

Table 11: An abridged presentation of a demutualization model for credit union conversions and some possible safeguards

- Credit union members could vote separately on
 1. Whether to convert
 2. Whether to convert into a mutual thrift (and likely later into a stock thrift under OTS/FDIC rules) or to convert directly into a (stock owned) commercial bank using the demutualization model, subject to NCUA approval
- Shares of stock would be distributed to members, under one of the following methods:
 1. *Pro rata* to their deposits and/or loans at a specific date, and only for members whose membership is long enough for their conversion rights to have “vested” (e.g., a minimum deposit of \$100 for at least three years or deposits of any size for at least 10 years)
 2. *Pro rata* to their average deposits and/or loans over an extended period of time (e.g., 5, 10, 20 years)
- Credit union conversions under the demutualization model could simultaneously engage in initial public offerings of additional shares of stock
- Credit union conversions would not distribute cash to their members as part of the initial demutualization
- Credit union members gradually accrue rights to their shares of stock, e.g., they could sell up to 1/4 of their original shares within the first quarter (or year) after the demutualization, up to 1/2 of shares within the first two quarters (or years), and up to 3/4 of shares within the first three quarter (or years).
- The converted institution would offer to purchase small amounts of shares from original, small shareholders at market prices with no fees for an extended period of time (e.g., four years) after conversion. The total purchases per former member would be capped at \$1,000. The number of such buybacks per member could be capped at four.
- The NCUA could determine (1) whether some or all of the elements and safeguards of this version of a demutualization model would be required for all credit union demutualizations, or (2) whether individual credit unions would be given a choice among different types of safeguards either (3) in charter and bylaw changes carried out a predetermined number of years before a demutualization or (4) immediately before such a transaction.