National Credit Union Administration

Office of the Board

Bridge Corporate Consolidation Policy Statement

The National Credit Union Administration (NCUA) Board continues to believe that a member-driven approach will provide the best solution for meeting member payments and liquidity needs.

One of the key tenets of the NCUA Corporate System Resolution Plan is that corporate credit union members should work with their respective corporates and chart a strategic direction to ensure continuity of service to the credit union industry. Some corporates may continue with the status quo, whereas others may redefine their service array, find new business partners, determine a non-corporate entity provides better or more cost effective service, or decide that consolidation is the best strategy.

The bridge corporates are temporary entities formed only to allow time for members to develop an alternative solution for services provided by their corporate. NCUA's decision to charter the bridge corporates was not intended to enable NCUA to develop a payments and liquidity solution for credit unions.

The NCUA Board will evaluate all member-driven solutions and approve those that are consistent with sound public policy. The NCUA Board is aware that some bridge corporate members are promoting a new charter consisting of consolidated bridge corporate assets, facilities, and personnel as the preferred direction to transition out of conservatorship. Such consolidations would only be considered after the bridge corporates transition to independently operating corporate.

As the bridge corporates serve 4,600 credit unions directly, and many more indirectly through the wholesale services of US Central Bridge Corporate FCU, such consolidation of two or more bridge corporates could form a single corporate that could significantly increase systemic risk concerns for the National Credit Union Share Insurance Fund (NCUSIF) and create an unfair market advantage. Systemic risk is the risk that the failure of a single entity could significantly impair the NCUSIF directly, or indirectly, through the disruption of service to credit unions and their members.
Any consolidation of corporates must address the potential for increasing systemic risk resulting from consolidations, as most recently raised in the Corporate Credit Union Guidance Letter issued February 8, 2011.
(http://www.ncua.gov/Resources/CorporateCU/Files/CorpLetters/2011/20110208LargeConsolidation.pdf)

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Further, any consolidation plan submitted will require sufficient time to review and execute in a safe and sound manner.

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