

DATA DISPATCH

Crossing \$10B in total assets a rare sight for US credit unions

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Market Intelligence

Since the third quarter of 2019, only nine U.S. credit unions have grown beyond \$10 billion in total assets.

Sitting above \$10 billion in total assets is an exclusive club for credit unions, with only 19 out of 5,019 operating credit unions in the U.S. above the critical threshold, compared to 155 out of 4,682 top tier U.S. banks at Dec. 31, 2021, excluding nondepository trusts.

Field of membership restrictions, a lack of sizable mergers and a reliance on earnings alone to subsidize growth are "major constraints" on credit union growth, according to Glenn Christensen, founder, president and CEO of CEO Advisory Group, an M&A consulting company focused on the credit union industry. But the increasing use of secondary capital, which was just made available to even more credit unions as of Jan. 1, could soon allow some credit unions to grow at a faster pace as they have a new avenue to fund growth, he said.

"The fact that credit unions have only been able to grow as fast as their earnings without having access to secondary capital has always hindered the industry," Christensen said in an interview. "[Secondary capital] is a significant benefit to the industry in that it's going to allow a lot more credit unions to accelerate their growth going forward, both organically and inorganically. Virtually every credit union that I sit with and talk to, they're all contemplating how secondary capital might benefit them going forward."

Bank M&A

Many credit unions are looking at secondary capital to fund bank acquisitions, Christensen said.

Of the nine credit unions that have crossed \$10 billion in total assets since the third quarter of 2019, two have announced bank acquisitions since the beginning of 2021: VyStar CU and Lake Michigan CU.

VyStar CU's pending acquisition of Heritage Southeast Bancorp. Inc. holds the title as the largest-ever credit union acquisition of a bank at announcement based on Heritage Southeast's \$1.65 billion in total assets at announcement. However, the deal, which was announced in March 2021, has yet to close. Upon closing, VyStar CU will have more than \$13 billion in total assets.

Lake Michigan CU's two bank acquisitions since 2017 helped to push it to \$11.67 billion in total assets at Dec. 31, 2021. The Grand Rapids, Mich.-based credit union closed its acquisition of Encore Bank in 2018 and, more recently, closed its acquisition of Pilot Bancshares Inc. in December 2021.

A series of four bank acquisition announcements since 2019 have helped push GreenState CU to just above \$9 billion in total assets at Dec. 31, 2021.

US credit unions that crossed \$10B in assets since Q3'19

As of Dec. 31, 2021

Company	City, state	Total assets (\$B)	As of Dec. 31, 2021		LTM ROAA (%)	LTM ROAE (%)	Quarter CU crossed \$10B*
			Asset growth since June 30, 2019 (%)	Membership growth since June 30, 2019 (%)			
Randolph-Brooks FCU	Live Oak, TX	14.77	52.7	20.8	1.70	15.72	Q1'20
Mountain America FCU	Sandy, UT	14.02	54.7	22.9	1.87	21.44	Q2'20
Lake Michigan CU	Grand Rapids, MI	11.67	79.2	18.8	1.51	14.00	Q2'21
VyStar CU	Jacksonville, FL	11.65	33.5	20.9	0.97	11.88	Q4'20
Bethpage FCU	Bethpage, NY	11.47	29.0	8.2	1.60	18.74	Q4'20
Star One CU	Sunnyvale, CA	11.07	26.5	8.1	0.77	6.68	Q4'20
San Diego County CU	San Diego, CA	10.82	28.8	3.7	0.97	6.60	Q1'21
Alaska USA FCU	Anchorage, AK	10.72	34.7	5.6	1.05	12.96	Q1'21
Security Service FCU	San Antonio, TX	10.49	8.7	1.7	1.53	14.70	Q2'20
Group median			33.5	8.2	1.51	14.00	

Data compiled March 30, 2022.

ROAA = return on average assets; ROAE = return on average equity

Analysis includes operating U.S. credit unions that reported total assets greater than \$10 billion as of Dec. 31, 2021, but had fewer than \$10 billion in assets as of June 30, 2019.

* Represents the quarter when the credit union initially crossed the \$10 billion threshold.

Data based on regulatory filings.

Source: S&P Global Market Intelligence

Approaching \$10 billion

A handful of credit unions are set to surpass \$10 billion in total assets, with seven having more than \$9 billion in total assets at Dec. 31, 2021.

Of those seven, Digital FCU is the closest with \$9.89 billion in total assets. The credit union previously crossed \$10 billion in total assets in the second quarter of 2020, but fell back below in the first quarter of 2021 and has remained below the threshold.

US credit unions approaching \$10B asset threshold

Credit unions that had never crossed the \$10 billion threshold

		As of Dec. 31, 2021			
Company	City, state	Total assets (\$B)	YOY asset growth (%)	LTM ROAA (%)	LTM ROAE (%)
American Airlines FCU	Fort Worth, TX	9.20	4.2	0.60	6.67
ESL FCU	Rochester, NY	9.20	11.3	1.77	10.16
Patelco CU	Dublin, CA	9.05	7.3	0.60	6.50
OnPoint Community CU	Portland, OR	9.04	14.4	0.95	8.66
Delta Community CU	Atlanta, GA	9.02	16.9	0.66	6.56
GreenState CU	North Liberty, IA	9.01	26.7	2.55	25.95
Logix FCU	Valencia, CA	8.82	11.3	1.32	9.78
Teachers FCU	Hauppauge, NY	8.80	5.1	0.98	11.15
Ent CU	Colorado Springs, CO	8.75	16.8	0.65	6.16
Idaho Central CU	Chubbuck, ID	8.34	23.6	1.33	16.82
Desert Financial Desert Financial CU	Phoenix, AZ	8.21	23.6	1.17	11.47
Pennsylvania State Employees CU	Harrisburg, PA	8.19	9.8	0.88	9.61

Credit union approaching \$10 billion in Q4'21 but had crossed the threshold previously

		As of Dec. 31, 2021			
Company	City, state	Total assets (\$B)	YOY asset growth (%)	LTM ROAA (%)	LTM ROAE (%)
Digital FCU	Marlborough, MA	9.89	-2.0	0.37	3.87

Data compiled March 30, 2022.

ROAA = return on average assets; ROAE = return on average equity

Analysis includes operating U.S. credit unions that reported total assets between \$8 billion and \$10 billion as of Dec. 31, 2021.

Data based on regulatory filings.

Source: S&P Global Market Intelligence

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