DATE: August 20, 2008

BULLETIN 2008-CU-01

TO: Missouri state-chartered credit unions

SUBJECT: Guidelines for Credit Union Mergers

This bulletin supersedes previous bulletin 2003-CU-01 regarding the same issue. This bulletin is intended to serve as guidance for Missouri state-chartered credit unions who are considering a merger in which their charter will be the one terminated.

While this bulletin in its entirety is not included in the Division's Merger and Consolidations Rule (20 CSR 1100-2.075), conformance to it will be largely considered by the Division during the approval consideration process.

This bulletin also is intended to reinforce that Board of Directors of potentially merged credit unions do not take lightly the decision to terminate the charter and that the needs of the members/owners of credit unions, and not those of operating management, are considered first and foremost. The decision of a credit union board to merge is easily the most important decision a board has faced since it originally decided to form.

The Division recommends and encourages credit unions considering a potential merger to contact the Division to discuss the pros and cons of merging.

The following guidelines are intended to assist a credit union's management and Board of Directors through a potential merger.

1) Merging credit union Board develops a Request for Proposal of Merger (RFP).

-Credit union contacts Division of Credit Unions to report preliminary merger discussion.

-Document all relative information concerning all decisions made during the original process of merger discussion

-Documentation as to the pros and cons of merger. Why would merging be the best alternative for the members? All alternatives should be considered such as the credit union's total operating environment, commitment of the board and management to the final decision, should/can the credit union continue to increase member service and grow independently without being merged.

-Review and compare items such as savings and loan rates, services offered, fees charged, location of branches and ATM's.

2) Submission of the RFP to a reasonable amount of credit unions in either the merging credit union's geographic region or to a reasonable amount of credit unions that serve a similar industry.

3) Receipt and analysis of RFP considering the best alternative for the members of the merging credit union. Conduct interviews with prospective merger partners.
The affected credit unions shall notify the Division in writing of their intent to merge within fourteen days after the credit unions' board of directors' formally agree in principle to merge.

4) Preparation of a draft version of the merger agreement/application, which includes the Articles of Merger, including at a minimum, the following:

-Disclosure of any and all contracts and employment agreements including benefit packages, which includes any deferred compensation.

-Any dividends the merging credit union's members are to receive as part of the merger.

-The most recent financial statements and delinquency reports for each credit union.

-Documentation of the due diligence of each credit union.

-Documentation of the RFP as detailed in item (1) above.

-Documentation detailing the voting process for the merging credit union, if applicable.

-Explanation of any changes relative to insurance, such as life savings and loan protection and insurance of members accounts.

5) Submission of the merger agreement/application to the Director. This step must be done before submission to the membership of the merging credit union.

If the Director approves the drafted agreement and application, the merging credit union's membership will then vote on the merger. If the membership approves the merger, the results of the vote are then submitted to the Director. If the Director then approves the merger, the packet will be submitted to the NCUA for their concurrence. Upon NCUA's concurrence, a certificate of merger will be issued and the merger shall be effected.