

White Paper

# What Credit Unions Need to Know About Bank Acquisitions

## Part 1: How to Get Started

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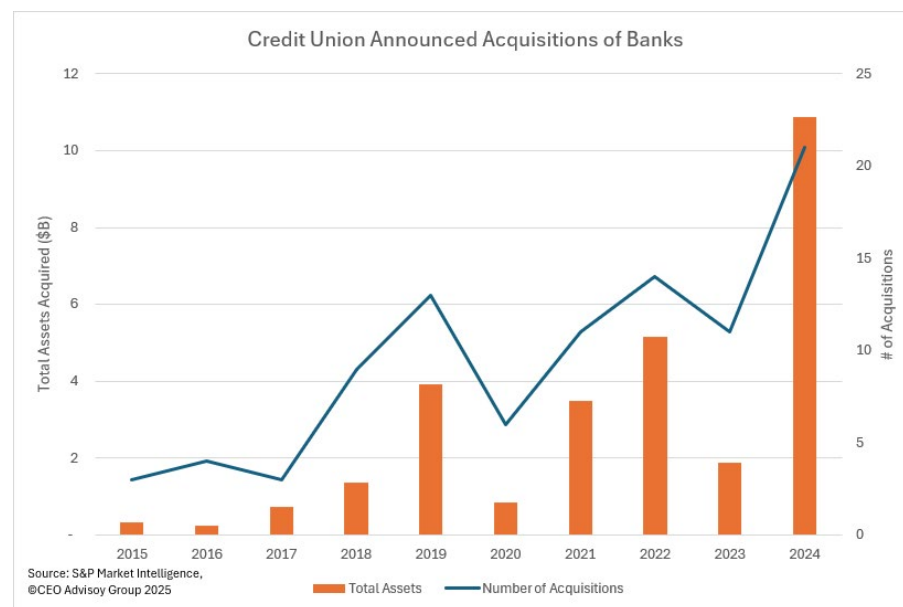
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# Introduction

In today's competitive financial services marketplace, the best way for credit unions to ensure their viability is to pursue a multifaceted strategy for building size and scale. Organic growth often is not enough, which is why many credit unions are pursuing a proactive merger and acquisition strategy to drive inorganic growth. Historically, credit unions have limited their M&A strategies to merging with another credit union. Over the past decade, however, an increasing number of credit unions have experienced success by broadening their strategy to include another avenue for growth: acquiring a bank.

An analysis by CEO Advisory Group, based on data from S&P Global Market Intelligence shows a steady increase in the number of banks being acquired by credit unions. In the five years from 2015 through 2019, there were 32 deals, which equates to 6.4 deals per year. Total bank assets acquired were \$6.6 billion, for an average of \$207 million. Over the last five years, from 2020 through 2024, there have been 63 deals, for an average of 12.6 deals per year. Total assets acquired tripled to \$22.3 billion, which represents an average of \$353 million.

In 2024, credit unions set a record for the number of bank acquisitions as well as the total assets acquired. As of December 2024, there have been 21 announced acquisitions with assets exceeding \$10.9 billion. Credit unions have become a significant player in bank acquisitions as well, accounting for 17% of all bank acquisitions in 2024.



A successful track record of bank acquisitions by credit unions is likely to build momentum for an even faster pace of these acquisitions in the future. "There is precedent for the successful completion of credit union/bank transactions in many states, including recently in Arkansas and New York. This has helped increase the number of deals in more expanded geographies," says Jeff Cardone, attorney/partner with Luse Gorman, a Washington, D.C., law firm that has represented many credit unions in their bank acquisition deals. "From the selling bank's perspective, merging with a credit union is no longer a novel transaction. Ten years ago,

the bank might have said, ‘We don’t want to be blazing a new transaction trail.’ Now, there is a regulatory framework for a credit union to successfully acquire a bank, which is why these deals are becoming more mainstream.”

Bank acquisitions benefit credit unions in several ways:

- They accelerate execution of credit union strategic plans.
- They facilitate entry into new geographic markets, allowing the acquiring credit union to serve faster growing markets and diversify their membership base.
- They allow credit unions to acquire branches and customer relationships in markets that align with their strategic growth plans.
- Credit unions can use these acquisitions as a branch infill strategy to increase service to an existing membership base and capitalize on branch network effect. Some credit unions are seeking access to markets with stable lower-cost deposits to fund their faster loan demand.
- They are an efficient way to acquire products and talent, enhancing their ability to expand into commercial real estate lending, commercial and industrial loans, trust services, treasury management or other areas that require specialized expertise.

Ultimately, credit unions are acquiring banks because it makes good financial sense. When a credit union acquires another credit union, the merging institution often has low or moderate financial performance with minimal growth. Typically, there are moderate cost savings, as all staff are retained. Bank acquisitions, on the other hand, frequently involve high financial performers, with a history of consistently high ROA. Beyond their already high earnings credit unions are able to generate additional synergies through cost savings and product cross-sales and thereby enhancing the combined organizations’ financial performance.

Credit unions aren’t the only parties reaping benefits when they become active acquirers of banks. Bank shareholders and communities stand to benefit as well. Bank shareholders benefit from competition when trying to sell their banks. Communities benefit because credit unions have strong commitments to serving people and charitable causes in the communities in which they are located. For many banks, especially those in smaller markets and rural areas, there are a limited number of potential buyers. These markets often fit well with credit union strategies, which means there will continue to be a branch in the market and a great corporate citizen that cares about the community.

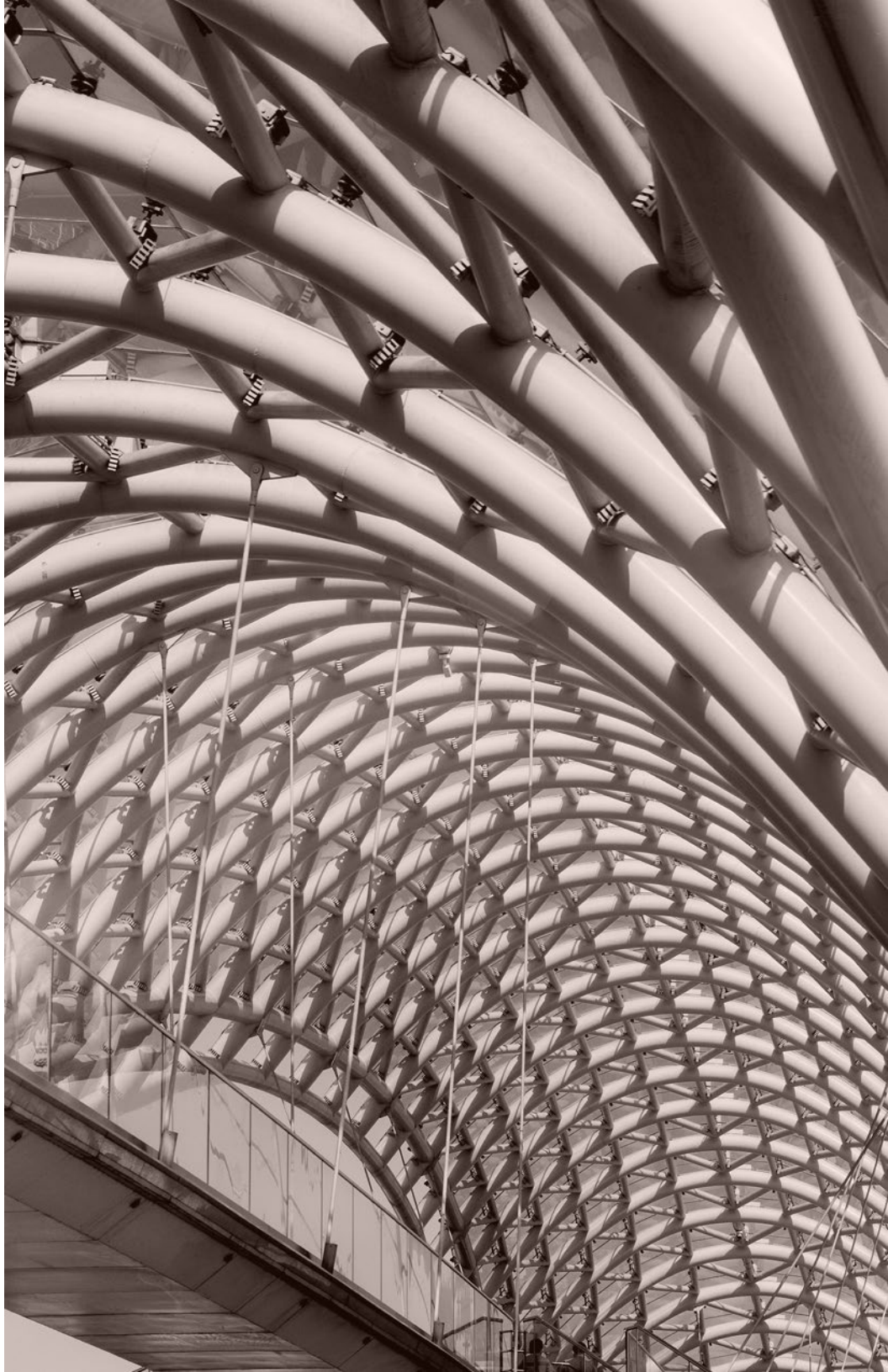
We forecast that bank acquisitions will play an increasingly important part of credit union strategy in the coming years. Credit unions with strong balance sheets and earnings will be able to outgrow their competitors through such acquisitions.

## Part One of a Three-Part Series

Given the growing importance of this acquisition strategy, we have invited credit union leaders, bank executives, financial industry attorneys, merger and acquisition experts, and others to share their perspectives on credit union acquisitions of banks. We've compiled their insights and knowledge into a three-part white paper.

- Part 1: How to Get Started
- Part 2: Proceeding with the Deal
- Part 3: Post-Merger Integration

Here, in Part 1, we describe the factors that credit unions should consider as they contemplate getting started on a bank acquisition journey. Parts II and III will cover the rest of the journey. Taken as a whole, this white paper series presents a compelling case for credit unions to consider banks as an integral part of their merger and acquisition strategy.





## Synopsis of Five Credit Union Acquirers

For this white paper, we have interviewed C-suite executives, board members and former bank officials affiliated with five credit unions that have pursued one or more bank acquisitions as part of their M&A strategy. Below is a synopsis of those credit unions and the banks they acquired.

### **ADVIA CREDIT UNION:**

Advia, just over \$3 billion in assets, has completed four bank acquisitions within the past decade. The Kalamazoo, Michigan-based credit union acquired a small community bank (about \$88 million in assets) in 2016. This acquisition was followed by three more: \$227 million People's Bank in Wisconsin in 2017, \$170 million Golden Eagle Community Bank in Illinois in 2019, and \$277 million NorthSide Community Bank in Illinois in 2024. The institution has completed several credit union mergers over the years as well.

### **DORT FINANCIAL CREDIT UNION:**

Dort Financial's acquisition of Flagler Bank in late 2023 allowed the Grand Blanc, Michigan-based credit union to expand into the Florida market, specifically four counties surrounding West Palm Beach. The acquisition of the \$500 million bank grew Dort Financial's asset size to \$2.3 billion and allowed the credit union to build its commercial offerings while providing Flagler's former customers (now Dort Financial members) with an expanded range of consumer products and services. The Florida locations will be operated as Flagler Credit Union, a Division of Dort Financial.

### **GREENSTATE CREDIT UNION:**

GreenState, headquartered in Liberty, Iowa, has acquired three banks within five years—\$500 million First American Bank in Des Moines; \$743 million Oxford Bank & Trust, located in suburban Chicago; and \$300 million Midwest Community Bank, with locations in Freeport and Rockford, Illinois. The first acquisition allowed GreenState to round out its footprint in Des Moines, while the subsequent acquisitions gave the credit union entrée into new geographic markets. Taken together, the three acquisitions added nearly \$1.6 billion to GreenState's total asset size of \$11 billion.

### **HARBORSTONE CREDIT UNION:**

Harborstone, based in Lakewood, Washington, has initiated two bank acquisitions in the past two years. In May 2024, the credit union completed the acquisition of \$160 million First Sound Bank, which is the second bank acquisition by a credit union in the State of Washington. The acquisition has fortified Harborstone's position in downtown Seattle. In spring 2024, the credit union announced a deal to also acquire \$600 million SaviBank, which will help Harborstone expand its footprint to the northern part of the state. With these acquisitions coupled with organic growth, the credit union's asset size has reached \$2.7 billion.

### **SOUND CREDIT UNION:**

In 2019, \$3 billion Sound Credit Union completed the first bank acquisition in the State of Washington with the purchase of \$200 million Bank of Washington. The Tacoma-based credit union subsequently purchased a branch from First Interstate Bank, involving the purchase of the building and the deposit relationships for that location. In November 2024, Sound Credit Union was in the process of buying Washington Business Bank, which has a little over \$100 million in assets.

## Section 1: Why Acquire a Bank

Not that many years ago, credit unions would have given very little thought to acquiring a bank as a means of achieving their strategic objectives. Today, a bank acquisition may be the best pathway for achieving a specific aim that will improve the credit union's market position. Merging with another credit union often allows the institution to achieve its objectives, but in some cases, a bank can be a better fit in terms of geographic location, compatible products and services, financial viability, and even culture.

Let's say you want to increase deposits, diversify your loan portfolio, move into new markets, expand into new lines of business, or acquire specialized talents and skillsets. By purchasing a bank, a credit union can achieve any or all those objectives, says Michael Bell, a partner and chair of the Financial Institutions Practice Group at Honigman, LLP, an AM Law 150 firm, headquartered in Detroit.

Bell, based in Sarasota, Florida, is notable for pioneering the option for credit unions to achieve rapid growth through whole bank acquisitions and for most of transactions in this space.

"We did the first transaction of this kind about 14 years ago, and since that time, there has been an organic increase," he says. "The level of interest I'm seeing, among both buyers and sellers, has never been higher."

Targeting a bank for acquisition can provide a credit union with several key advantages some of which may not be achievable through a credit union merger. Following are several reasons that credit unions may wish to consider adding banks to their M&A strategy.

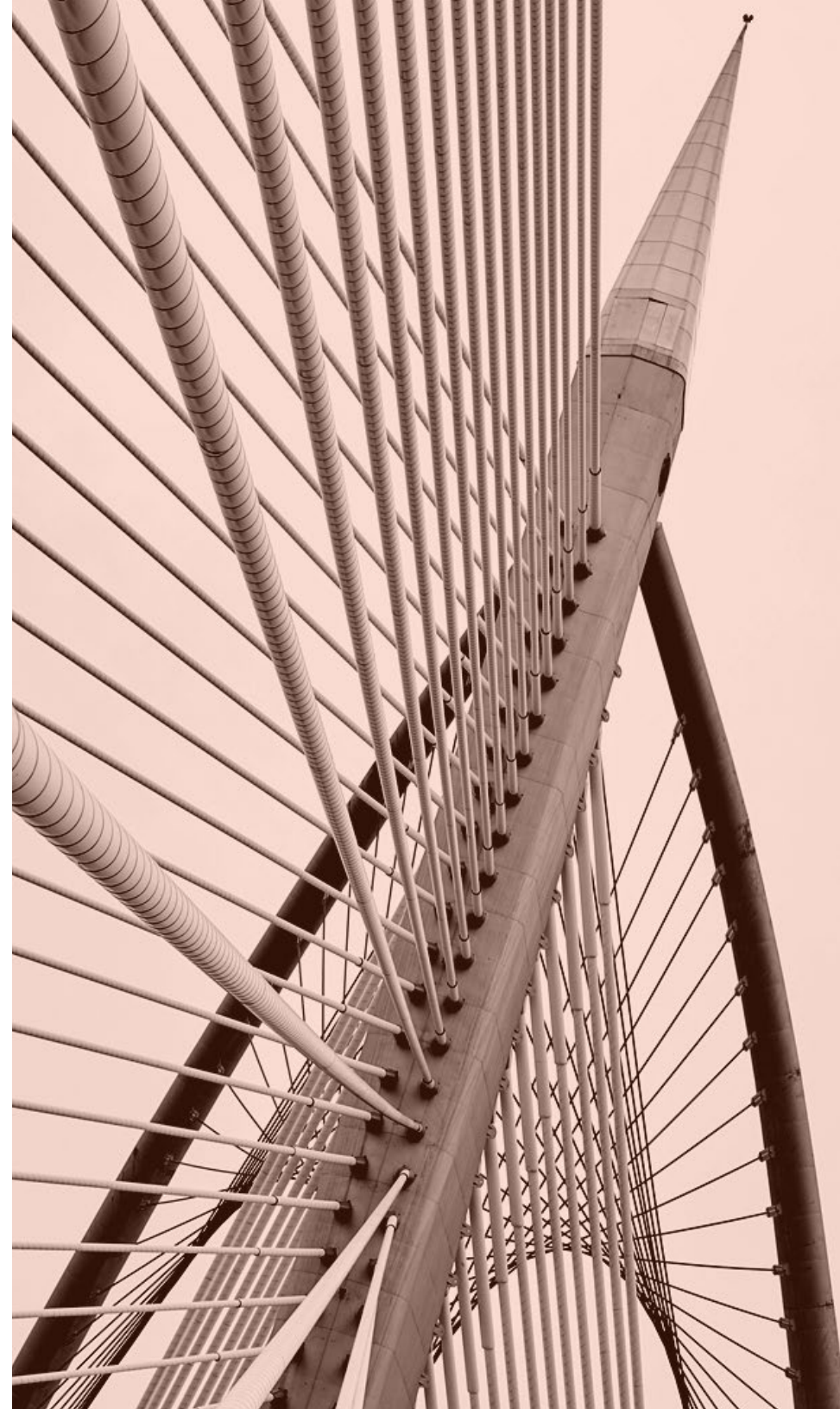


## To Build Commercial Business

One of the most common reasons for a credit union to purchase a bank is to build their presence in the commercial market. “Banks are a lot more involved in commercial loans than credit unions are, so you might buy a bank to beef up your commercial lending operation and acquire their commercial expertise,” says Douglas M. Winn, president and co-founder of Wilary Winn LLC, a company based in Oakdale, Minnesota, that provides accounting, regulatory reporting and other expertise for financial institutions.

Sound Credit Union, based in Tacoma, Washington, already had a strong commercial lending portfolio before announcing its second bank acquisition in the past five years. By acquiring these banks, the \$3 billion credit union with 170,000 members is not only solidifying its position in the commercial market but also building awareness of its products and services among the business community.

“The bank that we just purchased, Washington Business Bank, has less than 1,000 customers, whereas we have 8,000 business accounts,” says CEO Don Clark. “Their portfolio has \$90 million in business loans; ours is almost \$700 million. So, it’s not like we didn’t previously have business lending or business deposits. We continue to have the desire to grow our business lending and deposit portfolio. As small businesses hear about us buying a bank through press releases, not only are we adding new business





members to our credit union, but other small businesses realize that they, too, can use a credit union to meet their small business and personal needs.”

For Dort Financial Credit Union, based in Grand Blanc, Michigan, the acquisition of Florida-based Flagler Bank was motivated largely by a desire to build its commercial business. “That’s one of the main reasons that Dort acquired us, because we were primarily a commercial bank,” says Ed Sterling, who was Flagler Bank’s president at the time of the acquisition and now serves as Dort’s COO. “Dort is absorbing our whole commercial platform of lending and also adopting our business account deposit models.”

Dort Financial’s CEO Brian Waldron reports that the acquisition, completed in December 2023, will allow the credit union to build its standing in the commercial market more quickly than it could have done through organic growth. “While Dort Financial already offered commercial loans and commercial products prior to the acquisition, the Flagler team is providing us with the expertise that will strengthen our position,” Waldron says.

The benefits are reciprocal, given that Dort’s primary strength on the consumer side of the market will give former Flagler customers (now Dort Financial members) access to a full range of products and services they never had before. “We’re very well aligned,” Waldron observes. “Flagler now has the opportunity to expand consumer product offerings to their customers through our expertise.”

Sterling, who remains based in Florida, expects to see dramatic growth as the former Flagler customers take advantage of these consumer products. “Our business customers are already fully aware of what we do, but there are many underbanked people within our branch footprint who can benefit from our expansion on the consumer side,” he says. “That’s a whole new market that we’ll be able to serve.”



## To Expand Geographically

A credit union can use a bank acquisition to expand into a geographic market that fits into its strategic growth plan. In areas where there are few credit unions to target for mergers, expanding the potential M&A pool to include banks may prove to be a better approach than establishing a presence in the market from scratch.

“It’s often cheaper for the credit union to acquire a bank with multiple locations than to go in and build branches in that area,” says Cole Schulte, a director at Wilary Winn LLC who heads up the company’s fair value business. “Maybe it’s a market in which the credit union was looking to expand anyway. That’s a common reason that we see these deals take place.”

Winn makes a distinction between those institutions that are on offense—i.e., actively pursuing a bank acquisition in a new marketplace—versus those that are on defense—i.e., acquiring a bank in their existing market to prevent another institution from doing so. “You do it because you don’t want somebody else, whether another credit union or a bank, acquiring a bank that’s in your marketplace,” Winn explains.

In some cases, a credit union may wish to acquire a bank in a new area to address the migration of their members to Sunbelt states, either seasonally or permanently in retirement. “Expanding into a new market area is becoming more prevalent,” acknowledges Richard Garabedian, a banking and merger and acquisition attorney with Fenimore Kay Harrison in Washington, D.C.

“There are a number of credit unions in the North and Upper Midwest that have sought banks in Florida to deal with the membership base that flock to Florida in the wintertime.”

Dort Financial is a quintessential example of a Northern credit union acquiring a bank to gain a foothold in Florida. With its acquisition of Flagler Bank, Dort Financial not only met its objective of gaining commercial expertise but it also met a second objective of establishing a presence outside of Michigan. The credit union can now serve four counties in Southeast Florida, around the West Palm Beach area.

Board Chair Wayne Natzke reports that acquiring a bank wasn't initially on Dort Financial's radar. The institution's only previous M&A experience occurred about 30 or 35 years ago, and that involved a merger with another credit union. However, when Waldron came on board as CEO, the board agreed with his assessment that expanding into another state via the Flagler acquisition would be the best way to achieve much-needed growth.

“We were saturated in the market we were in, and Brian was ready to lead us in a different strategic direction to become a larger credit union,” Natzke says.

Florida seemed an ideal location, since many of Dort Financial's members were relocating there after retirement or, at least spending time there seasonally. Natzke himself lives in Florida, and there are other board members who spend time there in the winter. “Based on what we had observed, we felt there was a demand for credit unions in the area,” he says. “We saw it as a great opportunity to expand into a new market while serving our existing members who have moved here as well.”

Flagler's geographic location, coupled with its strength in the commercial market, made the bank an ideal acquisition target for Dort Financial. Adding to its attributes, Flagler showed a strong dedication to community involvement that mirrored Dort Financial's own commitment with employees donating thousands of hours to community service.

“The more we learned about Flagler, the more we saw the synergy between the two organizations,” Waldron says. “So, it turned out to be a really great fit for us not only geographically and strategically, but culturally as well.”

## The Deal Can Be “Cleaner”

Mergers between two credit unions often can become complicated by a variety of nonfinancial issues, such as: How many board seats does each credit union get? Who’s going to be CEO (and CFO, COO, etc.)? How many employees will be retained? What is the name of the continuing entity going to be? Where is the headquarters going to be located? If the credit unions can’t agree on how many board seats the noncontinuing credit union should receive or how many employees will be retained, it could become a sticking point that scuttles the whole deal.

“Those are the kinds of things—I call them soft issues—that you have to negotiate upfront,” Winn says. “Oftentimes, they are the reason a credit union merger falls apart. That does not happen on the bank side. It’s a clear transaction, and I think that’s the appeal.”

However, Winn says banks also have an interest in finding a good partner who will take care of the bank’s employees and customers after they’re gone. “They want their employees as well as their customers to land in a good place. So, while they do have an interest in who is buying the bank, they don’t want to be actively involved in the mothership post-acquisition.”

Geoff Bullock, president/CEO of Harborstone Credit Union, based in Lakewood, Washington, has participated in bank acquisitions and credit union mergers during his career as a credit union executive, so he has seen the differences between these two types of transactions play out firsthand. “I would say that bank acquisitions are significantly ‘cleaner,’ is the word I would use,” he says. “With a bank, you are purchasing an asset, and you can do what you want with that asset. There isn’t the same level of expectation and negotiation that can exist with a credit union merger. With a credit union merger, there might be debate around board seats, the name, the headquarters, those type of things. There can be hurt feelings and strong emotions about who you keep and who you don’t keep.”

These types of considerations don’t occur with a bank purchase. “The name stays the same, the headquarters stays the same, the charter stays the same, the management team almost always stays the same. It’s just an asset that’s purchased for a certain amount of money, and negotiation is around the cost,” Bullock says. “We’re going through our second significant bank transaction, and we’re not going to add a single board seat. We’ll keep our name, we’ll keep our charter, and that might not have happened if it was a credit union merger.”



## To Facilitate Growth

One of the key reasons for credit unions to acquire a bank is to facilitate growth and achieve greater economies of scale. Since 2016, Advia Credit Union has used bank acquisitions as a pathway for growth by solidifying its position in existing markets and expanding into new ones. All totaled, Advia has completed three acquisitions and is in the process of a fourth. The completed acquisitions have added nearly \$500 million in assets to the credit union, which now stand at \$3 billion.

“Our former CEO was very progressive and forward-looking and saw this as an opportunity for Advia to grow and as a means of expanding by adding profitable branches almost immediately,” says Jeff Fielder, who became Advia’s president/CEO in October 2022 after serving 12 years as CFO.

Based in Kalamazoo, Michigan, Advia had a long history of credit union mergers by the time it undertook its first bank acquisition in August 2016, acquiring a small community bank with assets of \$88 million. In October 2017, the credit union acquired \$227 million People’s Bank in Wisconsin, and in 2019, entered the Illinois market with acquisition of \$170 million Golden Eagle Community Bank. Most recently, Advia acquired \$277 million NorthSide Community

Bank, also in Illinois, closing the deal in October 2024. With its M&A activity, along with organic growth, Advia had topped \$3.4 billion in assets by October’s end. Its footprint has expanded to encompass southern Wisconsin, parts of northern Illinois and the entire lower peninsula of Michigan.

The growth has been facilitated by Advia’s ability to offer commercial services to its members and, conversely, retail services to a broader range of people who were previously served by the banks. The commercial banks that Advia acquired were not providing auto loans, credit cards or other unsecured lending products to their customers.

“We’re now offering those services in those communities, and that has resonated well,” Fielder reports. “A lot of these communities are rural, and we’re able to provide them with valuable services at great rates. We’re delivering on the credit union mission, creating financial advantages for members and potential members in these communities.”

## To Acquire Talent

For Advia Credit Union, another advantage of acquiring banks has been gaining the skillsets of the people who work there. “We have added some incredible talent, especially with the acquisition of People’s Bank, which has provided us with some seasoned commercial bankers who have greatly strengthened our team,” Fielder says. “Looking at our team today, we have many team members of the leadership of the banks we’ve acquired who are greatly contributing to the credit union and allowing us to better serve our membership.”

At Sound Credit Union, Clark similarly appreciates the talent that bank acquisitions can provide to the continuing institution. “It’s hard to find skilled and qualified people in the financial services industry,” he says. “Often one of the most important benefits from a merger or acquisition is the expertise of the people you gain and who will be working on behalf of your members.”

## Is a Bank Acquisition Right for Your Credit Union?

Just because bank acquisitions are becoming more common in the credit union sector, it doesn’t necessarily mean that such a transaction is right for your credit union. There are a number of factors to consider before adding bank acquisitions as a part of your M&A strategy.

“Bank acquisitions are not for everybody,” says attorney Michael Bell. “The credit union needs to have certain attributes. They need to have size, scale and capital, and they need management that has the sophistication and desire to tackle something in addition to their day job. There are almost 5,000 credit unions in the United States, and this would be appropriate for probably 200 or 250 of them.”

There isn’t necessarily a minimum size requirement that would determine whether a credit union should pursue a bank acquisition, though Bell notes that a credit union with assets of \$500 million to \$700 million or more would be in a better position to do so than a smaller institution.

“Capital levels vary, so I wouldn’t draw a bright line, but you do need to have some size, and you need to have retained earnings or capital to put to work,” Bell says. “The credit union ought to be in a decent spot regulatorily, meaning that if they’re under DORs or they have a CAMELS 3 or higher, there are risks that the regulator would question. So, check your current regulatory status to make sure you’re in a good spot.”

It’s better for credit unions to discover sooner rather than later whether a bank acquisition is right for them. “You should determine on the front end: Is this realistic for us or not?” Bell says. “Because if it’s not, you don’t want to go down a path that would waste your time and money.”

## Section 2: Looking for a Partner

If a credit union determines that a bank acquisition is right for them, the first thing the leadership team needs to determine is what bank is available for them to acquire. “Before you get to the ‘how’ in terms of executing a transaction, a credit union needs to determine the ‘who,’” says Cardone. “Meaning—who is a potential bank partner for the credit union based on various strategic considerations, and how is the credit union going to find that ideal target bank?”

In some cases, the best target may be obvious, so you don’t have to spend much time pursuing multiple leads. As an example, a community bank in your market area announces that it is for sale. The price is right, there are a limited number of other suitors, and the acquisition would fit into your credit union’s growth strategy.

However, if such an opportunity does not present itself, you may need to go looking. When you undertake your search, there are various factors to consider in determining who to target, as described on the following pages.



## Location of the Bank

The bank's location often is the first consideration for credit unions looking for an ideal bank acquisition target. "I always tell the buyer that they need to start with geography because the bank is where the bank is," Bell says. "So, where is the bank, do we want to be there, and could we be successful there?"

Sometimes, you may want to pinpoint a location within your own community. Other times, you may want to look at an adjacent town, an adjacent state or even another state or region entirely. However, geography alone may not determine the best acquisition candidate.

"You also have to figure out what type of bank you want," Cardone says. "For example, credit unions identify potential bank partners based on their asset size, geographic locations and lines of business, such as commercial lending. This is analogous to buying a house. Many factors are considered by families before engaging in the home buying process—cost and size, geographic location, etc. The same principles apply to successfully purchasing a bank. Expanding into new geographic market areas is a primary factor enticing credit unions to acquire banks. It is generally more cost-effective for a credit union to purchase a bank, rather than expand organically, in a new market area."

Geographical expansion was a motivating factor in the three bank acquisitions undertaken by GreenState Credit Union, headquartered in North Liberty, Iowa, about 115 miles from Des Moines. These acquisitions occurred within a five-year period. "In our strategic plan, growth is one of our pillars," says COO Kathy Courtney. "We always prioritize organic growth, but we also plan for some inorganic growth. As part of that, we had some markets that we strategically wanted to expand into."

GreenState's first bank acquisition—\$500 million First American Bank—occurred within the state of Iowa. "That acquisition allowed us to round out our footprint in Des Moines," Courtney says. "Des Moines was a strategic market for us, but we only had a couple branches there. With the First American acquisition, we got six branches immediately. Each new branch takes about a year to build, so instead of spending the time and money to build those, we were able to accelerate our expansion into an existing strategic market. We were also able to close one nearby an existing GreenState location, retain those members, and reduce operating expenses, along with adding fantastic talent and new products/services for our members such as Treasury Management and Trust Services."



The subsequent bank acquisitions for GreenState were \$743 million Oxford Bank & Trust, located in the Chicagoland area, and \$300 million Midwest Community Bank, headquartered in Freeport, Illinois, with a second branch in nearby Rockford. The latter institution through its ownership of Blue Leaf Lending had a strong mortgage shop, which was a nice component piece for GreenState as the largest mortgage lender in the state of Iowa.

“With Oxford Bank & Trust, we acquired some great branch locations, but the majority of their business was commercial,” Courtney reports. “We were able to bring additional products and services to those communities, including a more robust set of retail products as well as wealth management. They had no mortgage lending, so the Midwest Community Bank/Blue Leaf acquisition rounded out our Illinois expansion.”

The three bank acquisitions added nearly \$1.6 billion in assets to GreenState, but most of the credit union’s growth has been organic, which is key to sustainable growth. “When I joined GreenState about six years ago, we were \$5 billion and about 500 employees,” Courtney says. “Now, we are over \$11 billion and just over 900 employees.”

Sound Credit Union solidified its position in several geographic markets with its two bank acquisitions. The institution’s first acquisition—and also the first bank acquisition by a credit union in the State of Washington—occurred in 2019 with the purchase of

Bank of Washington. This acquisition helped the Tacoma-based credit union expand its presence to cover a broader geographic area of the state.

“The bank was positioned just north of our existing branches, so it gave us a nice expansion into that market,” Clark reports. “They were mostly doing business loans and business banking services, so we were able to help their customers by offering not only those products and services but personal products like RV loans and home equity loans as well.”

Sound Credit Union recently announced another bank purchase—this one being Washington Business Bank, with a little over \$100 million in assets. The bank is located in the southern part of Sound’s market, near Olympia, where the credit union was looking to develop a greater presence.

“By purchasing that bank, we are able to essentially double our deposit base in that market,” Clark says. “The shareholders of the bank were looking for a good buyer who would take care of their customers and help build what they’ve started in that area—somebody who could offer business and retail services, which we do—and they were looking for a fair price, which is something we’re always willing to pay, based on the bank’s value and on the loans and deposits they have on their books..”

In addition to its bank acquisitions, Sound Credit Union has grown its footprint through credit union mergers. “Over our history of 85

years, we've done 16 credit union mergers," Clark says. "Our goal is to grow organically, but we don't shy away from opportunities, especially if they make sense from a geographic standpoint. If it's an area where we're looking to grow, sometimes it's better to do that through a merger or acquisition."

Harborstone Credit Union also has achieved geographic expansion through its bank acquisitions. In May 2024, the credit union completed its first bank acquisition, involving Seattle-based First Sound Bank, which had \$160 million in assets. The bank's location in downtown Seattle proved to be a plus.

"We have a history in Seattle, where we started as King County Employees Credit Union," Bullock reports. "We have a strong presence in Tacoma as well, but we have a presence in Seattle that we wanted to fortify. So, we purchased First Sound Bank as a way to gain market share in a place that was historically important to us."

Harborstone already had an established downtown branch, which is only five blocks away from the location it gained through the First Sound acquisition. Though this may change sometime down the line, the credit union's initial strategy is to keep them both.

"If you have two branches or even three branches that are close to each other, there may be a fear that they'll cannibalize each other," Bullock concedes, "but I think that once people see multiple branches in a small area, their thought will be, 'Harborstone Credit

Union is everywhere. We should get an account there.' So, having branches close together, I think, strengthens both of them instead of weakening both."

As Harborstone was nearing completion of the First Sound acquisition, the credit union announced an agreement for its second bank acquisition, this one with \$600 million SaviBank, headquartered in Mount Vernon, Washington. The SaviBank acquisition will shore up Harborstone CU's presence further north with a total of 12 branch locations, including locations on Whidbey Island where the Naval Air Station is located.

"The SaviBank acquisition will significantly help us serve our core members," Bullock says. "We serve retired military folks, and that whole community is rich in retired military individuals. We know it's a community that our brand resonates with. Many of our own members have told us they are grateful to us for opening branches up there."

Beyond these two bank acquisitions, Harborstone will be expanding its presence even further with the announced merger of Community 1st Credit Union. When the merger is completed sometime in the spring of 2025, this will bolster Harborstone's presence with additional branches in DuPont, Lynnwood, Olympia, Tacoma and Tukwila, Washington.

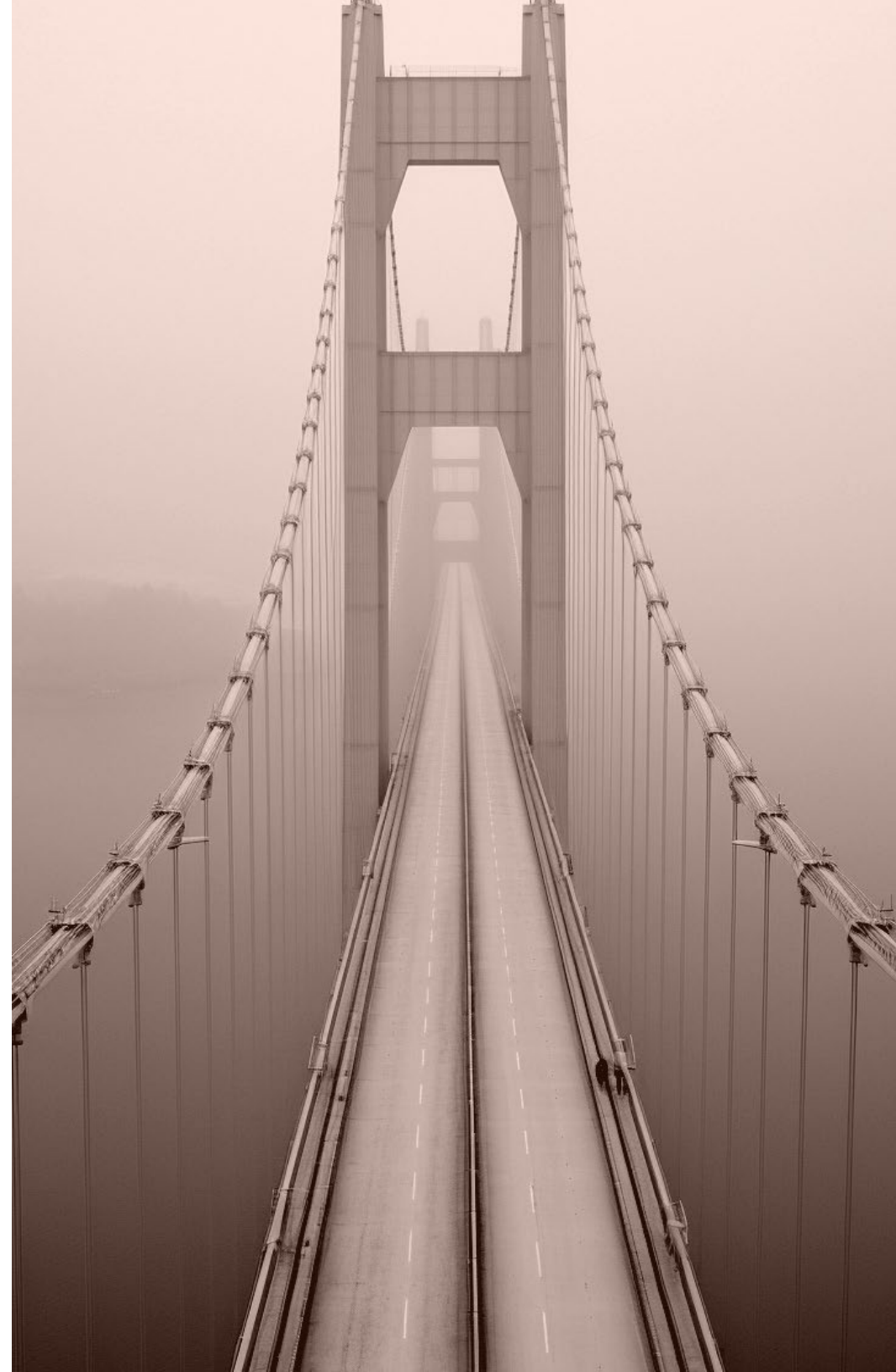
## Size of the Bank

Just as all credit unions are not suited to be an acquirer of a bank, not all banks are practical targets for credit unions to pursue. “We’re talking about banks on the smaller end of the market—generally those with assets of \$1 billion or less,” Bell says.

How do you determine the size of the target that will work for you? Cardone recommends that credit unions start by evaluating capital. “A lot of what’s going to drive a deal is capital,” he explains. “When a credit union buys a bank, it is important to evaluate the impact of the deal on the pro forma capital levels of the credit union after combining the balance sheets of the two parties. Generally, it is important that the pro forma net worth of the credit union at closing is greater than 8.0%, although other factors should be considered, including the pro-forma risk-based capital and the credit union’s liquidity ratio after excluding the effect of any goodwill from the transaction.”

These ratios are evaluated closely by the NCUA and other state regulators as part of their approval process, Cardone adds. “So, it is important that the size of the transaction is appropriate based on the credit union’s pro forma capital and liquidity.”

In most cases, the credit union will need to be significantly larger than the bank to make for a viable sale. For instance, a billion-dollar credit union would struggle to buy a \$700-800 million bank because it would be too dilutive to its capital. “The asset size of the bank is generally about 25% of the asset size of the purchasing credit union,” Cardone says. “If you’re a billion-dollar credit union,



your target's probably under \$250 million or maybe \$300 million. You can go higher depending on your capital, but that's generally a good rule of thumb."

Schulte agrees that the target bank is usually much smaller in asset size than the credit union seeking to acquire it. "It's more likely to be 10% as opposed to even half," he says.

Because of the dilution of capital, Winn observes that it would be rare to see a transaction involving a bank and credit union of equal size. Unlike a merger between two credit unions, in which the acquired credit union's regulatory capital comes over as part of the transaction, Winn explains, "With a credit union buying a bank, you write a check for the equity. None of the bank's capital comes across in the transaction, so that means your equity ratio goes down."

In most cases, the credit union will acquire goodwill (defined as the portion of the purchase price exceeding the fair value of the net assets being acquired). However, Winn points out, "goodwill and core deposit intangibles don't count for regulatory risk-based capital purposes. To pull off a transaction of equals, you would need a lot of excess capital or the ability to raise more."

Schulte adds that typically higher goodwill will arise with a credit union buying a bank, resulting in a higher price being paid. "For those reasons, it's typically the smaller banks that are selling to the credit unions," he observes.

Bank acquisitions often contribute substantially to the credit union's asset size, as is the case with Harborstone's addition of First Sound Bank and SaviBank. "We will be adding about \$770 million in total assets between those two transactions," Bullock says. "So, it'll be significant growth for us. We'll go from \$1.9 billion all the way up to \$2.7 billion."

Similarly, Flagler Bank's asset size made the institution a good fit for Dort Financial. "They were about a \$400 million to \$500 million bank at the time, and it made sense for us. It was a great growth opportunity," Waldron says.

Even before the Flagler acquisition, Dort was experiencing strong growth. Its assets grew from \$1.4 billion to \$1.9 billion in 2023. The credit union stood at \$2.3 billion at the beginning of 2024, coinciding with the acquisition's completion.

"We thought it was a good move to have that geographic diversification within our portfolio," Waldron adds. "The credit union has members in Florida, so the idea that we would be able to serve some of those members was helpful in the transaction, regardless of the size."





## People and Skillsets

When targeting a bank for acquisition, credit unions should look at the institution's potential for contributing skillsets and market expertise to their overall talent pool. "I think this piece is very important, both in terms of people and technology," says Bell. "Will the credit union be gaining new skillsets or capabilities with the technology or the people from the bank? If so, that's potentially a big deal."

With each acquisition by GreenState, there were talented individuals who came into the credit union's fold and brought familiarity with the new markets. "They know those communities," Courtney says. "They know their clients or customers, who are now members of the credit union. They are able to enhance their service with the credit union advantage that we bring."

An advantage of the acquisitions for former customers of the three acquired banks was access to new products and services that came to them through their new GreenState membership. Conversely, existing GreenState members gained new services that came from the banks.

"For example, with the First American acquisition, we were able to gain treasury management services, supported by a fantastic team," Courtney says. "That makes us unique in terms of credit unions nationally in having robust treasury management services to take care of those business deposits and operating accounts. With the Oxford acquisition, they had a foothold in manufactured housing lending, so that was another product line we were able to add."

## Financial Factors

When determining a target, credit unions also should consider the health and financial standing of the bank they wish to acquire. Among the financial factors they should consider are the following.

**Impact on Net Worth Ratio.** In assessing whether to proceed with a bank acquisition, it's important to assess its impact on the credit union's net worth ratio. Keep in mind that the NCUA classifies a well-capitalized credit union as one with a net worth ratio of 7% or better. But it would be even better, Bell says, if it were 8% or higher. "I've often explained that you ought to have enough capital to do the deal and not have the capital fall below that 8% line," he reports. "There's more nuance involved, but that's a fair conceptual piece to consider."

**Liquidity.** Liquidity is an important consideration when considering an acquisition target, says Cardone. "It is important for a credit union to evaluate its liquidity as to paying out the deal consideration and the ability to withstand any potential runoff of depositors or the sale of any impermissible assets of the bank," he noted, adding that credit unions should be careful in acquiring banks that are overleveraged in terms of their loan-to-deposit ratio. Ideally, it's best if the bank has no more than 90% loan-to-deposit ratio from a liquidity standpoint.

**Permissible Assets & Liabilities.** Permissible assets and liabilities are often another consideration in deciding which bank to target. What is permissible varies, depending upon the market area. "For

example, in certain states, credit unions can't accept municipal deposits," Cardone observes. "So, if a selling bank has municipal deposits, that should be evaluated as part of the due diligence process for the transaction." Even if permissible, the bank may have assets or liabilities that the credit union can't or won't buy, he adds. "For instance, many credit unions do not value lines of businesses of banks related to marijuana or agricultural lending due to their complexities. As a result, the assets and deposits associated with those business may need to be excluded from the transaction, which may be viewed less favorably by both the credit union and selling bank."

**Impact on Member Business Loan Limits.** Federally chartered credit unions are subject to a member business loan (MBL) cap of 12.25% of assets. Credit unions that primarily serve low-income members and community development credit unions are exempt from this MBL cap. Some state-chartered credit unions may have alternative rules guiding the MBL cap. When evaluating a potential target, a credit union needs to consider the impact the bank's loan portfolio will have on the combined institutions' MBL cap upon integration and in the future. One of the key reasons for acquiring a bank is to grow the MBL portfolio. Often, growing the MBL portfolio is key to making the deal economics work. We find low-income designated credit unions often have more flexibility in the bank acquisition process.

## How to Find a Bank to Target?

Once you've determined that your credit union would benefit by pursuing one or more bank acquisitions, how do you find potential candidates to target that meets your strategic objectives?

First, realize that you don't have to go it alone. There are numerous experts, many of whom have a growing track record of working with credit unions on bank acquisitions, that are in the best position to alert you to potential candidates and also put your name into the mix of potential acquirers.

"I think it's important to have relationships with firms in the industry who specialize in bringing merger and acquisition partners together," says attorney Jeff Cardone, citing law firms, brokers, consultants, advisors and others who are well-experienced in this area. "Just to get the word out, 'Hey, we're interested in acquiring a bank. Do you know of a good candidate?' That's the broker way of doing it."

Another way to identify a potential target is through general outreach. "If you're interested in a bank in your local community, call the CEO and ask them to lunch," Cardone recommends. "Let them know, 'We'd love to be on your shortlist if you ever decide to sell.' You'd be surprised how often that leads to deals."

Though brokers and lawyers play an important role, Geoff Bullock, CEO of Harborstone Credit Union, swears by the effectiveness of credit union executives forming relationships with community bankers as a means of building the foundation for potential deals. This was the route that Harborstone took to secure its acquisition deals with First Sound Bank and SaviBank.

"Neither of them went through a traditional bidding process," says Bullock. "Neither of them went out publicly in the market to be sold. Both transactions occurred as a result of conversations that happened between people in trying to build trust and rapport and talking about what the future could be like if we built it together."

For credit unions unsure about how to get started, working with a firm specializing in the industry is a good way to begin. CEO Advisory Group has proven to be a valuable asset in working with credit unions to identify potential targets for acquisitions and mergers, whether the target is a bank or another credit union. As the first advisory firm to exclusively serve the credit union industry, CEO Advisory Group has been helping credit unions to identify and facilitate merger and acquisition transactions with credit unions and banks over the last 25 years. Using its vast network of attorneys, investment bankers and bank leaders across the nation, the firm is able to find bank acquisition opportunities on behalf of credit unions.

## Section 3: How Bank Acquisitions Differ from CU Mergers

For credit unions exploring bank acquisitions, it's important to note that they differ in several important ways from a merger of two credit unions. The distinctions primarily stem from the structural differences in the entities themselves, starting with their profit versus nonprofit status and their ownership.

“In a credit union merger, there's no consideration exchanged in connection with the transaction because a credit union is owned by its members, whereas in a bank acquisition, the bank shareholders need to be paid for their stock in the bank,” says Garabedian. “A bank acquisition can be a little more complex because of the ownership, the business model of the bank, the bank's loan portfolio and other powers of banks.”

Bank acquisitions revolve primarily around monetary considerations, making them different from credit union mergers in which nonmonetary factors may come into play—such as who is going to be the CEO, how many board seats will the merging credit union receive, what is going to be the name of the continuing organizations, etc.

“The deal can hinge on one of those things, whereas with a bank, the ownership has determined that they want to sell the bank and they're looking for the best financial outcome for the shareholders,” says Fielder of Advia Credit Union. “They take other stakeholders into consideration as well. We spend a lot of time looking at the people, the customer base, making sure that the deal is going to be a good fit for the stakeholders. But in the end, it is a financial transaction.”

There are occasions when the nonmonetary issues become so insurmountable between two credit unions that they override the strategic rationale that brought them together in the first place. “We've seen firsthand that credit union mergers failed, despite compelling financial reasons to do the deal, because the parties were not on the same page regarding key social issues, such as board composition, branding, branch closures and compensation,” Cardone says.

Absent of monetary considerations, these other issues often take on elevated importance. “If you're the merging credit union that is literally giving away its net worth for free, you're going to ask for a lot in terms of the social aspects of the transaction,” Cardone says. “Conversely, when a credit union is acquiring a bank, the importance of social issues is secondary because the primary focus of the selling bank is the purchase price, since the board has a primary fiduciary duty to the bank's shareholders. So, in many respects, a bank acquisition is easier because social issues are secondary in terms of importance.”

In her experience with bank acquisitions, Courtney has found the transactions to be handled in a more straightforward manner than credit union mergers. “The leaders and owners of the bank are looking to exit, and so whoever makes the best offer, from both a price perspective and a feeling that this is the right choice to take care of their employees and their customers, that's who wins those deals,” she says. “You agree on a price, you enter into a purchase agreement, and when the deal is concluded, the credit union takes over, and the bank execs and owners ride off to do whatever they want to do next.”



## Why Choose the Credit Union?

When banks indicate that they are looking to be acquired, often they have multiple suitors. Credit unions can put themselves in the best position to be successful not only by offering a competitive bid but also by showing how they are the best choice for the bank's employees, customers and communities going forward.

"From the bank's point of view, you have to be an attractive and competitive bidder because typically they're talking to more than one interested party," says Clark. "They're looking for a buyer that has the products and services and the bandwidth to continue to offer at least what they're offering to their current customers—and hopefully more. The credit union needs to ensure that they have the tools and financial strength to take care of their customers once they become members of the credit union."

Clark notes that the number one concern for the banks they've acquired was how the transaction would benefit their shareholders. Close behind, the banks were also concerned about how the transaction would impact their customers. "They had established relationships with many of their customers, some of whom were their board members," he explains. "They cared about their customers and wanted somebody who would take care of them long-term."

The banks exhibited similar concern for the future wellbeing of their employees. "I've had many discussions with both CEOs talking about their employees and how this is going to impact them," Clark reports. "Our goal is always to retain as many people as possible because they

care about their customers who now become our members, and they want to continue those relationships. They want their employees to have the opportunity to keep taking care of them and meeting their needs."

Price is a major issue that often distinguishes credit union acquirers from bank acquirers of banks. Schulte has observed that credit unions often are in a position to pay more for a bank. This is evident by comparing the prices being paid over tangible book equity. "If you look at the prices that are typically paid for a bank, comparing the medians over the last five or so years, a bank-to-bank transaction median might be about 1.5," Schulte says. "If you look at a credit union acquiring a bank, it's typically closer to 2x in terms of the multiple over book."

These medians may be coming down somewhat given the current environment, Schulte concedes, "but I think that the metrics still demonstrate that credit unions are typically paying a premium for a bank versus what a bank would pay for another bank."

Garabedian identifies another compelling reason why credit unions typically pay more for a bank—specifically, the fact that they don't have to deduct goodwill from their capital, except in the case of risk-based capital. "Banks can't include goodwill in calculating their capital because it's an intangible," he points out. "Intangibles shouldn't count as capital, but credit unions can include goodwill in calculating their net worth requirement because if the institution is ever liquidated, the regulators can't sell an intangible."

## Credit Union's Tax-Exempt Status

As credit union's participation in bank acquisitions have ramped up, we have observed that bank lobbyists and trade associations are putting hurdles in the way of these transactions taking place. A major objection stems from the fact that credit unions are not-for-profit entities that don't have to pay federal taxes, which some bankers see as an unfair advantage. They argue that the tax-exempt status of credit unions originated in an era in which many were small, volunteer-run cooperatives that bear little resemblance to the larger, more sophisticated financial institutions that are more prevalent today.

The counterargument to the bankers' position is that credit unions have restrictions on their charter that offset the advantages of tax exemption. For instance, Clark notes that the tax-exempt status of credit unions is a long-standing legislative statute that takes into account their unique structure.

"We're structured as a financial cooperative that doesn't have shareholders, and because we're a not-for-profit, there is no federal income tax," he says. "What bankers fail to mention are the advantages they have based on their for-profit status. They have no restrictions on who can open an account at their bank, they can raise capital more easily, and many of them personally gain from stock options."

Given their not-for-profit status, credit unions are not motivated to maximize profits on behalf of the stockholders. They are more concerned about doing what is in the long-term interest of the members. The revenue they generate is largely passed along to

members in the form of lower fees, better interest rates on investment vehicles, lower loan rates and higher dividends on share accounts.

Without being motivated by the need for a return to stockholders, credit unions are more likely to invest in retaining branches, expanding products and providing more services to their communities. In fulfilling a mission to serve underserved communities, many credit unions are likely to be located in markets that banks have no interest in. They have concern for both small businesses and consumers, often allowing them to derive more synergies than banks are able to achieve—and ultimately benefiting more people in the community.

Banks, on the other hand, are motivated as for-profit entities to optimize deals for the benefit of their stockholders. When a bank decides to sell, credit unions may very well be the best options in the acquirer pool. So, while the banking industry may bemoan what is seen as an unfair tax advantage, the selling bank may be pleased by a superior credit union offer that will have a positive impact on share prices and what stockholders pocket at the end of the sale. From that perspective, having credit unions as bank buyers is ultimately beneficial to bank shareholders and should be embraced by the banking industry.

Clark concurs with this view, noting that when a bank sells to a credit union, they are looking out for the interests of the shareholders. "Their number one objective is the return to shareholders, and we're helping them accomplish that goal," he says.

## Section 4: The Banker's Perspective

Gaining insight into the banker's perspective can be valuable as credit unions consider potential acquisitions. For this white paper, we spoke to three bankers who were involved in acquisitions. They share the key considerations that culminated in the acquisition of their bank by a credit union.





## Ed Sterling

**Former Role: President, Flagler Bank | Current Role: COO, Dort Financial Credit Union**

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As president of Flagler Bank based in West Palm Beach, Florida, Sterling was tasked with achieving a sale that provided the best possible outcome for the institution's shareholders, customers and employees. Ultimately, Dort Financial Credit Union of Grand Blanc, Michigan, was the successful bidder, and Sterling now serves as COO of the continuing financial institution.

"One of the best things about a credit union acquiring a bank is that the deal is 100% cash," Sterling says. "In the vast majority of deals, when it's a bank-to-bank acquisition, the shareholders primarily receive a combination of cash and stock of the new bank," he explains. "As an investor, you're hitching your wagon to a new team of horses that is hopefully as profitable or more profitable than the institution you sold, but that's not always the case."

When Flagler Bank considered the Dort Financial offer, Sterling notes that the retention of employees and customers was a major concern. "One of the most important issues for myself and the bank's board was for the welfare of the employees," he says. "Before we agreed to the sale with Dort, I ensured that the Flagler employees would receive the same if not better benefits and compensation and that every employee would be retained."

As part of the transaction, Flagler had to address the concerns among its customers that the acquisition might lead to a reduction in products and services. "We at Flagler contacted most of our customers to assure them that not only would they have the same products and services they were accustomed to, but they would also have additional products and services after the acquisition," Sterling says. "We made it through the process with very little loss of customers."

From Sterling's perspective, the acquisition process went smoothly. "The bidding process proved relatively easy, as the offer price was well within the desired price agreed to by the board," he says. "However, the regulatory process became unnerving as the regulators took an unusually long time to approve of the deal."

The timing of the Flagler acquisition coincided with three bank failures that occurred around March 2023, which led to the excessive delay. On a positive note, Sterling reports, "Once we received approval, we closed within three weeks. While it was a difficult waiting process for regulatory approval, Flagler and Dort consistently had our professionals inquire the regulators as to the progress (or lack thereof), which was reported to our board and shareholders along the way. This continual updating of information kept the bank's shareholders confident in the ultimate sale."



## Marty Steele

**Former Role: President/CEO, First Sound Bank | Current Role: Market President, Harborstone Credit Union**

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Steele calls himself a “unique animal” in the arena of credit unions acquiring banks. In 2019, he was president/CEO of the Bank of Washington when it was acquired by Sound Credit Union of Tacoma, Washington—the first bank acquisition in the State of Washington and, for that matter, the entire West Coast. He moved on to become president/CEO of First Sound Bank, putting him in position to become part of the second Washington State bank acquisition when it was purchased by Harborstone Credit Union of Lakewood, Washington.

“I’m probably the only banker in the country that’s done two credit union mergers with a bank,” says Steele, who has stayed on at Harborstone as the credit union’s market president, responsible for business development in the Seattle area.

Steele sees both an upside and a downside of being a pioneer in this space. “The downside is you’re entering into uncharted waters,” he says. “The upside is it’s all cash, and you have no risk to the shareholders. If you have the choice of giving your shareholders cash versus stock in another bank, cash is better.”

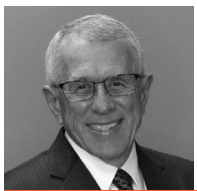
A key reason that banks are considering offers from credit unions is that there are fewer banks as suitors, Steele observes. Fifteen years ago, when he was CEO of another small bank in Seattle, there were 89 banks headquartered in the state of Washington. “Turn the clock ahead to 2024, and there are 40 banks—less than half,” Steele adds. “So, the whole community banking landscape has changed. And it’s not just in the state of Washington. Nationwide, there are also less than half the banks there were 15 years ago.”

Steele adds that credit unions make a good fit for a bank acquisition because of their size. His contention is that most large banks aren’t interested in acquiring community banks like First Sound. “We’re too small,” he observes. “Credit unions make a lot more sense because they’re large enough to absorb a bank but still much smaller than the big national banks. So, in terms of finding a merger partner that’s the right size, there are numerous credit unions in this region that are great merger partners.”

A few years after Steele joined First Sound as president/CEO, the bank opted to consider a merger or acquisition because of limited capital and liquidity that was putting a strain on its growth. It turned out that Harborstone checked all the boxes as an acquisition partner. “They’re really strong financially. They have good capital, good liquidity, good earnings, a good reputation, and good position in the marketplace,” Steele says. “They also have a strong branch network, a well-defined vision, and a good strategic plan.”

Harborstone’s desire to strengthen its position in downtown Seattle also played a role. “I’ve been in the Seattle market for 45 years, so I’ve got tremendous presence and visibility,” Steele says. “I’m very involved in the community, so I’ll be the face of the credit union here in the market for the next few years. I will be responsible for bringing in new customers, loans and deposits. They’re providing me with the capital and liquidity we need to grow, so it’s actually a perfect marriage.”





## Mike Cann

**Current Role: Board Chair, SaviBank**

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Harborstone Credit Union's second bank acquisition, involving SaviBank, came out of a personal relationship that developed between Bullock (Harborstone's CEO) and Cann. Bullock had already connected with the Washington State banking community, based on Harborstone's previous acquisition of First Sound Bank. Eventually, that led him to connect with Cann at SaviBank.

"Mike and I probably met—not exaggerating—a dozen times for lunch or coffee and built a genuine friendship, and from that friendship came an opportunity to purchase the bank," Bullock recalls. "It wasn't a traditional bid process. It came out of a relationship and trust."

"Geoff and I hit it off well," Cann affirms. "I liked his professionalism. I liked his approach. I liked his friendliness."

One conversation with Bullock particularly impressed Cann. "When we were talking about our values, our missions and our visions for our companies, Geoff said to me that one of their key values is being kind—kind to their employees, kind to their customers and kind to the people that they work with," Cann recalls. "That struck a chord with me. Having been a community banker for over 50 years now, I like that concept because I think we're definitely here to make a positive difference in people's lives, and being kind is a part of that."

That conversation led to other conversations, eventually culminating in a discussion about how the institutions could reach their goals more quickly by working together. Having had that discussion, Cann recounts, "It made a lot of sense for us to join up with Harborstone."

As board chair, Cann is guiding the SaviBank board through the acquisition. Cann notes the board was in total agreement with the deal. "Everybody on our board signed off and is 100% supportive of what we're doing."

Cann acknowledges that the board did inquire whether there might be an institution that could make a better offer, but the fact that Harborstone expressed concern about taking care of SaviBank's employees and customers in combination with offering an attractive price was what tilted the decision in the credit union's direction.

"Frankly, we did look at others, not necessarily to the point that offers were made, but we looked at all the aspects together—pricing, employees, customers—and there wasn't anyone that gave us a better deal," Cann says. "That is one thing I found that was foundationally different from other M&As that I've seen. Those three factors were brought to the forefront with equal concern to build a better company together."

Cann concurs with other contributors to this white paper on the importance of keeping credit unions as an option for banks to consider as potential purchasers, especially small community banks. He understands the intensified efforts among bankers' organizations to use credit unions' federal tax-exempt status as a reason to thwart potential purchases, but "it would take away one of the most viable alternatives for exit strategies for small community banks given the disadvantages those banks face in today's M&A market," he says.

# Conclusion

Now accounting for nearly one in five transactions, credit unions are no longer a minor player in the bank acquisition market. Considering they were a negligible presence just 15 years ago, there's a good probability that credit unions will grow their share of bank acquisitions substantially in the coming years.

For credit unions to include bank acquisitions as part of their growth strategy, they will need to analyze whether they have the size, scale and financial resources that are required to be successful in these endeavors. They also will need clear objectives of what they wish to achieve, whether it's accelerating growth, building their commercial lending presence, expanding geographically, or gaining new talent and skillsets.

Clarifying your reasons for proceeding with a bank acquisition and identifying an appropriate target are only the initial steps of this multifaceted process. In Part 2 of this white paper, we'll talk about what you need to know to proceed with the transactional aspects of a bank acquisition.

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## LESSONS LEARNED

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### **Wayne Natzke, board chair, Dort Financial Credit Union**

"Don't be afraid to consider a bank acquisition. Banks have a different structure and a different culture, but they can be done. A lot of credit unions are looking at merging with other credit unions, so we're basically cannibalizing ourselves when we could go into an area with a small community bank that wants to sell and get that area with members already there."

### **Kathy Courtney, GreenState Credit Union**

"Work very closely in tandem with your board of directors first and foremost. Make sure you're bringing them along on this, having conversations with them to ensure you are aligned on your acquisition strategy, such as when it makes sense to move forward with a deal versus saying no, and having a strong partnership."

### **Geoff Bullock, Harborstone Credit Union**

"I've learned that there's a real desire for trust and relationship-building within the community bank movement, and that's what led me to get involved with community bank leaders and to approach an acquisition from a relational model."

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