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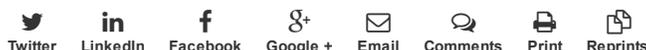
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Michigan's CU's Acquisition of Wisconsin Bank Reflects Larger Trend Within CU Industry

By Palash R. Ghosh
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Parchment, Mich.-based Advia Credit Union is set to complete its acquisition of Janesville, Wis.-based Mid America Bank, effective August 1. It's a big move for the credit union, but analysts say it could just be one component of a much bigger shift in the industry.

A spokeswoman for the \$1.3 billion-asset credit union said Advia will be acquiring all of Mid-America Bank's branches and that all of its customers will become members of Advia CU.

Mid America Bank also has additional locations in the Wisconsin towns of Williams Bay, Waukesha, and Madison.

As a result of the transaction, Advia CU's field of membership will expand to include anyone who works or lives in the following counties in Wisconsin: Dane, Milwaukee, Waukesha, Jefferson, Green, Rock, Walworth; and Winnebago County in Illinois.

Advia CU currently has about 130,000 members in Michigan, Wisconsin and Illinois, 400 employees and 26 branch locations.

In connection with the merger, Mike Jones, the current president and CEO of Mid America Bank, will become regional vice president of the Wisconsin and Illinois region for Advia CU. Twenty Mid America staff members will transition to the credit union.

"It is an exciting time for us as we continue to grow and expand our field of membership and our Advia team, and strengthen our commitment within Wisconsin," Cheryl DeBoer, president and CEO of Advia CU, said in a statement. "We are 100% committed to providing a smooth transition for our new members."

Part of a Larger Trend?

Some credit union experts see this phenomenon of credit union acquiring the assets of small banks as a growing trend.

Michael Bell, an attorney and counselor at the Howard & Howard law firm in Royal Oak, Mich., said he expects to see up to four more of these types of transactions occur by year end.

Bell, who primarily represents credit unions in his business, explains that large credit unions, which are well-capitalized and financially healthy, are gradually filling a void that has been vacated by larger banks.

"We are not seeing the bigger banks buying up smaller banks like we saw ten years ago," he told Credit Union Journal. "It may be a cyclical thing. But the financial services market is calling for consolidation – and these smaller banks, especially in rural regions, need larger partners. This is a perfect opportunity for larger credit unions to swoop in and snap up some assets."

Because credit unions are run so efficiently, Bell added, it is "extremely advantageous" for both parties to conduct these mergers.

Historically, in order to grow, credit unions have either acquired other credit unions or added new branches. Now, acquiring the assets of small banks is a viable third option.

Dennis Dollar, an Alabama-based credit union consultant, commented that the purchase and acquisition of a community bank's assets by a credit union is "somewhat of a growing trend," largely driven by the fact that many of the mega-banks have pulled back in recent years from such

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purchases. Dollar explained that this is because of the “public relations debacle it would be for them to take taxpayer TARP funds and then turn around and use that liquidity to buy up a bunch of local community banks.”

Dollar also noted that the chartering of new community banks, building them up and then selling them has been common practice in banking for decades – some of the same investors have done it several times.

“When it comes time to cash on their investment and sell the bank, the lack of large asset purchasers within the banking industry because of the TARP funds and some other regulatory issues has driven some of these community banks to sell to growing credit unions in their local market area,” he said. “I see it becoming a growing trend, although the payback of the TARP funds will likely put some of the big bank players back into the purchase and acquisition market over the next couple of years. Still, it is a viable option for some credit unions and some community banks.”



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