

THE SPM CREDIT UNION

MERGER DUE DILIGENCE ESSENTIALS

SURVIVOR EDITION

What the surviving credit union must review before it signs.

For the CEO, CFO, board and merger due diligence team

Surviving credit union	
Merging credit union	
Due diligence lead	
Data as of	
Review period	

How to use this checklist

- 1. Start with the numbers.** Run both charters in [THE SPM CREDIT UNION MERGER ANALYSIS](#) and review the Combined Balance Sheet. It shows where to look hardest.
- 2. Request documents early.** Each review item doubles as a document request. Set up a secure data room and send the list once.
- 3. Assign an owner to every item.** Lending, finance, IT, compliance, HR and operations leaders each take their areas.
- 4. Do the critical items first.** ♦ marks the 47 items most likely to change the price, the terms or the decision.
- 5. Close each area with a conclusion.** Clear, issues to resolve, or deal-breaker or reprice. Carry every issue into the merger agreement or the integration plan.

The 16 review areas

#	Area	The question it answers	Items	Critical items
1	Governance and Legal	Who decides, what has been promised and what could be pending	10	5
2	Regulatory and Examination	What examiners already know	6	3
3	Financial Statements and Accounting	Are the numbers real?	8	2
4	Capital and Net Worth	What capital you actually receive	6	3
5	Loan Portfolio and Credit Quality	Where the losses are	16	7
6	Allowance for Credit Losses (CECL)	Is the reserve right?	6	3
7	Investments, Liquidity and Interest Rate Risk	Can it fund itself, and what happens when rates move?	7	3
8	Shares and Deposits	How sticky is the funding?	6	1
9	Technology, Data and Cybersecurity	What it takes to convert and protect	9	4
10	Vendor and Third-Party Contracts	What you inherit, and what it costs to exit	7	3
11	Compliance and BSA/AML	Regulatory risk you would own	7	3
12	People and Compensation	Commitments to staff and leadership	9	3
13	Facilities and Branches	Where members are served	4	1
14	Members, Products and Brand	What members will experience	5	1
15	Insurance and Enterprise Risk	What is covered and what is not	4	1
16	Merger Transaction and Accounting	Getting to closing	7	4
Total			117	47

Key: **Critical items** are the reviews most likely to change the price, the terms or the decision. Do them first. Each one is marked ♦ in the review tables below.

Review areas

1. Governance and Legal Who decides, what has been promised and what could be pending

#	Review item	What to look for	Owner	Done
1.1	Charter, bylaws and amendments	Current, approved versions. Provisions that affect the merger vote, board seats or name.		☐
1.2	♦ Field of membership	Charter type, underserved areas and overlap with yours. Whether your charter can absorb it as is.		☐
1.3	♦ Board and committee minutes, last 36 months	Every reference to the merger, other partners, exam findings, losses, litigation or executive pay. NCUA reviews 24 months of merger-related minutes.		☐
1.4	Supervisory committee reports and audit engagement letters	Open findings, member complaints and unresolved issues.		☐
1.5	Board, committee and senior management roster	Terms, attendance, conflicts of interest, family relationships and succession.		☐
1.6	Policies manual	Last approval dates. Policies that are missing, outdated or not followed.		☐
1.7	♦ Litigation, claims and demand letters	Pending or threatened suits, attorney letters to auditors, settlements and legal reserves.		☐

#	Review item	What to look for	Owner	Done
1.8	◆ Contracts with insiders and related parties	Loans, leases, consulting or vendor ties to directors, staff or their families.		☐
1.9	◆ Merger-related financial arrangements	Any increase in pay or benefits for covered persons tied to the merger, in the last 24 months or promised. Increases over the greater of \$10,000 or 15% must be disclosed to members.		☐
1.10	Prior merger, purchase and assumption, or charter conversion files	Unfinished obligations, earn-outs and member commitments still in force.		☐
Area 1 conclusion		☐ Clear ☐ Issues to resolve ☐ Deal-breaker or reprice		

2. Regulatory and Examination What examiners already know

#	Review item	What to look for	Owner	Done
2.1	◆ NCUA and state examination reports, last 3 cycles	CAMELS ratings and trends, examiner findings and repeat findings.		☐
2.2	◆ Documents of Resolution, Letters of Understanding and Agreement, enforcement actions	Open items, deadlines and whether they transfer to you.		☐
2.3	Regulatory correspondence and waivers	Approvals with conditions, waivers and pending applications.		☐
2.4	◆ Call Report filings, last 8 quarters	Reconcile to the general ledger. Amendments and restatements. Run both charters in the SPM Merger Analysis.		☐
2.5	Low-income, community development financial institution and minority designations	Whether designations, grants or secondary capital survive the merger.		☐
2.6	Consumer complaints to NCUA, CFPB and state	Volume, themes and how they were resolved.		☐
Area 2 conclusion		☐ Clear ☐ Issues to resolve ☐ Deal-breaker or reprice		

3. Financial Statements and Accounting Are the numbers real?

#	Review item	What to look for	Owner	Done
3.1	◆ Audited financial statements and management letters, 3 years	Opinion type, material weaknesses, going-concern language and auditor changes.		☐
3.2	Monthly financials and budget versus actual, 24 months	Earnings trend, one-time items and unrealistic budgets.		☐
3.3	◆ General ledger reconciliations	Stale reconciling items, suspense and clearing accounts, and unreconciled differences.		☐
3.4	Accruals, prepaid assets and deferred items	Under-accrued expenses, aggressive capitalization, deferred loan fees and costs.		☐
3.5	Fixed asset register and depreciation	Fully depreciated assets in use, impairments and capitalized software.		☐
3.6	Goodwill and intangibles from earlier mergers	Impairment testing and carrying values.		☐
3.7	Off-balance-sheet commitments	Unfunded loan commitments, lines of credit, guarantees and their credit loss reserve.		☐

#	Review item	What to look for	Owner	Done
3.8	Fee income and interchange detail	Dependence on overdraft or nonsufficient funds fees and regulatory exposure.		☐
Area 3 conclusion		☐ Clear ☐ Issues to resolve ☐ Deal-breaker or reprice		

4. Capital and Net Worth What capital you actually receive

#	Review item	What to look for	Owner	Done
4.1	♦ Net worth ratio trend, 8 quarters	Direction and drivers. Distance from well capitalized at 7%.		☐
4.2	Risk-based capital or complex credit union leverage ratio (assets over \$500 million)	Current ratios and what the combination does to yours.		☐
4.3	Subordinated debt and secondary capital	Terms, maturity, regulatory approval and treatment after the merger.		☐
4.4	♦ Unrealized losses on securities	Size against equity. Fair value marks will absorb them at closing.		☐
4.5	♦ Pro forma combined net worth after merger accounting	Use the SPM Merger Analysis Combined Balance Sheet. Test it after fair value marks and merger costs.		☐
4.6	NCUSIF deposit and share insurance	Overlapping members whose combined balances may exceed coverage. Notice is required within 3 months after the merger.		☐
Area 4 conclusion		☐ Clear ☐ Issues to resolve ☐ Deal-breaker or reprice		

5. Loan Portfolio and Credit Quality Where the losses are

#	Review item	What to look for	Owner	Done
5.1	♦ Loan trial balance reconciled to the general ledger	Complete data file by loan type, rate, maturity, credit score and collateral.		☐
5.2	♦ Delinquent loan list	Aging by loan type, trend over 12 months and concentration in a few borrowers.		☐
5.3	Charge-offs and recoveries, 3 years	Loss rates against peers. Recoveries that look too high.		☐
5.4	♦ Modifications, extensions, re-ages and workouts	Loans kept current by modification. Policy limits on re-aging.		☐
5.5	♦ Watch list and internal loan review reports	Risk ratings, downgrades and independent review findings.		☐
5.6	Underwriting policies and exception reports	Exception volume, credit score floors and debt-to-income limits.		☐
5.7	♦ Concentrations	Indirect auto, commercial real estate, single industries, single employers and large borrowers.		☐
5.8	Indirect lending dealer agreements	Dealer reserves, recourse and dealer performance.		☐
5.9	♦ Member business loans	Credit files, covenants, appraisals, annual reviews and commercial lending expertise.		☐
5.10	Real estate loans	Appraisals, lien perfection, escrow, flood determinations and adjustable rate resets.		☐
5.11	Loan participations purchased and sold	Agreements, servicer performance and recourse.		☐
5.12	Loans serviced for others and mortgage servicing rights	Servicing agreements, valuation and investor obligations.		☐

#	Review item	What to look for	Owner	Done
5.13	◆ Insider loans	Terms no better than members receive, and approvals under NCUA insider lending rules.		☐
5.14	Collateral and document sample review	A file sample for signed notes, titles, liens and insurance.		☐
5.15	Foreclosed and repossessed assets	Carrying values, holding costs and time held.		☐
5.16	Collections and recovery practices	Third-party collectors, legal compliance and complaints.		☐
Area 5 conclusion		☐ Clear ☐ Issues to resolve ☐ Deal-breaker or reprice		

6. Allowance for Credit Losses (CECL) Is the reserve right?

#	Review item	What to look for	Owner	Done
6.1	◆ CECL model and methodology documentation	Model type, data, segments and vendor or in-house.		☐
6.2	◆ Quarterly CECL reports, 8 quarters	Reserve as a percent of loans, against peers and against actual losses.		☐
6.3	Assumptions and qualitative factors	Forecast periods, reversion and qualitative overlays that drive the result.		☐
6.4	Back-testing and independent model validation	Reserve against actual charge-offs. Validation findings.		☐
6.5	Reserve for unfunded commitments	Calculated and booked.		☐
6.6	◆ Purchased credit-deteriorated loans at acquisition	Plan to identify them and set their reserve under business combination accounting.		☐
Area 6 conclusion		☐ Clear ☐ Issues to resolve ☐ Deal-breaker or reprice		

7. Investments, Liquidity and Interest Rate Risk Can it fund itself, and what happens when rates move?

#	Review item	What to look for	Owner	Done
7.1	◆ Investment portfolio listing and policy	Holdings, ratings, maturities, unrealized losses and policy compliance.		☐
7.2	◆ Asset liability management reports and model assumptions	Net economic value and earnings at risk under rate shocks, against policy limits.		☐
7.3	◆ Liquidity reports and contingency funding plan	Sources, stress tests and early warning triggers.		☐
7.4	Borrowing lines	Federal Home Loan Bank, corporate credit union and Central Liquidity Facility access, pledged collateral and covenants.		☐
7.5	Brokered and wholesale funding	Dependence, maturities and rate sensitivity.		☐
7.6	Derivatives and hedging	Authority, documentation and accounting.		☐
7.7	CUSO investments and loans	Ownership, financials, guarantees and exit terms.		☐
Area 7 conclusion		☐ Clear ☐ Issues to resolve ☐ Deal-breaker or reprice		

8. Shares and Deposits How sticky is the funding?

#	Review item	What to look for	Owner	Done
8.1	◆ Share trial balance reconciled to the general ledger	By product, rate and maturity.		☐
8.2	Certificate maturity schedule and rates	Promotional rates, early withdrawal terms and repricing risk.		☐
8.3	Large depositors and public units	Concentration and uninsured balances.		☐
8.4	Dormant accounts and escheat	State reporting compliance.		☐
8.5	Dividend and rate structure against yours	Member impact when products are mapped.		☐
8.6	Fee schedules	Changes members will see and disclosure requirements.		☐
Area 8 conclusion		☐ Clear ☐ Issues to resolve ☐ Deal-breaker or reprice		

9. Technology, Data and Cybersecurity What it takes to convert and protect

#	Review item	What to look for	Owner	Done
9.1	◆ Systems inventory	Core, digital banking, card, loan origination, imaging, general ledger and data warehouse.		☐
9.2	◆ Core and digital contracts	Expiration, de-conversion fees, change-of-control terms and conversion windows.		☐
9.3	IT examination findings and audits	Open findings and repeat issues.		☐
9.4	◆ Cybersecurity assessments and penetration tests	Recent results, remediation and critical vulnerabilities.		☐
9.5	◆ Cyber incident history	Breaches, ransomware and notices filed with NCUA under the 72-hour reporting rule.		☐
9.6	Business continuity and disaster recovery plans	Last test results and recovery times.		☐
9.7	Information security program and access reviews	Board-approved program, access rights and terminated user removal.		☐
9.8	Data quality for conversion	Duplicate members, missing data and custom fields.		☐
9.9	Websites and mobile apps	Accessibility, domain names and app store ownership.		☐
Area 9 conclusion		☐ Clear ☐ Issues to resolve ☐ Deal-breaker or reprice		

10. Vendor and Third-Party Contracts What you inherit, and what it costs to exit

#	Review item	What to look for	Owner	Done
10.1	◆ Full contract inventory	Every vendor, term, renewal date, annual cost and owner.		☐
10.2	◆ Termination, de-conversion and liquidated damages	Exit cost for each contract. These are often the largest hidden merger costs.		☐
10.3	◆ Assignment and change-of-control clauses	Contracts that need consent or end on merger.		☐
10.4	Auto-renewal dates	Notice windows that fall before closing or conversion.		☐
10.5	Vendor due diligence files	SOC reports, financials and risk ratings for critical vendors.		☐

#	Review item	What to look for	Owner	Done
10.6	Card network, ATM and shared branching agreements	Exclusivity, volume commitments and incentives to repay.		☐
10.7	Marketing, sponsorship and naming-rights agreements	Multi-year commitments and community expectations.		☐
Area 10 conclusion		☐ Clear ☐ Issues to resolve ☐ Deal-breaker or reprice		

11. Compliance and BSA/AML Regulatory risk you would own

#	Review item	What to look for	Owner	Done
11.1	◆ Compliance management system and compliance audits	Ownership, monitoring and audit findings.		☐
11.2	◆ BSA/AML independent test and risk assessment	Findings, high-risk member base and the BSA officer's capacity.		☐
11.3	◆ SAR and CTR processes	Timeliness and quality. SAR details are confidential, so review processes and volumes, not individual reports.		☐
11.4	OFAC screening	Frequency, coverage and alert handling.		☐
11.5	Fair lending	Pricing and underwriting analysis and indirect dealer markups.		☐
11.6	Consumer protection	Regulations E, Z, CC, DD, flood, SCRA, privacy and UDAAP findings.		☐
11.7	Marijuana-related, money services and other high-risk businesses	Programs and policies, and whether you will continue them.		☐
Area 11 conclusion		☐ Clear ☐ Issues to resolve ☐ Deal-breaker or reprice		

12. People and Compensation Commitments to staff and leadership

#	Review item	What to look for	Owner	Done
12.1	Organization chart and employee census	Roles, tenure, pay and key person risk.		☐
12.2	◆ Employment, severance, change-in-control and retention agreements	Triggers and total cost on merger.		☐
12.3	◆ Executive benefit plans	SERPs, 457(f), split-dollar and deferred compensation. Funding and vesting on merger.		☐
12.4	◆ Pension and retirement plans	Defined benefit underfunding, withdrawal liability and plan merger requirements.		☐
12.5	Health and welfare benefits	Plan costs and renewal dates.		☐
12.6	Paid time off accruals and payouts	Liability and policy differences.		☐
12.7	HR claims, investigations and turnover	Discrimination, wage and hour claims and recent exits.		☐
12.8	Union agreements	Bargaining obligations.		☐
12.9	Culture and engagement	Surveys, interviews and service culture fit.		☐
Area 12 conclusion		☐ Clear ☐ Issues to resolve ☐ Deal-breaker or reprice		

13. Facilities and Branches Where members are served

#	Review item	What to look for	Owner	Done
---	-------------	------------------	-------	------

14. Members, Products and Brand What members will experience

#	Review item	What to look for	Owner	Done
14.1	Membership trends and demographics	Growth or decline, age and select employee groups.		☐
14.2	◆ Product and pricing inventory	Map every product to yours and identify losers.		☐
14.3	Member complaints and satisfaction	Themes and service gaps.		☐
14.4	Brand, trademarks and domain names	Ownership, registrations and the plan for the name.		☐
14.5	Community commitments and sponsorships	Local expectations and reputational risk.		☐
Area 14 conclusion		☐ Clear ☐ Issues to resolve ☐ Deal-breaker or reprice		

15. Insurance and Enterprise Risk What is covered and what is not

#	Review item	What to look for	Owner	Done
15.1	◆ Fidelity bond and insurance policies	Coverage, limits, exclusions and tail coverage for directors and officers.		☐
15.2	Claims history	Bond claims, fraud losses and cyber claims.		☐
15.3	Enterprise risk register and internal audit plan	Top risks and open audit items.		☐
15.4	Fraud losses and controls	Card, check, wire and account takeover losses.		☐
Area 15 conclusion		☐ Clear ☐ Issues to resolve ☐ Deal-breaker or reprice		

16. Merger Transaction and Accounting Getting to closing

#	Review item	What to look for	Owner	Done
16.1	◆ Merger plan and agreement	Terms, conditions, member value, board seats, name and staff commitments.		☐
16.2	◆ NCUA and state requirements under Part 708b	Merger package, member notice and vote, merger-related financial arrangement certification and timelines.		☐
16.3	◆ Fair value estimates	Loans, deposits, investments, real estate and core deposit intangible. Bargain purchase gain or goodwill.		☐
16.4	◆ Merger costs budget	Contract terminations, conversion, severance, legal, accounting and marketing.		☐
16.5	Tax and legal entity matters	CUSOs, subsidiaries, unrelated business income and property tax.		☐
16.6	Integration plan	Conversion date, 100-day plan, owners and milestones. SPM Adds, Changes and Strategies agenda.		☐
16.7	Member and staff communications plan	Messages, timing and who delivers them.		☐
Area 16 conclusion		☐ Clear ☐ Issues to resolve ☐ Deal-breaker or reprice		

Red flags

Any of these can stop the merger, change the price or require conditions in the merger agreement. Escalate to the CEO and board as soon as one is found.

#	Red flag that can stop or reprice the merger	Found
R1	Net worth falls below 7% after fair value marks and merger costs.	☐
R2	Delinquency, modifications or charge-offs rising, with a reserve that has not kept pace.	☐
R3	Open Documents of Resolution or enforcement actions with no credible plan.	☐
R4	Material weakness, going-concern language or unreconciled general ledger accounts.	☐
R5	Undisclosed merger-related pay or benefits for executives or directors.	☐
R6	Contract exit costs or executive change-in-control payments that erase the expected savings.	☐
R7	An unreported cyber incident, or critical vulnerabilities left open.	☐
R8	Defined benefit pension underfunding or withdrawal liability you would assume.	☐
R9	BSA/AML program failures or a high-risk member base you cannot support.	☐
R10	Litigation or claims that could exceed insurance coverage.	☐

Due diligence sign-off

Decision	Result
Areas clear	_____ of 16
Areas with issues to resolve	_____ of 16
Red flags found	_____ of 10
Recommendation	☐ Proceed ☐ Proceed with conditions ☐ Reprice ☐ Do not proceed
Conditions for the merger agreement	
Items for the integration plan	
Reviewed by (name, title)	
Date	

Ready to act?

SPM leads merger due diligence for both sides, integration planning and post-merger strategic planning and execution, including a populated project management plan with every workstream, owner and milestone. To discuss what SPM can do for your credit union, email Info@SPM.Consulting.

This checklist supports the surviving credit union's due diligence. It is not legal, accounting or regulatory advice. Confirm requirements with NCUA, your state regulator, auditors and counsel. Regulatory references reflect NCUA Part 708b as of October 2026.