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NCUA Media Release

NCUA Letter to Corporates, Fact Sheet, Detail Action Plan

Details of Escrow Accounts Unveiled

December 15, 2010, Alexandria, Va. – The National Credit Union Administration this week issued a [Letter to Corporate Credit Unions](#) and a [Fact Sheet](#) to natural person credit unions detailing the corporate credit union (CCU) system transition plan and necessary natural person credit union considerations. A timeline designed to enable corporate and natural person credit unions to undergo a smooth transition and ensure no disruption in member services is also included.

“I am committed to setting forth clear and specific guidelines so that the credit union industry can make the kind of informed decisions warranted by a rule of this magnitude and importance,” commented NCUA Chairman Debbie Matz. “A thorough understanding of both the details of what the new corporate reforms entail, and the associated timeframes, is essential as the industry moves forward with the creation of a new corporate system. I encourage credit unions to make full use of this information as they weigh options and plan for their future.”

Information provided to both corporate and natural person credit unions outlines actions needed by corporates as a result of the new rule, accompanied by associated milestone dates. Natural person credit union considerations are also tied to milestone dates where applicable in an effort to provide additional clarity.

Of particular note is the description of a process that will be established requiring corporates to maintain escrow accounts for accumulated capital. This initiative is designed to provide protection for natural person credit unions should sufficient capital not be obtained by the corporate. NCUA will require undercapitalized corporate credit unions to establish escrow accounts for members to pledge capital during a four-month capital subscription period in 2011.

The escrow accounts will be designed to provide protection for consumer credit unions. If a corporate raises enough capital by September 30, 2011 to meet NCUA's new capital standards, which take effect October 20, 2011, the pledged capital in escrow will be converted to regulatory capital. However, if a corporate's capital subscription falls short by that October 20 regulatory compliance deadline, all pledged capital in escrow will be returned to members.

Timeframes are intended provide sufficient time for credit unions to make informed decisions about the future structure and operations of the corporate system. NCUA is encouraging natural person credit unions to be cognizant of critical milestone dates/events outlined in the new corporate rule and coordinate these with their own business model.

Requirements of the new corporate rule highlighted in the Letter to Corporates and the Fact Sheet include:

- corporate capital escrow accounts;
- capital priority and conversion;
- priority of legacy assets;
- corporate chartering and merging;
- credit union service organization (CUSO) activities.

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 over 90 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

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