



Conversions and Capital of Mutual Thrifts: Connections, Problems, and Proposals for Credit Unions

Stephanie O. Crofton

High Point University

Luis G. Dopico

Macrometrix

James A. Wilcox

Haas School of Business, University of California, Berkeley

Abstract

The history of conversions of mutual thrifts to stock thrifts provides important perspectives on more recent credit union conversions. From the middle 1970s to the early 1990s, undercapitalized mutual thrifts used conversions to raise capital. Since then, however, converting thrifts typically already had considerable capital and economic value, which was transferred from mutuals' members to insiders and outside investors. Long-ignored proposals addressed the capital and conversion problems of mutual thrifts, as well as of credit unions. In 1977, the US Government Accounting Office proposed that, in lieu of converting, mutual thrifts be allowed to count some bonds as capital. In 1973, the Federal Home Loan Bank Board proposed that, to avoid unwarranted transfers of wealth, converting mutuals should distribute stock on the basis of members' deposit histories.

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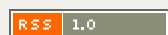
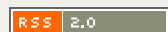
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