

## FINANCIAL INSTITUTIONS ALERT

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### Credit Union to Mutual Bank Mergers and Credit Union to Mutual Bank Conversions

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For the past several years, many mutual institutions have been exploring the possibility of merging with another mutual institution. With only approximately 600 mutual institutions remaining in the United States, the pool of prospective partners is not only limited, but is also decreasing every year. Recently, however, several mutual institutions have begun to “think outside the box” by considering the feasibility of acquiring a credit union. By doing so, these mutual institutions have increased their pool of potential merger partners by 1,200%. There are approximately 7,200 credit unions existing in the United States and many of them are much smaller than the 600 remaining mutual institutions. In recent months, due to the struggling economy and changing regulatory landscape for financial institutions, there has been an increase in the number of credit unions that are exploring their strategic alternatives, including merging with and into a mutual bank or converting to a mutual bank charter. The major factors motivating credit unions to pursue either of these two alternatives are not only the same pressures facing all smaller financial institutions (the cost of compliance and need to achieve economies of scale), but also the hefty assessments being levied by the NCUA in response to the corporate credit union crisis and the inability of credit unions to generate capital.

There have only been about 12 successful credit union to bank mergers (**attorneys at our firm have been involved in one-half of all such transactions**) and there have been about 35 successful credit union to mutual bank charter conversions (**attorneys at our firm have been involved in about one-half of these transactions**). In addition, our firm has completed the only credit union to bank charter conversion under the new NCUA charter conversion rules and regulations. Each merger and conversion transaction has unique regulatory, compensation and political issues. With our depth of knowledge and experience in these matters, we feel confident that we can successfully advise and assist institutions through these unique transactions.

If your Bank has an interest in acquiring a credit union or learning more about the process and issues involved, please feel free to contact any of our attorneys listed below. In addition, if there is a credit union that has expressed an interest to you regarding the credit union to bank charter conversion, please feel free to provide our contact information to the credit union. We would be happy to discuss the matter with the credit union executive.

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For further details on the information contained in this newsletter, please contact any of the persons listed below.

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