
CREDIT UNION DIGEST

Florida a likely hotspot for next round of CU-buying-bank deals

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By Ken McCarthy

There have already been more deals involving credit unions buying banks announced in 2018 than any previous year, and there could be more to come before Dec. 31.

Most recently, Michigan-based Advia CU announced Nov. 14 it is acquiring Woodstock, Ill.-based Golden Eagle Community Bank. That deal is expected to close in the first quarter of 2019 and marks the ninth time this year that a U.S. credit union announced a deal to acquire a community bank.

There were six credit union-buying-bank deals announced in 2017, although one of those was later terminated. In total, there have been 26 such deals announced since 2012.

Michael Bell, an attorney with Howard & Howard, served as Advia's legal adviser and has advised the buyers on many credit union-buying-bank deals. He told S&P Global Market Intelligence deals in Ohio and Colorado could be announced in coming weeks.

"The holidays are so odd," Bell said. "I think there are two or three coming, but I am thinking they won't announce until January."

Bell said the hottest areas of the U.S. for such deals are the Southeast — especially Florida, Georgia and Alabama — and the upper Midwest including Wisconsin, Minnesota and Illinois.

The Golden Eagle deal was Advia's third such deal making it the first credit union to buy three banks. Its first two bank buys took place in Wisconsin. President and CEO Cheryl DeBoer previously told S&P Global Market Intelligence there are not as many community bank targets in the credit union's home state of Michigan because a lot of consolidation has already occurred there.

US credit unions buying banks in 2018

Listed by deal announcement date

Buyer	Target	Target state	Announcement date	Deal status	Target assets (\$M)
Advia CU	Golden Eagle Community Bank	IL	11/14/18	Pending	155.1
Sound CU	Bank of Washington	WA	09/21/18	Pending	205.7
IBM Southeast Employees' CU	Oculina Bank	FL	07/26/18	Pending	358.6
CU ONE	Hantz Bank	MI	05/04/18	Pending	228.6
Mid Oregon FCU	Certain assets and liabilities of High Desert Bank	OR	03/28/18	Completed on 06/18/18	20.5
LGE Community CU	Georgia Heritage Bank	GA	03/22/18	Completed on 09/28/18	94.7
Evansville Teachers FCU	American Founders Bank Inc.	KY	03/12/18	Completed on 10/31/18	113.4
Superior Choice CU	Dairyland State Bank	WI	02/20/18	Completed on 08/31/18	79.1
Achieva CU	Preferred Community Bank	FL	02/14/18	Completed on 09/30/18	117.6

Data compiled Nov. 14, 2018.

Analysis includes U.S. bank and thrift/whole-company deal announcements between Jan. 1, 2018, and Nov. 14, 2018, where the buyer is a U.S. credit union.

Total assets as of most recent quarter available at deal announcement date.

Source: S&P Global Market Intelligence

Like Bell, Dennis Holthaus, managing director at Skyway Capital Markets, has also advised on several credit union-bank deals. He said in an interview there are a number of transactions now in various stages of completion.

Holthaus said the holiday season makes timing important to the sellers as they often do not want to notify staff about a deal until after the holidays are behind them.

"My guess would be a couple more deal announcements before year end, certainly transactions that have been in the works for a while," he said. Holthaus expects 2019 to continue the trend of steady growth of credit union/bank transactions.

The Southeast and mid-Atlantic states continue to see the most activity for credit union-bank deals because of the demographic and growth trends of those states, Holthaus said. But he noted that states such as Florida will at some point see a slowdown in the volume of transactions because the number of potential targets is shrinking and not every remaining community bank is a seller.

Credit union consultant and former NCUA Chairman Dennis Dollar said in an interview a number of his credit union clients are considering bank purchases.

Dollar said purchasing a bank is not realistic or strategically sound for many credit unions, but those with available capital and an appetite for expanding their market footprint should certainly look. One of the challenges for such deals is the purchasing credit union must be able to qualify the bank's customers as potential members under the credit union's field of membership. Most credit unions looking at bank deals are targeting institutions already in their markets in part because it is easier to qualify the customers as members, Dollar said.

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