

DATA DISPATCH

Efforts to halt credit union-bank deals squashed in Tennessee

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By Lauren Seay and David Hayes
Market Intelligence

The bank lobby lost a battle in Tennessee, but it has not lost the war, as decisions regarding credit union purchases of banks in two other states remain outstanding.

Three of the 13 credit union purchases of banks announced in 2021 came under fire from state regulators, making 2022 a pivotal year for states' progress on halting these transactions. One of those situations was recently resolved when a Tennessee court lifted the temporary injunction on Orion FCU's announced acquisition of Financial Federal Bank, allowing the transaction to proceed. With the Tennessee litigation in the rearview mirror, all eyes now are on Nebraska and Minnesota.

The Nebraska Department of Banking and Finance in December 2021 denied Premier Bank permission to sell its assets to GreenState CU, but the bank has appealed the decision in district court. The Minnesota Department of Commerce recently blocked Royal CU's pending acquisition of Lake Area Bank, but the companies have restructured the transaction, Royal CU President and CEO Brandon Riechers told S&P Global Market Intelligence in a statement shortly after the state regulator's decision in April.

Michael Bell, a partner and co-leader of the financial institutions practice group at law firm Honigman LLP, which advised Orion FCU, GreenState CU and Royal CU, expects positive outcomes in both states following the decision in Tennessee, he said in an interview.

"This is good momentum," Bell said. "I believe they will do the same in Nebraska and in Minnesota and any other state where politics enters to hinder the free market."

Three states — Colorado, Iowa and Mississippi — have completely barred credit unions from purchasing state-chartered banks.



States work to stop credit union acquisitions of banks



Colorado

The Colorado State Banking Board in January 2020 denied Cache Bank & Trust permission to sell its assets to Elevations CU, prohibiting any future such deals in the state.



Illinois

The Community Bankers Association of Illinois in January filed a bill to amend the Illinois Credit Union Act in hopes of requiring credit unions to pay 10% of the book value of the assets or liabilities, whichever is greater, of a bank target. The bill is currently stalled.



Iowa

The Iowa Division of Banking approved First American Bank's sale to GreenState CU in March 2020 but said it will "quickly deny" any future such deals.



Minnesota

The Minnesota Department of Commerce in April blocked Royal CU's pending acquisition of Lake Area Bank.



Mississippi

Governor Tate Reeves on March 10 approved a bill amending state code to allow only financial institutions insured by the Federal Deposit Insurance Corporation to buy banks chartered in the state as of July 1.



Nebraska

The Nebraska Department of Banking and Finance denied Premier Bank permission to sell its assets to GreenState CU in December 2021. Premier Bank has appealed the decision in court.

Data compiled June 1, 2022.

Analysis includes states that have barred credit union acquisitions of state-chartered banks, either through legislation or by state regulators denying such deals, and states with pending litigation over the legality of these such deals.

Data compiled on a best efforts basis.

Credit: Zain Ullah

Source: S&P Global Market Intelligence

The battle in Tennessee

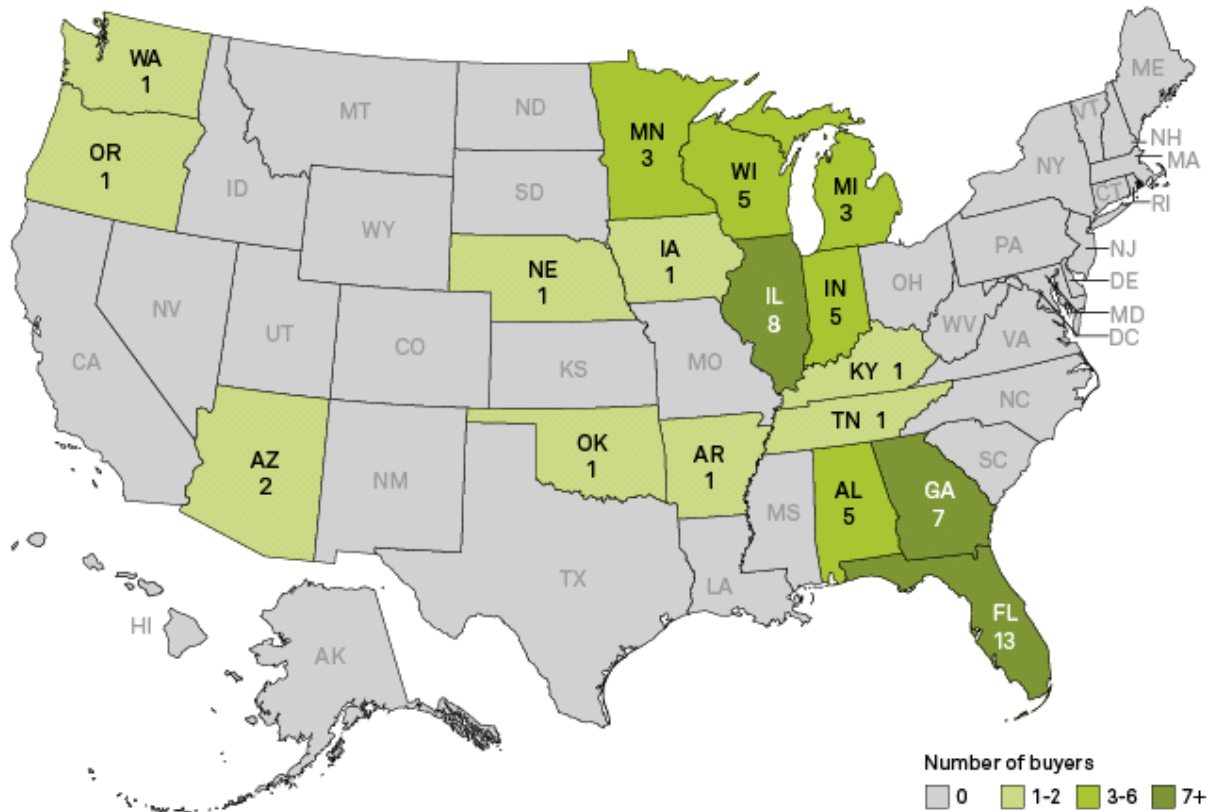
Like GreenState CU's acquisition of Premier Bank and Royal CU's of Lake Area Bank, Orion FCU's pending purchase of Financial Federal Bank was the first such deal announced in the bank seller's state.

After the deal was announced, Commissioner Greg Gonzales of the Tennessee Department of Financial Institutions, or TDFI, asked a judge to temporarily block the deal, arguing that the acquisition is prohibited under the Tennessee Banking Act. The judge granted a temporary injunction in November 2021 but lifted it on May 27 on the basis that "the proposed asset purchase transaction is not a prohibited transaction" under Tennessee law.

Commissioner Gonzales did not reply to request for comment reacting to the court's decision.

Tennessee Bankers Association President and CEO Colin Barrett was "disappointed" and "surprised" by the decision because "no one understands Tennessee banking laws as well as the [TDFI]," he wrote in a statement to S&P Global Market Intelligence.

US bank M&A targets with credit union buyers by state since 2015

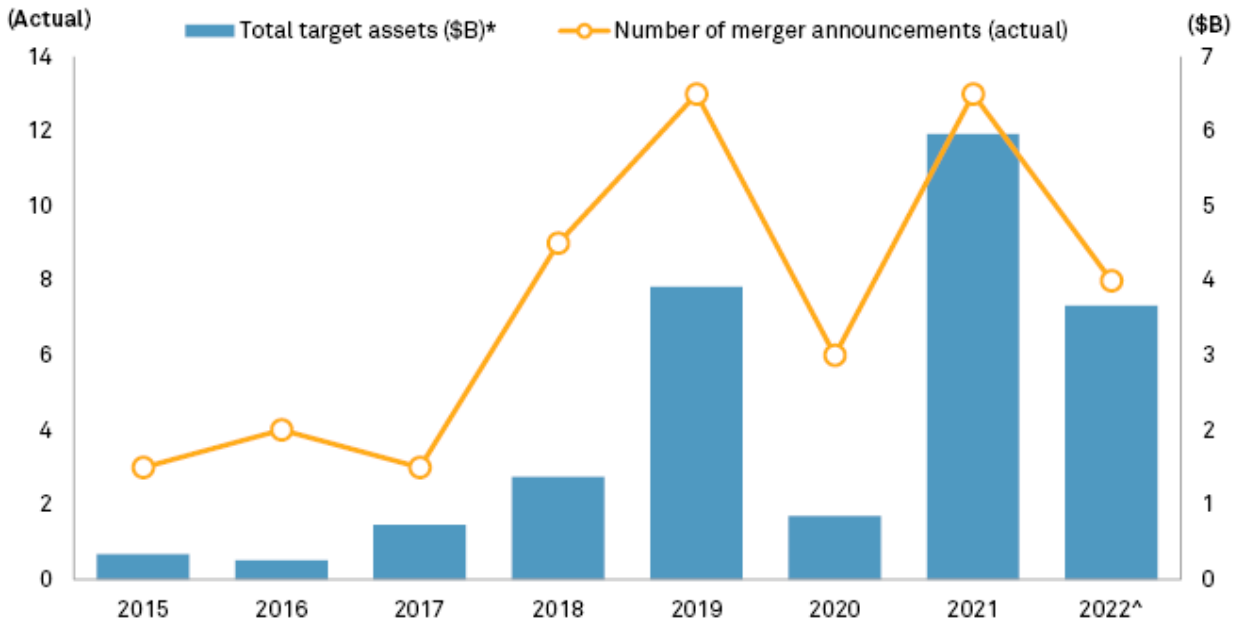


Data compiled June 2, 2022.
 Includes deals announced between Jan. 1, 2015, and June 2, 2022, with a U.S. credit union buyer and a U.S. bank or thrift target; excludes terminated deals.
 Data shown is based on target bank headquarters.
 Source: S&P Global Market Intelligence

Number of deals, size of deals increasing

Eight credit unions have announced bank buys so far this year, more than halfway to the record of 13 such announcements in 2019 and 2021, not including terminated deals. Similarly, the size of these deals is increasing. The total assets of the eight bank targets this year amounts to \$3.67 billion, also more than halfway to the \$5.96 billion among the 13 targets last year.

US credit union-bank M&A deals



Data compiled June 2, 2022.

Analysis limited to deals announced between Jan. 1, 2015, and June 2, 2022, with a U.S. credit union buyer and U.S. bank or thrift target; excludes terminated deals.

* Total target assets as of the most recent quarter-end prior to deal announcement for all deals announced that year.

^ Data is year-to-date as of June 2, 2022.

Source: S&P Global Market Intelligence

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