

DATA DISPATCH

# Overdraft overhaul to drive more credit union M&A in 2022

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*Market Intelligence*

Much like U.S. bank M&A, the number of credit union mergers rebounded in 2021 following a pandemic-induced dip in activity in 2020.

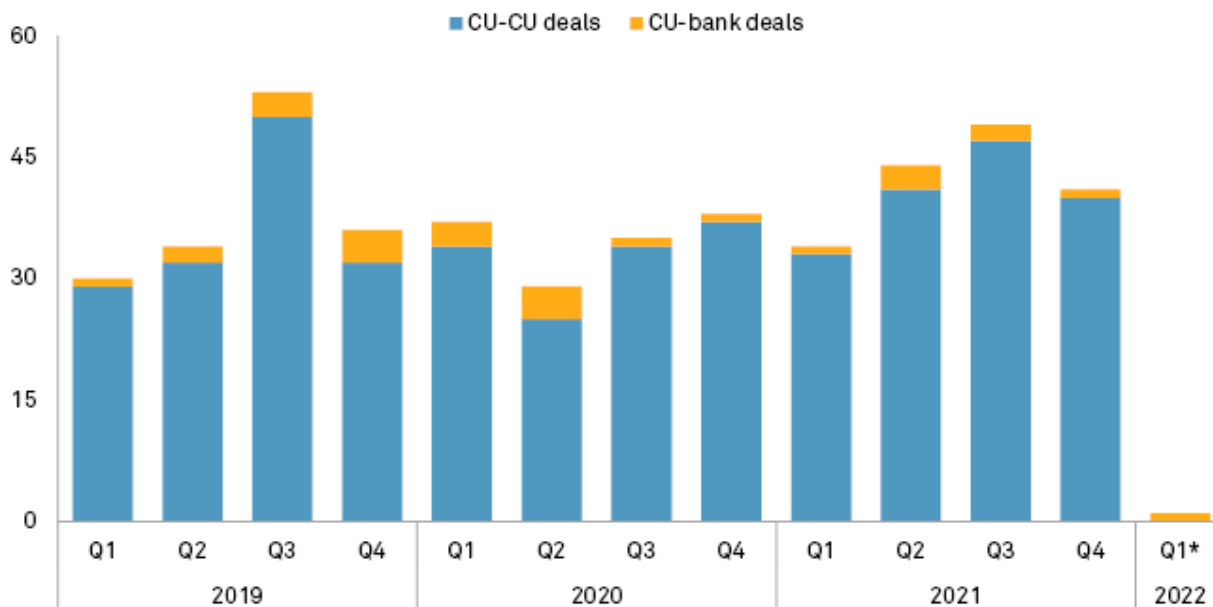
Credit unions completed 168 deals in 2021, up from 139 in 2020 and 153 in 2019, and one credit union adviser said activity will not slow down in 2022.

"There was a bit of pent [up] demand after the pandemic and we'll see that continue," Glenn Christensen, founder, president and CEO of CEO Advisory Group, an M&A consulting company focused on the credit union industry, said in an interview. "There is a recognition that to truly be competitive going forward and be able to offer the technologies and such that are necessary, that they're better off partnering with a larger credit union to achieve the scale that they need."

Credit unions are increasingly looking to mergers for similar reasons that banks are, like gaining scale and offsetting multiple quarters of tepid loan growth, but the recent uptick in banks eliminating or drastically reducing non-sufficient fund and overdraft fees will likely drive even more credit union mergers this year, according to Christensen.

"That is a concern, particularly for small- and medium-sized credit unions that are heavily reliant upon the fee income that is generated from their checking accounts. And so as credit unions are looking to the future and it becomes increasingly more common to eliminate or reduce the NSF charges, how are they going to compensate from a fee income standpoint?" he said. "It's going to continue to drive mergers going forward."

## Number of deals completed by US credit unions since 2019



Data compiled Feb. 7, 2022.

Analysis includes completed U.S. credit union deals, as well as U.S. whole-bank deals in which U.S.-based credit unions were buyers.

Deals shown at completion date.

\* Data for the first quarter of 2022 as of Feb. 7, 2022.

Sources: S&P Global Market Intelligence; National Credit Union Administration

Credit unions capped off the year by completing 41 deals with credit union buyers in the fourth quarter of 2021, up from 38 in the fourth quarter of 2020 and 36 in the fourth quarter of 2019, but the deals were relatively small. The average total assets for credit union targets in the fourth quarter of 2021 was \$37.4 million while the average assets for the buyers in credit union to credit union mergers was \$996.6 million.

Deals will likely stay on the smaller side in 2022 given the large number of small credit unions in the country, Christensen said. For credit unions above \$750 million in total assets, mergers of equals are typically more "palatable," he said.

"There's a recognition among the \$750 million, \$1 billion or even \$2 billion [credit unions] that you're doing fairly well financially so there isn't necessarily a pressure on you to do a merger. But strategically, they can see some major gains that would happen through a combination," he said. "Yet most credit unions at that size, they fear losing their autonomy so kind of a compromise is to do a merger of equals."

## Deals completed by US credit unions in Q4'21

Buyer	Target	Buyer city, state	Target city, state	Total assets (\$M)*	
				Buyer	Target
Idaho Central CU	ESA CU	Chubbuck, ID	Boise, ID	8,340.3	6.8
Connexus CU	Heritage CU	Wausau, WI	DeForest, WI	3,884.4	461.3
Canvas CU	Western Rockies FCU	Lone Tree, CO	Grand Junction, CO	3,601.1	179.5
CU of Southern California	Pomona Postal FCU	Anaheim, CA	Pomona, CA	2,246.8	3.6
Arrowhead Central CU	Pacific FCU	Rancho Cucamonga, CA	Diamond Bar, CA	2,240.7	21.4
SPIRE CU	HBI Employees CU	Falcon Heights, MN	Saint Paul, MN	1,948.6	9.5
Communication FCU	North East Kansas CU	Oklahoma City, OK	Topeka, KS	1,780.9	10.1
Franklin Mint FCU	WAWA Employees CU	Chadds Ford, PA	Media, PA	1,620.1	22.9
Premier Members CU	Shambhala CU	Boulder, CO	Boulder, CO	1,586.2	2.2
SRP FCU	Tabernacle FCU	North Augusta, SC	Augusta, GA	1,565.0	0.2
Safe FCU	Sumter City CU	Sumter, SC	Sumter, SC	1,534.4	2.7
First Financial of Maryland FCU	WOR Co FCU	Sparks Glencoe, MD	Pocomoke City, MD	1,256.9	2.6
Neighborhood CU	Pollock Employees CU	Dallas, TX	Dallas, TX	1,066.8	5.1
First Commonwealth FCU	Baker FCU	Allentown, PA	Phillipsburg, NJ	1,009.3	42.8
Community 1st CU	HomeTown CU	Ottumwa, IA	Shenandoah, IA	1,000.5	2.9
McCoy FCU	Gulf States CU	Orlando, FL	Maitland, FL	857.5	37.3
Fortera FCU	Life FCU	Clarksville, TN	Nashville, TN	715.5	41.8
University of Illinois Community CU	New Horizon CU	Champaign, IL	Darville, IL	475.7	15.4
Heartland CU	Dane County CU	Madison, WI	Madison, WI	399.2	217.1
Great River FCU	Four Flags Area CU	Saint Cloud, MN	Niles, MI	269.6	6.1
Great River FCU	GEM FCU	Saint Cloud, MN	Minot, ND	269.6	35.6
USX FCU	Monroeville Boro FCU	Cranberry Township, PA	Monroeville, PA	266.4	0.9
Minnesota Valley FCU	Northern Energy FCU	Mankato, MN	Mankato, MN	257.4	7.5
Taunton FCU	Coastal New England FCU	Taunton, MA	New Bedford, MA	240.7	19.5
CU of Ohio	Plain Dealer FCU	Hilliard, OH	Parma, OH	200.7	18.6
Truchoice FCU	Blue Cross & Blue Shield of Maine FCU	Portland, ME	South Portland, ME	193.8	7.7
Employee Resources CU	McNairy County Employees CU	Lawrenceburg, TN	Adamsville, TN	131.3	1.7
Buckeye Community FCU	Tallahassee Community FCU	Perry, FL	Tallahassee, FL	126.6	6.9
United Community CU	Financial Advantage FCU	Houston, TX	Homestead, PA	123.5	8.9
Bay CU	FLAG CU	Panama City, FL	Tallahassee, FL	118.3	57.7
Quantum CU	Equishare CU	Wichita, KS	Wichita, KS	95.6	38.2
Coastal Community FCU	CE FCU	Galveston, TX	Houston, TX	74.9	25.7
Eastmill FCU	Lincoln Maine FCU	East Millinocket, ME	Lincoln, ME	73.8	99.4
Des Moines Metro CU	Des Moines Water Works CU	Des Moines, IA	Des Moines, IA	71.5	1.3
LaPorte Community FCU	Municipal Employees CU	La Porte, IN	La Porte, IN	62.4	1.1
Forge FCU	Delco Postal CU	Upper Darby, PA	Upper Darby, PA	42.2	14.8
Great Falls Regional FCU	Monmouth FCU	Lewiston, ME	Monmouth, ME	36.6	24.8
Police CU Of Connecticut	Waterbury Police FCU	Hartford, CT	Waterbury, CT	33.4	7.3
Brightview FCU	CommFirst FCU	Ridgeland, MS	Jackson, MS	24.6	16.3
North Main CU	Fieldale CU	Cornelia, GA	Cornelia, GA	20.1	9.1

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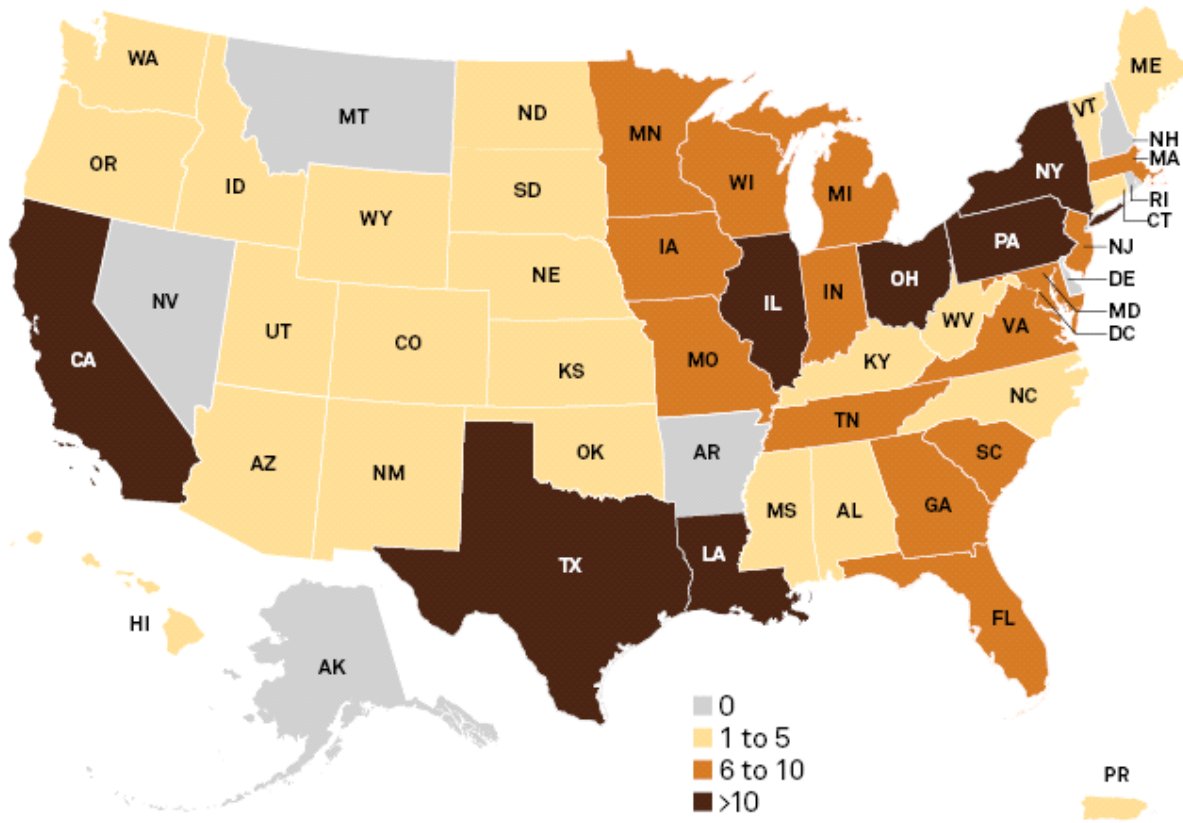
buyers.

\* Total assets as of the most recent quarter reported.

Sources: S&P Global Market Intelligence; National Credit Union Administration

Seven states saw more than 10 deals in 2021, and Ohio lead the country with 23 deals. Seven saw no credit union M&A. Christensen said credit union mergers will remain mostly concentrated in the Midwest and the East Coast in 2022 given the number of credit unions in those regions.

### Deals in 2020 and 2021 involving US credit unions by state, territories



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Map credit: Arleigh Andes

Sources: S&P Global Market Intelligence; National Credit Union Administration

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