

Weekly Recap — CU-buying-bank deals could double in 2018

Monday, May 14, 2018 9:58 AM CT

By Ken McCarthy

The weekly recap features news on regulatory actions, mergers and other issues facing the credit union space. Send tips, ideas and chatter to ken.mccarthy@spglobal.com.

In the spotlight

Ferndale, Mich.-based Credit Union ONE agreed to buy Southfield, Mich.-based Hantz Bank, which marks the fifth deal announced in 2018 in which a credit union is buying a bank. There were six credit union-buying-bank deals announced in 2017, although one of those was later terminated.

Terms of the Credit Union ONE deal were not disclosed. SNL valuations for bank and thrift targets in the Midwest region between May 4, 2017, and May 4, 2018, averaged 162.38% of book and 167.95% of tangible book and had a median of 20.50x last-12-months earnings, on an aggregate basis. Credit Union ONE had \$1.17 billion in assets while Hantz Bank had assets of \$228.6 million.

The recent agreement also marked the second merger transaction involving a Michigan-based credit union. Last year, Lake Michigan CU announced plans to buy Naples, Fla.-based Encore Bank.

This year will easily eclipse all previous years in the number of credit union-buying-bank deals, said Michael Bell, a lawyer with Howard & Howard who represented Credit Union ONE in its deal. Bell said in an interview that there are plenty of bank sellers, and the small community bank market seems to have fully embraced adding credit union buyers to its bid lists.

Bell expects to see the most activity in areas that contain the most community banks. That would include the Southeast and the upper Midwest. "But it's hard to predict exact numbers because deals can succeed or fail for so many reasons," Bell said. "That said, I see us going over 10 this year for sure."

In other news

* Municipal CU President and CEO Kam Wong was charged in Manhattan federal court with one count each of embezzlement from a federally insured credit union, bank fraud, wire fraud and aggravated identify theft, according to a press release from the Department of Justice. From at least 2013 through January 2018, Wong allegedly engaged in a scheme to obtain money from the New York-based credit union to which he was not entitled. In a statement posted on the credit union's website, Municipal CU's Acting President and CEO Norman Kohn said that Wong has been on administrative leave since Feb. 22.

* The U.S. House of Representatives is standing down on its efforts to add more deregulatory measures to the Senate's legislative package reforming large swaths of the post-crisis Dodd-Frank regulatory framework. On May 8, House Majority Leader Paul Ryan, R-Wis., reportedly said the House would move on the Senate bill as-is, adding there was an "agreement to be moving different pieces of legislation" that would address House-approved measures not included in the package.

* Former National Credit Union Administration Vice Chairman Rodney Hood may be returning to the agency's board, according to a May 9 report in the *Credit Union Times*. The board has been operating with only two of its three seats occupied since April 2016. But in actuality, two new members need to be appointed because board member Rick Metsger's term expired in August 2017. He remains on the board only until a replacement is confirmed. Hood was NCUA Vice Chairman from 2005 to August 2009.

* The California Department of Business Oversight on April 26 issued a cease and desist order to Coceptive Credit Union, prohibiting the entity from conducting business in California without a license and from using the phrase "credit union."

* Romulus, Mich.-based Public Service CU is acquiring seven stand-alone branches of Co-Op Financial Services in the Detroit metropolitan area. The terms of the deal were not disclosed. Public Service CU will continue to operate each of the seven branches as part of Co-Op Financial Services' shared branch network under the name Credit Union Family Service Center.

S&P Global
Market Intelligence