surety bond coverage until the merger is complete and its charter canceled. Depending on the surety bond carrier, the merging credit union may need to provide some documentation to the continuing credit union's carrier before the merger. This documentation may include loan exception workpapers from the most recent examination, copies of previous examination reports, a copy of the most recent supervisory committee audit, and information on recent bond claims.

### ***Required Forms***

Within 10 days of the membership vote, the merging federal credit union must notify the NCUA Regional Director of the results (Form NCUA 6308A, 6308B, or 6308C in Appendix A).

The board of directors of both credit unions must execute the merger agreement (Form NCUA 6304 in Appendix A) and submit a copy of the executed agreement to NCUA with the final merger documents at the time the merger is completed. **The effective date of the merger is the date of the executed merger agreement, when the continuing credit union assumes the merging credit union's assets, liabilities, and shares.**

Within 30 days after the effective date of the merger, the continuing credit union must complete the certification of completion of merger (Form NCUA 6309 in Appendix A) and send it to the NCUA Regional Director with the documents with the following attached:

- Financial reports for each credit union immediately before the completion of the merger.
- A consolidated financial report for the continuing credit union immediately after the completion of the merger.
- The charter of the merging federal credit union (if available).
- The insurance certificate for the merging federally insured credit union (if available).
- A copy of the executed merger agreement, Form 6304.

### ***Charter Cancellation***

Complete the merger within four months of NCUA approval; otherwise, you must notify the NCUA Regional Director of the reasons for the delay.

We will cancel the merging credit union's charter and/or insurance certificate after we receive all of the required documents, as listed on NCUA Form 6309, Certification of Completion of Merger, in Appendix A.

If the merging credit union's charter isn't canceled by December 31, we will issue an invoice for the applicable NCUSIF operating fee. The continuing credit union will be responsible for paying this invoice.

The continuing credit union is responsible for retaining all documents and records related to the merger.

## **CHAPTER 2 – CONVERTING TO PRIVATE INSURANCE**

### **STEP 1: PREPARE FOR THE CONVERSION**

#### *Permissibility of the Conversion*

Part 708b.203 of NCUA's Rules and Regulations describes our procedures and notice requirements for federally-insured, state-chartered credit unions to convert to private insurance if all the following conditions are met:

- State law permits private share insurance.
- Regional Director approves the conversion.
- Affirmative vote of the majority of the credit union's members who vote on the proposition, provided at least 20 percent of the total membership participates in the voting.

#### *Notify NCUA*

After your board of directors resolves to seek conversion, you must notify the NCUA Regional Director in writing (Form NCUA IC1 or NCUA IC5 in Appendix B). You are required to provide this written notification to the Regional Director at least 14 days before the credit union notifies its members and seeks their vote and at least 90 days before the proposed conversion date.

### **STEP 2: CONDUCT THE MEMBERSHIP VOTE**

#### *Member Notification*

Members have the right to vote on the insurance conversion either at a special meeting or by mail or electronic ballot received no later than the date and time announced for the special meeting. You must provide members with the notice and ballot (Forms NCUA IC2 and NCUA IC3 or Forms NCUA IC6 and NCUA IC7) not more than 30 or less than 7 days before the date of the special meeting. Provide a copy of these documents to the NCUA Regional Director before you mail the notice and ballot to members.

## *Communicating With Your Members*

Federally-insured credit unions must comply with Part 740.2 of NCUA's Rules and Regulations, which prohibits making any representation that is inaccurate or deceptive. Part 708b of NCUA's Rules and Regulations also has the following special requirements for "share insurance communications" (defined in the Glossary on page 18):

1. Every share insurance communication must contain the following conspicuous statement:

**IF YOU ARE A MEMBER OF THIS CREDIT UNION, YOUR ACCOUNTS ARE CURRENTLY INSURED BY THE NATIONAL CREDIT UNION ADMINISTRATION, A FEDERAL AGENCY. THIS FEDERAL INSURANCE IS BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES GOVERNMENT. IF THE CREDIT UNION CONVERTS TO PRIVATE INSURANCE AND THE CREDIT UNION FAILS, THE FEDERAL GOVERNMENT DOES NOT GUARANTEE THAT YOU WILL GET YOUR MONEY BACK.**

2. You must provide the NCUA Regional Director with a copy of any share insurance communication you intend to make during the voting period. You should provide the copy to the Regional Director before you make it available to members. Along with a copy of the communication, you need to inform the NCUA Regional Director:

- When the communication is to be made,
- To which members it will be directed, and
- How it will be distributed.

The voting period begins on the date the board of directors resolves to seek conversion to private insurance and ends on the date of the membership vote.

## *Vote Requirements*

To ensure the integrity and accuracy of the conversion vote, the vote must be taken by secret ballot. In other words, no credit union employee or official can determine how a particular member voted. In addition, you are required to use an independent entity to collect and tally the votes and certify the results. An independent entity is a company with experience in conducting corporate elections. No official or senior manager of the credit union or their immediate family members may have an ownership interest in, or be employed by, the entity.

## **STEP 3: COMPLETE THE CONVERSION**

### ***Federal Share Insurance Coverage***

If your membership and the NCUA Regional Director approve the proposition for conversion of insurance, you are required to give prompt and reasonable notice to the membership. The notice to members must be delivered at least 30 days before the effective date of the conversion. In addition, the notice must identify the effective date of the conversion and the first page must also include a conspicuous statement that:

- The conversion will result in the loss of federal share insurance, and
- The credit union will, at any time before the effective date of conversion, permit all members who have share certificates or other term accounts to close the federally-insured portion of those accounts without an early withdrawal penalty.

### ***Required Certification***

Within 10 days of the membership vote, your board of directors and the independent entity that conducts the membership vote must provide NCUA certified results of the vote (Form NCUA IC4 or NCUA IC8 in Appendix B).

Generally, the Regional Director will approve or disapprove the conversion in writing within 14 days of receiving the certification of the vote.

## GLOSSARY OF TERMS

***Continuing Credit Union:*** The credit union which will continue in operation after the merger.

***Convert, Conversion, Converting:*** The act of canceling a federal charter and obtaining a state charter or canceling federal share insurance and simultaneously obtaining share or deposit insurance from another insurance carrier, and vice versa.

***Effective Date of the Merger:*** Date of the executed merger agreement, Form NCUA 6304. Also the date when the continuing credit union assumes the merging credit union's assets, liabilities, and shares.

***Emergency Merger:*** A merger in which the merging credit union is insolvent or likely to become insolvent.

***Federally insured:*** Insured by the National Credit Union Administration through the National Credit Union Share Insurance Fund.

***Independent Entity:*** A company with experience in conducting corporate elections. No official or senior manager of the credit union, or the immediate family members of any official or senior manager, may have any ownership interest in, or be employed by, the entity.

***Merging Credit Union:*** The credit union which will cease to exist as an operating credit union at the time of the merger.

***Nonfederally insured (privately insured):*** Insured by a private or cooperative insurance fund or guaranty corporation organized or chartered under state law.

***Probable Asset/Share Ratio (PAS):*** The relative worth of each \$1 in shares using an on-going concern concept.

***Share Insurance Communication:*** Any written communication, excluding the forms in Appendix B, made by or on behalf of a federally-insured credit union, intended to be read by two or more credit union members, and that mentions share insurance conversion or termination. The term

- Includes communications delivered or made available before, during, and after the credit union's board of directors decides to seek insurance conversion or termination.
- Includes, but is not limited to, communications delivered or made available by mail, e-mail, and internet website posting.
- Does not include communications intended to be read only by the credit union's own employees or officials.

***Supervisory Merger:*** (For multiple common bond CUs only). A merger in which the merging credit union is experiencing safety and soundness concerns; such as, abandonment of management and/or officials, inability to find replacements, loss of sponsor support, serious and persistent recordkeeping problems, sustained material decline in financial condition, or other serious or persistent circumstances.

***Terminate, Termination, and Terminating:*** The act of canceling federal share insurance. In this case, the credit union's member accounts will become uninsured.

***Uninsured:*** No share or deposit insurance on credit union accounts.

***Voluntary Merger:*** The merger of two financially healthy credit unions.

## **APPENDIX A - MERGER FORMS**

*(These forms are designed to be completed electronically. You can download the forms from our web site at [www.ncua.gov/](http://www.ncua.gov/))*

NCUA 6301	Merger Package Checklist
NCUA 6302	Merger Resolution: Continuing Credit Union
NCUA 6303	Merger Resolution: Merging Credit Union
NCUA 6304	Merger Agreement
NCUA 6305A	Notice of Special Meeting of the Members on Proposal to Merge
NCUA 6305B	Notice of Special Meeting on Proposal to Merge and Convert to Nonfederally insured (privately insured) Status
NCUA 6305C	Notice of Special Meeting on Proposal to Merge and Terminate Federal Insurance
NCUA 6306A	Ballot for Merger Proposal
NCUA 6306B	Ballot for Merger Proposal and Conversion to Nonfederally insured (privately insured) Status
NCUA 6306C	Ballot for Merger Proposal and Termination of Federal Insurance
NCUA 6308A	Certification of Vote on Merger Proposal
NCUA 6308B	Certification of Vote on Merger Proposal and Conversion to Nonfederally insured (privately insured) Status
NCUA 6308C	Certification of Vote on Merger Proposal and Termination of Federal Insurance
NCUA 6309	Certification of Completion of Merger
NCUA 6311	Probable Asset/Share Ratio Computation Form (Continuing Credit Union)
NCUA 6312	Probable Asset/Share Ratio Computation Form (Merging Credit Union)

**APPENDIX B – INSURANCE CONVERSION FORMS  
(EXCLUDING MERGERS)**

*(These forms are designed to be completed electronically. You can download the forms from our web site at [www.ncua.gov/GuidesManuals/merger/merger.html](http://www.ncua.gov/GuidesManuals/merger/merger.html).)*

**Federal Charter Converting to Privately-Insured State Charter**

NCUA IC1	Notice to NCUA of Intent to Convert and Request for NCUA Approval
NCUA IC2	Notice to Members of Intent to Convert and Member Meeting
NCUA IC3	Member Ballot
NCUA IC4	Certification of Vote

**State Charter Converting from Federally-Insured to Privately-Insured**

NCUA IC5	Notice to NCUA of Intent to Convert and Request for NCUA Approval
NCUA IC6	Notice to Members of Intent to Convert and Member Meeting
NCUA IC7	Member Ballot
NCUA IC8	Certification of Vote