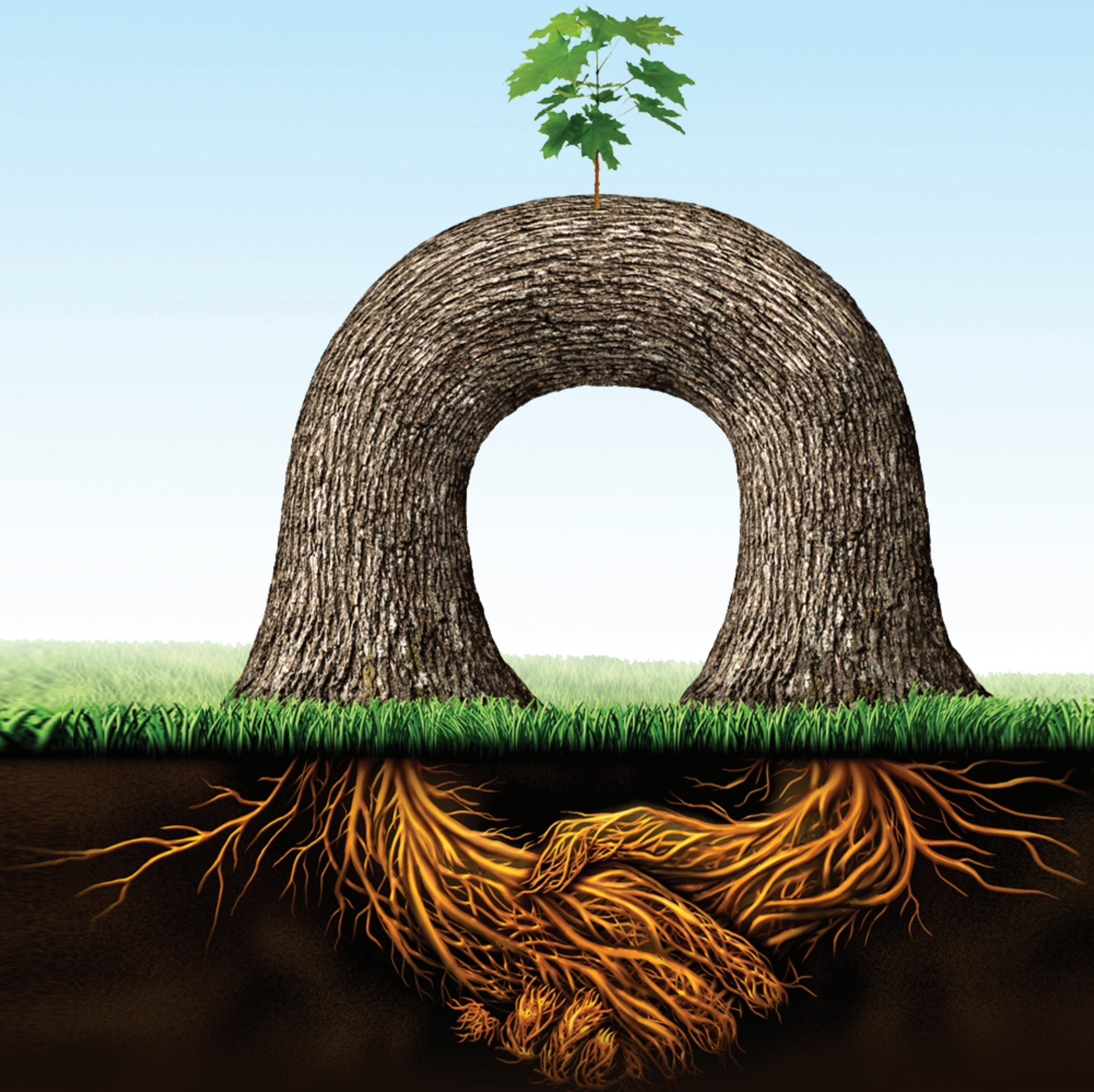
An Old Foundation
ANCHORS A RENOVATED STRUCTURE:
Perceptions and Realities Surrounding Credit Union Mergers



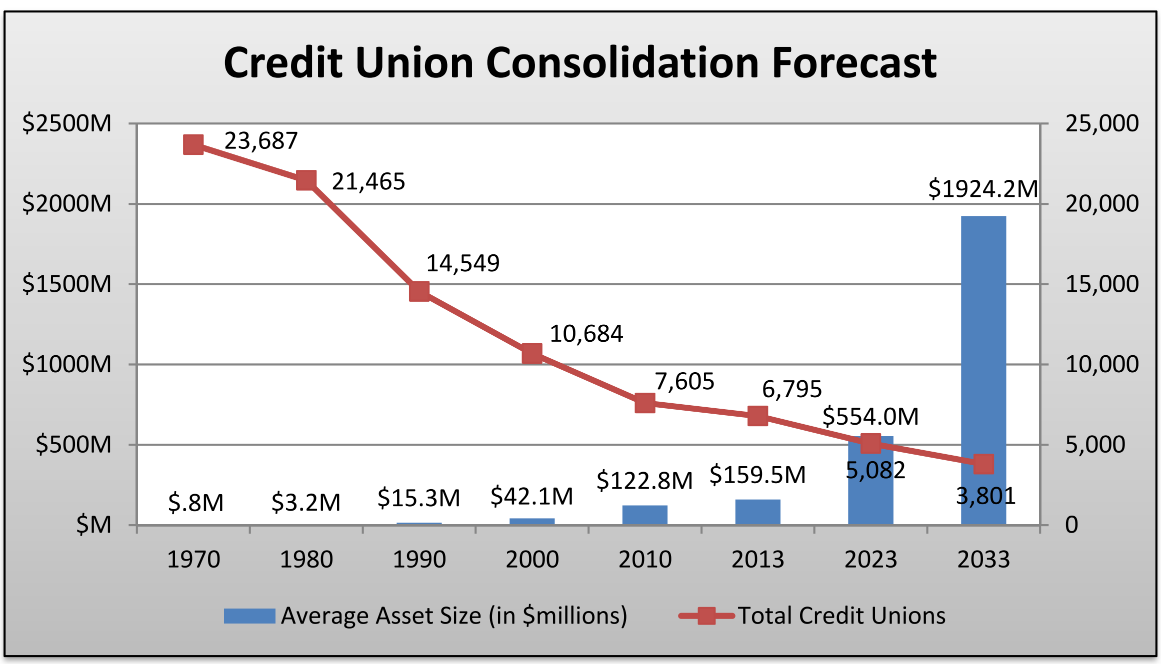
Nathan Clough • WinSouth Credit Union • Gadsden, AL • nathan.clough@winsouthcu.com
Kim Gunter • Bowater Employees Credit Union • Calhoun, TN • kgunter@bowaterecu.org
Ryan Hawk • Peach State Federal Credit Union • Lawrenceville, GA • rhawk@peachstatefcu.org
Billy Joiner • Centric Federal Credit Union • West Monroe, LA • bjoiner@mycentric.org

Table of Contents

I. Introduction/Statement of the Issue

Position Statement: Mergers and consolidations have a positive impact on the credit union industry, as well as individual credit unions and their members, when properly executed and when the merger is approached in a collaborative manner rather than as a corporate annexation.

We have elected to analyze the credit union industry's current propensity for mergers and determine whether the implications of this trend are positive or negative for the industry as a whole and for individual credit unions and their members. The number of total credit unions reached its zenith in 1969 when the movement approached 24,000 organizations. Since that time, more than 13,000 mergers have been conducted and the number of credit unions in the United States currently stands at less than 6,600 (Filene, 2014). Mergers within the industry have occurred at a consistently elevated rate of approximately 250-260 consolidations per year since the onset of the twenty-first century, which indicates a steadily increasing total merger rate as the number of consolidations has remained relatively steady even as the number of total credit unions continues to decline (Taft, 2015). In fact, according to the National Credit Union Administration (NCUA), between 2003 and 2012, the industry averaged a merger every 1.5 days (NCUA, 2014). The figure below illustrates the effect that merger trends have had on both the number of total credit unions and their average asset size, and it projects what a continued proliferation of this trend would look like.

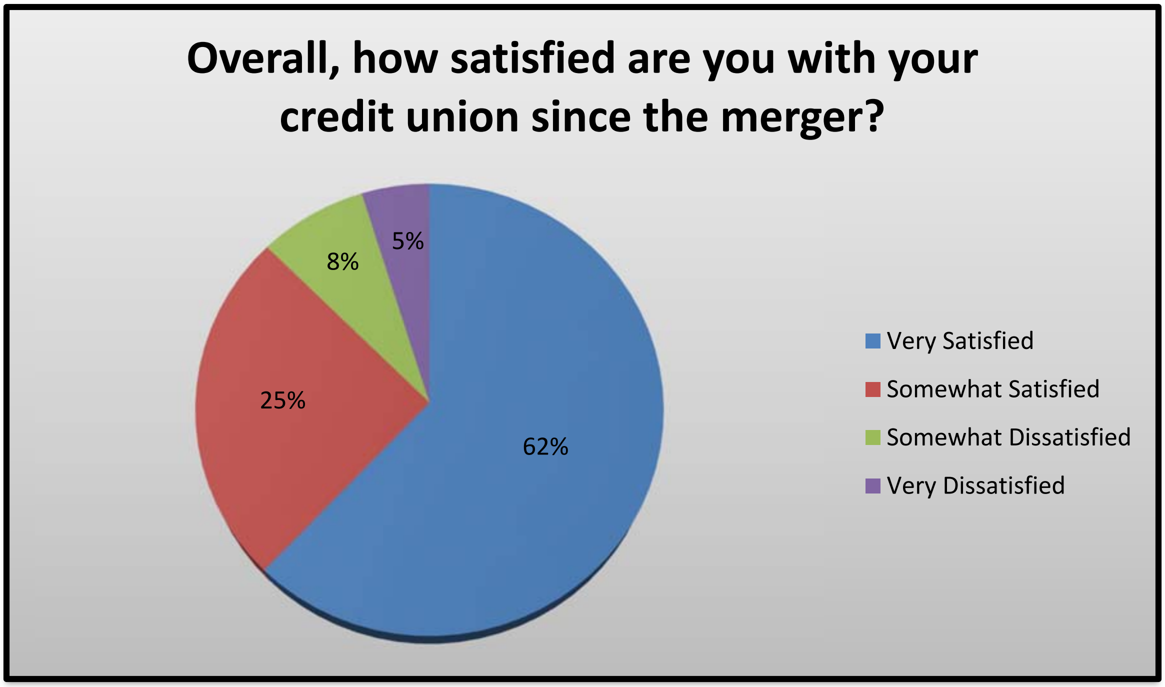


(Christensen, 2014) Fig 1.1

This trend has far reaching consequences for credit union professionals as well as the members they serve. Mergers can mean that more members gain access to advanced technologies and credit unions operate within a more efficient framework, but they can also potentially diminish employee-member relationships and lead to job cuts. Generally, there appears to be a great deal of uncertainty regarding the implications of the industry's amalgamation, but what seems to be certain is that no one expects the merger trend to dissipate. In fact, the vast majority of the current research forecasts a continued propagation of the overall merger rate.

As with any overarching industrial development, opinions abound regarding this elevated trend. Some argue that consolidations undermine the industry's cooperative structure while others reason that mergers allow credit unions to rise above the status quo by broadening their audiences and aggregating their resources. In order to establish the accuracy of these claims, we must first consult the roots of the movement itself. All sides can agree that credit unions were initially organized to positively affect the lives and financial situations of those residing within each organization's respective field of membership, and this is the lens through which the impact of mergers on the movement should be analyzed. Put simply, the question that needs to be answered regarding the merger trend is: Do mergers add value and improve the financial well-being of credit union members or not? It is the opinion of the authors that the overwhelming majority of mergers positively impact credit union members by expanding available product lines, increasing general levels of service, and expanding members' financial autonomy; thereby aiding credit unions in accomplishing the original and primary purpose for which they were founded. As we will see, much of our original and secondary research seems to support this claim.

As we began to explore the existing data for this project, however, we noticed that there was a sizeable gap in the research that had been done regarding mergers and consolidations within the credit union industry. While there were plenty of articles and op-ed pieces that levied opinions about the merger trend, there was very little quantitative data related to how these mergers affect the member experience. Upon reaching this realization, we contacted the Manager of Market Research at CUNA, Connie Dey-Marcos. She and her team subsequently agreed to help us conduct some original research in this area by distributing an electronic survey that we designed to a group of credit union members whose institutions had previously been merged. The survey was ultimately responded to by 1,249 members from six different institutions. While this sample size is much too small to make any broad summations regarding mergers within our industry, it does begin to give us some insight related to the relationship that exists between consolidations and the member experience. The survey was designed to gain a deeper understanding of the members' overall satisfaction with the mergers and to explore ancillary issues surrounding the mergers such as communication levels and the availability of modern products and services. We have attached the full set of research as an appendix, but we will reference various portions of the research throughout this document. Overall, the majority of this research supports our position statement as is evidenced by the responses to the first question on the survey; the results of which are represented by figure 1.2 below.



(2015 Merged Members Survey, CUNA Market Research) Fig. 1.2

We have also conducted interviews with CEOs from around the Southeast regarding their perspectives related to the merger topic. These interviews will also be alluded to throughout the text.

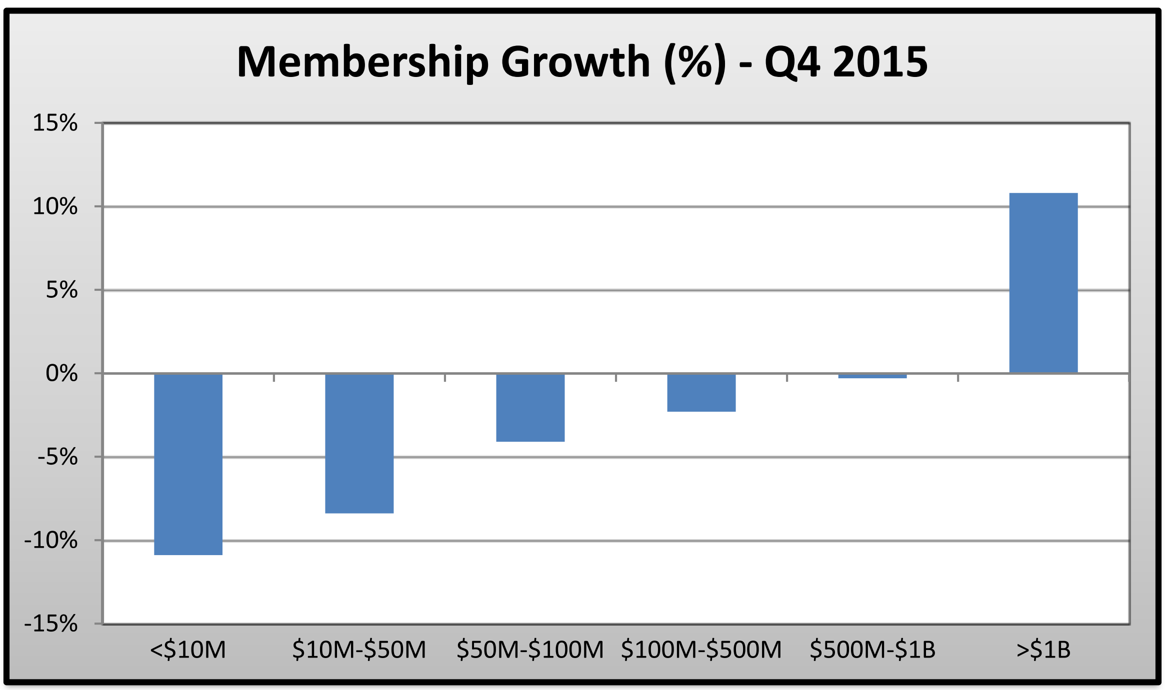
In the following section, we will take a look at the secondary research that we conducted and the indications, both positive and negative, that this research infers concerning mergers within the credit union movement.

II. Research

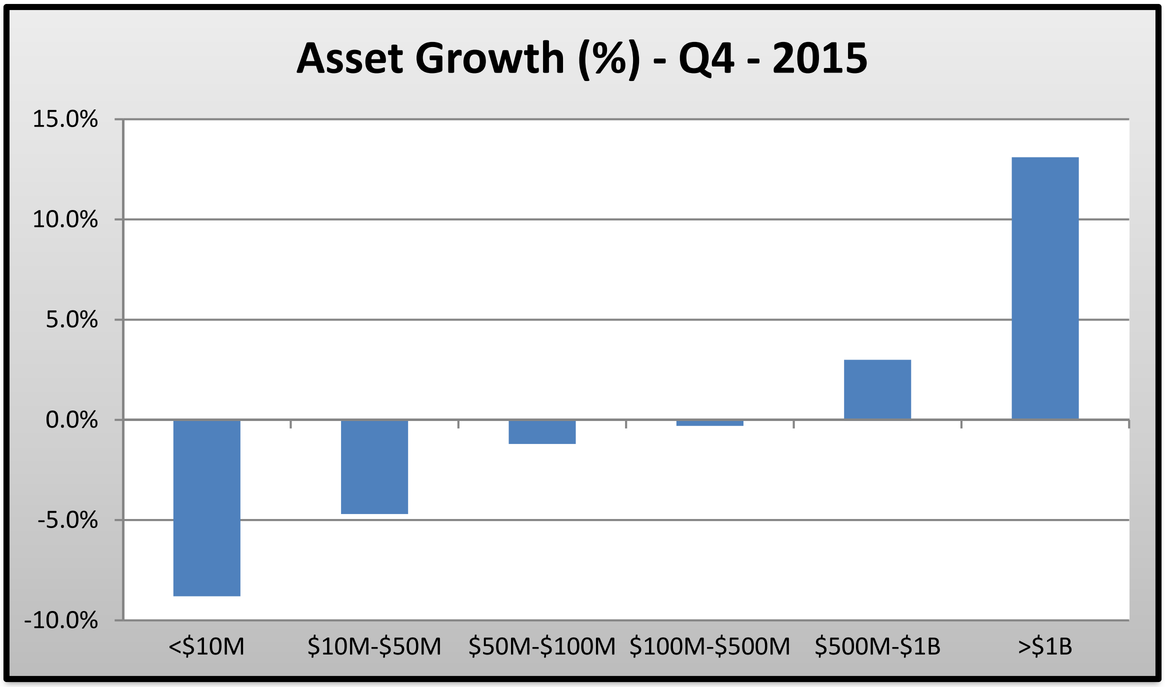
Who is being merged?

Presently a sizeable percentage of credit unions being merged are either troubled credit unions or credit unions with less than 50 million in assets (NCUA, 2014). The NCUA has stated that a mere 28% of credit unions who fall under prompt corrective action ultimately recover on their own (Rapport, 2015). In most of these cases, a consolidation is the only way to prevent these credit unions from either dissolving or continuing down the troubling path that they are on, which would obviously have a deeply detrimental effect on the credit union's employees and members. Often the saving grace for these troubled institutions is consolidating with a larger credit union that has the resources to cure the problems that have plagued it. As a result of these mergers, the remnants of these troubled credit unions, namely the employees and members, often exchange the troubles of the past for a future that is secured by increased capital resources and revenue streams, more competent management teams, open access to the industry's leading technology, and amplified overall stability. Undeniably, these mergers mean that the number of total credit unions decreases, and they could certainly lead to some employee layoffs, although multiple studies suggest that negotiating for the staff's protection was extremely high on the target credit union's priority list (NCUA, 2014 and Brown, 2009). Yet, even if we fail to take that into account, when one considers that the most likely alternative is the credit union's liquidation by the NCUA, which would negatively impact the credit union, its members, and the industry in a much more comprehensive fashion, it is difficult to argue against the merger model.

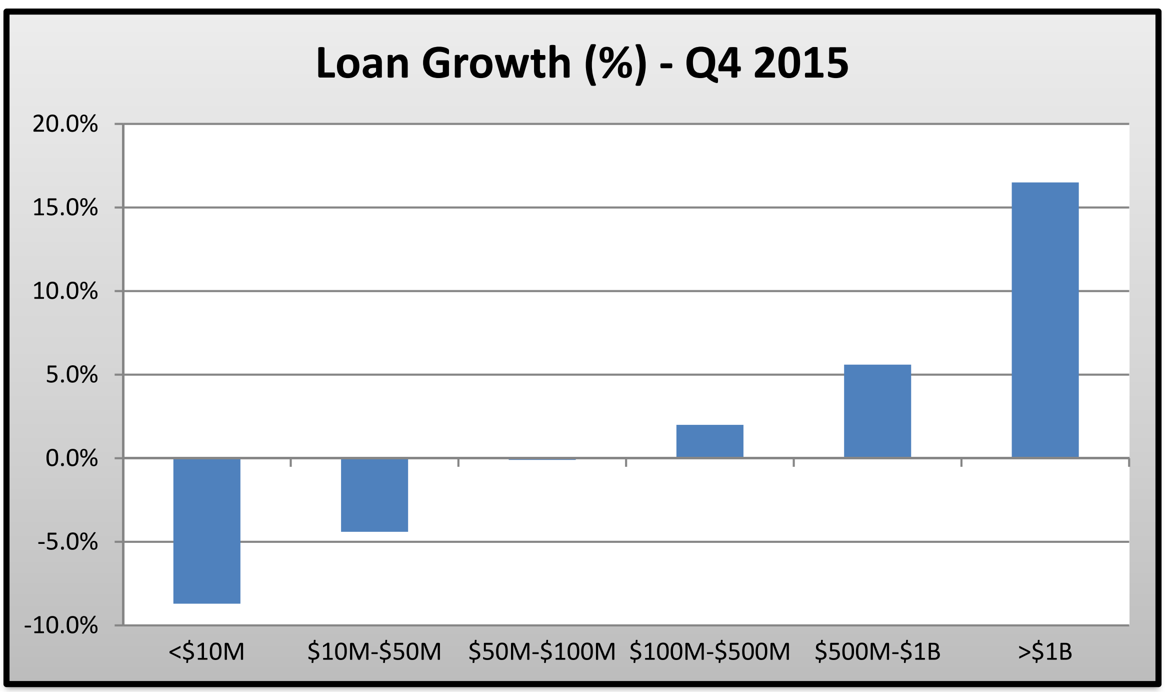
Likewise, in the case of small credit unions, there are often times simply not enough resources to service the members effectively as these institutions cannot afford to provide the products and services that the modern consumer desires. In fact, Bill Myers, head of the NCUA's Office of Small Credit Union Initiatives (OSCUI), stated that for credit unions operating with "below $30 million in assets, it is hard to establish a fully functioning, sustainable credit union" (McGarvey, 2013). This assertion certainly appears to be substantiated by the growth numbers seen below.



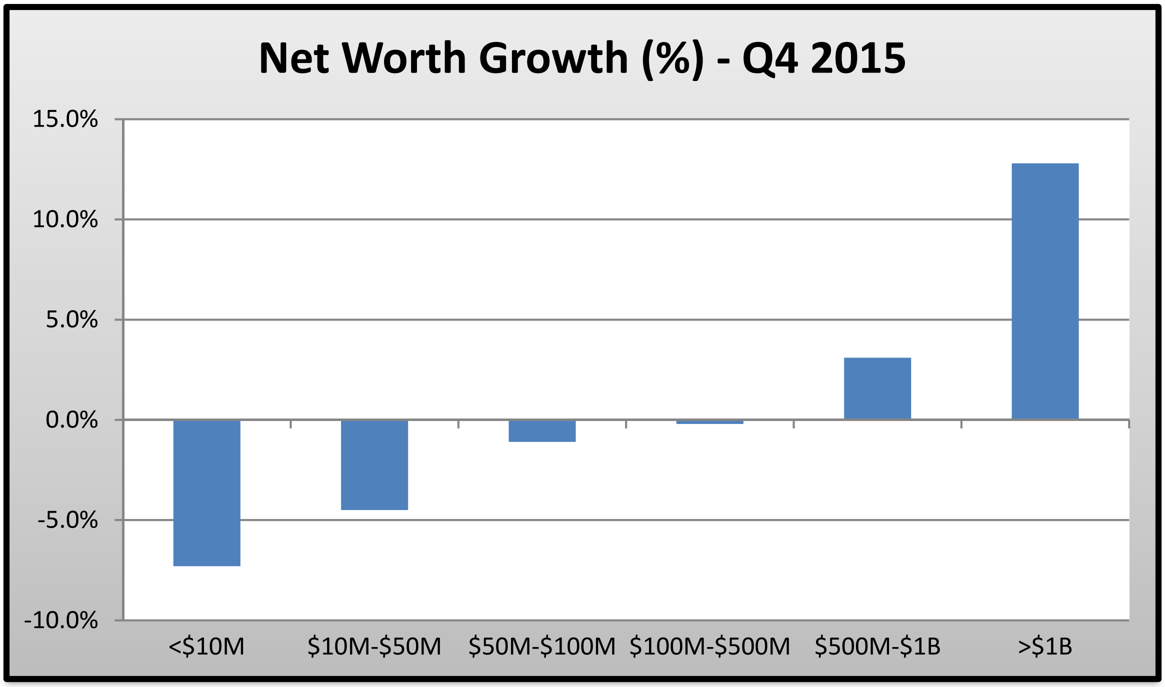
(NCUA) Fig 2.1



(NCUA) Fig 2.2

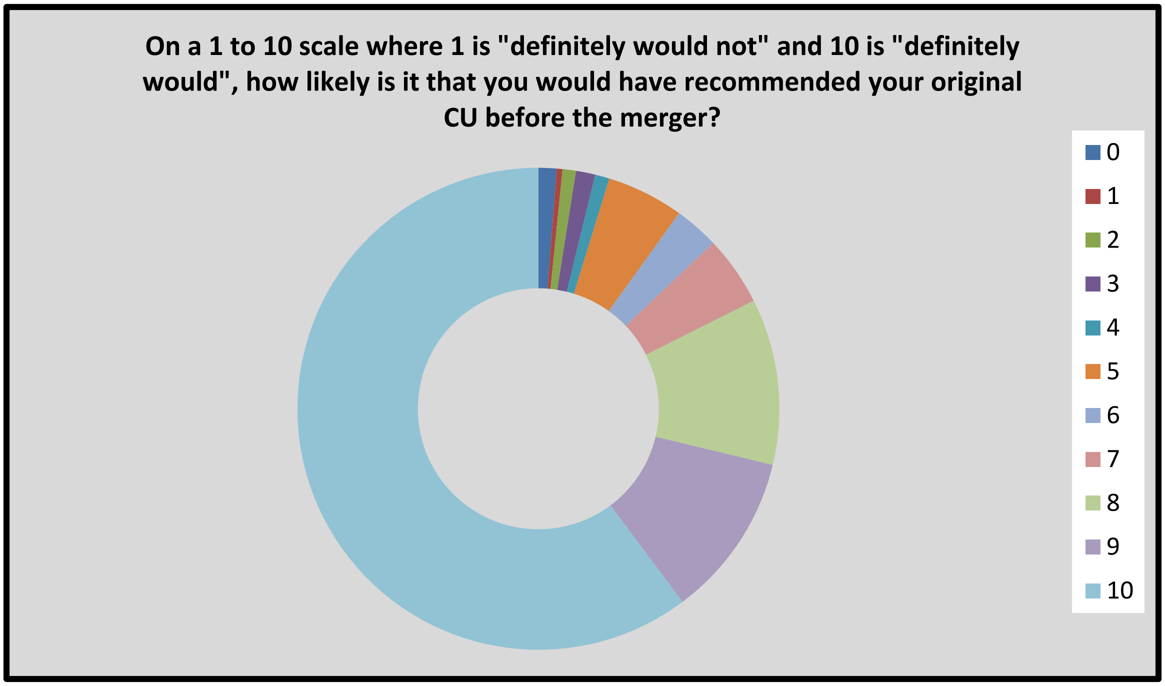


(NCUA) Fig 2.3



(NCUA) Fig 2.4

These figures highlight the fact that size and scale matter a great deal when it comes to generating growth, which isn't positive news for small credit unions. Even more troublesome for smaller institutions is that these numbers continue to trend in an increasingly gloomy direction, suggesting that there is little hope for a reversal. Additionally, the costs associated with compliance and a heightened regulatory environment are often burdens that are too onerous for a small credit union to bear as evidenced by the 2015 Bank Compliance Index, which stated financial institutions required an additional 1.35 employees on average just to address the new regulations that were implemented during the first quarter of 2015 (Muckian, 2015). These burdens push beyond the borders of the credit union industry to the financial industry at large, as banks and thrifts are experiencing comparable declines in total institutions (Taft, 2015). At smaller financial institutions, compliance personnel inevitably serve in multiple areas, splitting their time between compliance and other responsibilities, which creates an inequitable balance of resources for approximately the same level of obligations. As with troubled credit unions, the only viable option in these situations is a merger with a larger institution that possesses the necessary resources to meet the requirements of today's consumer and regulatory demands. In these cases, the merger unquestionably results in a positive outcome when contrasted with the possible alternatives whereby the institution might be fined out of existence or dissolved due to a persistently inverted balance sheet. As Robert McGarvey stated in his 2013 article, *Mergers Will Continue to Cull Small Credit Unions From Herd*, "A good merger solves two problems. It puts a small credit union out of its pain, and it enables a larger credit union to grow by delivering members who are already sold on the credit union difference". The kind of built-in loyalty that McGarvey is referencing is priceless and the truth of its existence can be seen in the chart below.



(2015 Merged Members Survey, CUNA Market Research) Fig 2.5

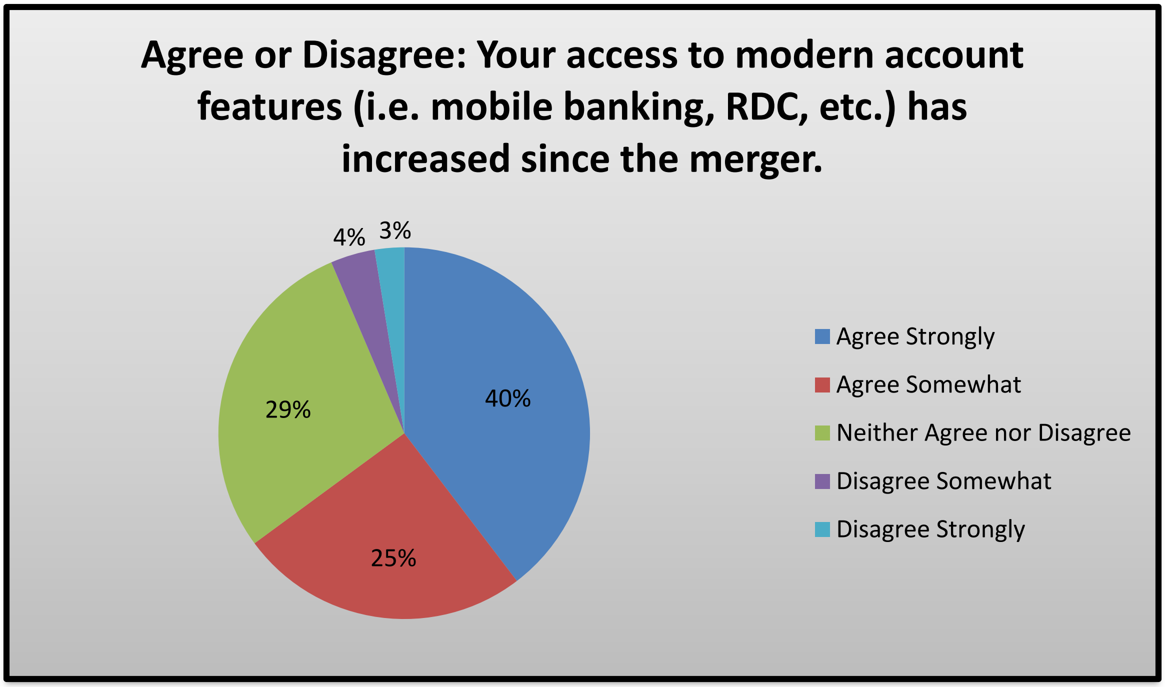
The data range from seven to ten accounts for more than eighty-seven percent of surveyed members. That kind of predisposition from a new set of clientele would be coveted by any company in any industry the world over.

Merger Positives - Economies of Scale

Mergers and consolidations lend themselves to the creation of economies of scale within the industry whereby credit unions obtain cost advantages and the rewards associated with cooperative collaboration due to the increased size, output, and scale of their operations. The truth of this notion becomes evident when one compares industry data with US population data. Between 1990 and the first quarter of 2015, the U.S. population grew by 28%. Over this same period, credit union membership grew by almost 80%, even as the number of federally insured credit unions decreased by more than 50% (Muckian, 2015). This data strongly suggests that by creating economies of scale within the industry, fewer credit unions were able to do a better job in the areas of service, branding, and generating public awareness than was the case during the segmented history of the industry's past. This truth is undeniable and its foundation is this: larger institutions are able to generate wider margins by operating more efficiently, which is due, at least in part, to the innovative technologies that they possess. These expanded margins allow them to spend more money on initiatives such as marketing and awareness campaigns, which results in sustained growth. As Taft notes in his 2015 article, *4 Charts About Credit Union Mergers*, "They [mergers] might become more prevalent as innovation and change favor size and scale". It's not that small credit unions are irrelevant, which Grace Helms, former CEO of

Richmond Community Credit Union, deftly pointed out during our interview with her. She stated, "Any credit union can be successful and relevant to its field of membership, regardless of size. The key is to have adequate resources to be able to properly serve the field of membership and grow and stay competitive. This is the biggest challenge for the small credit union." Small credit unions generally serve their members exceptionally well, but without growth and scale, their margins will continue to shrink as they operate in an expanding regulatory environment and a marketplace that is increasingly technologically driven.

Economies of scale also provide institutions with the means to pursue and implement modern technological delivery channels, which younger generations demand; generations that are vital to the continued viability and marketplace relevance of credit unions (McGarvey, 2013). Without the ability to offer delivery systems such as omnichannels, mobile banking, and modern features like remote deposit capture and person-to-person payments, credit unions are unable to attract the younger potential members who hold the industry's survival in their hands. According to the NCUA's data from the fourth quarter of 2015, 42 of the quarter's 60 mergers cited "expanded services" as the primary reason for the consolidation (Strozniak, 2016). The desire among millennials, as well as other generations, to have access to these modern conveniences is growing at an exponential rate. For example, according to a Deloitte report, 72% of consumers – not just millennials - would appreciate the use of biometrics such as fingerprint or iris recognition as a means of authentication during their financial services transactions (Srinivas, Friedman & Eckenrode, 2014). For smaller credit unions, it simply isn't financially feasible to provide members with a mobile interface, much less biometric authentication. The implications of this are that smaller institutions who cannot afford these technologies must find a way to gain access to them and the quickest way to do that is through a merger or consolidation. As notated below, 65% of surveyed members stated that their access to modern technologies increased as a result of the merger. The percentage swells to 71% when the 20-40 year old demographic is extracted.



(2015 Merged Members Survey, CUNA Market Research) Fig 2.6

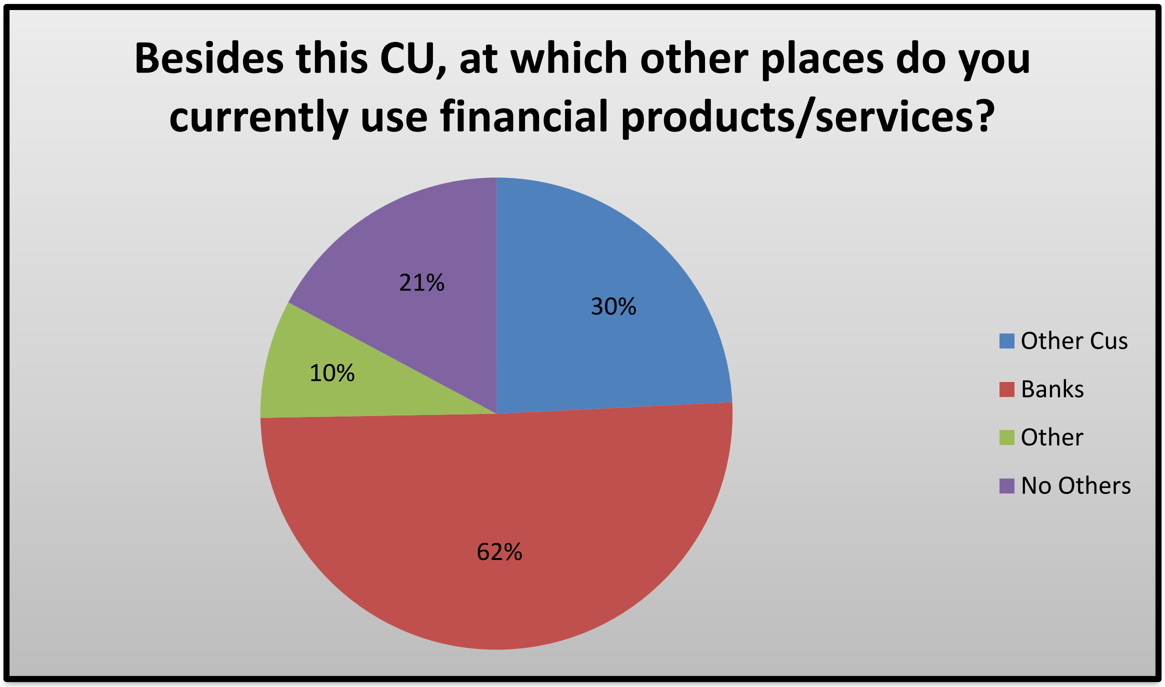
This data suggests that the members of merged credit unions stand to gain genuine, tangible benefits as a result of their consolidation, and the only real cost associated with these new benefits is that the name of their institution could potentially change, which doesn't seem like a very high price to pay for modern account features. After all, an organizational name change doesn't mean that the credit union died, although that is how many perceive it. In effect, providing your members and potential members with the products and services they desire through a merger or consolidation achieves the same objective as an institution that has changed their name of their own volition and has grown organically to the point that they can afford advanced technologies. The result is the same; it's the perception that is different.

Merger Positives – Operations

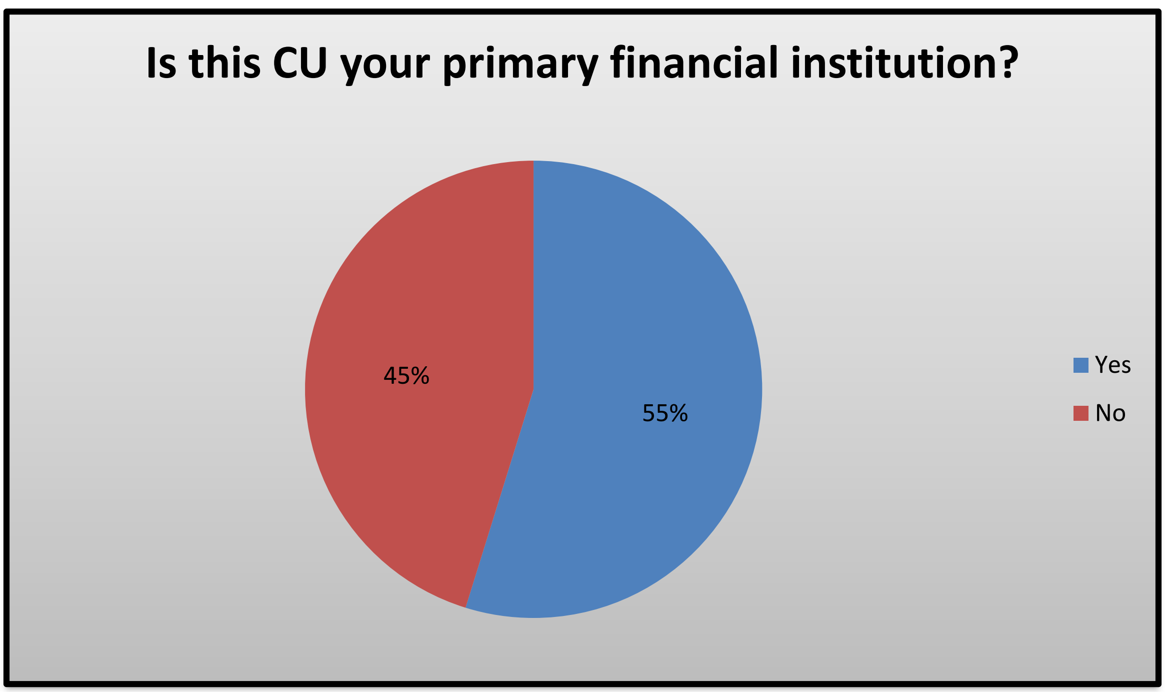
The merger model benefits smaller credit unions operationally in a variety of ways. As previously discussed, merging with a larger institution allows the smaller counterpart access to a superior pool of resources, which tends to create a ripple effect. These resources allow for heightened marketing efforts as well as access to modern technologically-induced efficiencies, and typically results in amplified managerial expertise. Superior branding, when coupled with elevated levels of efficiency and more effective management strategies, produces wider margins and sustainable ascending inclines within an institution's growth curve. Smaller credit unions simply do not have the resources to replicate that kind of operational ripple. As Grace Helms stated when asked about her merger with Peach State Federal Credit Union, "The number and quality of products and services to members increased as a result of the merger. In fact, this was one of the biggest deciding factors when Richmond Community considered a merger partner. Richmond Community was considered a 'well-capitalized' credit union by NCUA's standards. The merger with Peach State was strictly voluntary. Due to the ever-changing compliance and regulatory burdens and increasing operating expense, Richmond Community was no longer able to stay competitive by way of offering new or improved products and services. As a result, members were leaving to seek those services elsewhere. A merger with Peach State allowed us to achieve economies of scale by becoming more competitive with our product offerings and decreasing cost at the same time."

Deeper resource pools also permit credit unions access to more advanced core and peripheral systems, which often allow institutions to provide their members with more customized financial offerings. Relationship pricing, for example, is not typically an offering that a smaller institution can afford to make because of the expensive tracking software that is required, but larger institutions can allow their members to select what financial products make the most sense for them or reward them for their continued loyalty. Additionally, a number of fees imposed on credit unions, such as those imposed by the Federal Reserve, are the same for both small and large institutions. However, these fees obviously represent a greater percentage of a smaller credit union's operating income. This comparatively shallow pool of resources, and seemingly inequitable fees, make operating within an efficient and profitable framework very difficult for a small institution.

Mergers have provided the credit union industry with an important opportunity. The American Bankers Association (ABA) fears more formidable competition, which is evidenced by their constant attacks on larger credit unions. Their leaflets and other informational offerings accuse large credit unions of operating like big banks, only without the tax burden that banks carry. They ignore, of course, that the tax status in based on our not-for-profit cooperative structure and the fact that they have access to much larger revenue streams than us, but in their groaning they reveal that they fear tougher opponents such as Navy FCU and State Employees CU who operate with deep resource pools. This fear is well founded as large credit unions have an opportunity to offer all of the products and services that Wells Fargo and Bank of America provide while branding themselves as a caring disrupter to the status quo, which has been characterized by the greed and maliciousness of the banking industry. This opportunity is further illustrated by the figures pictured below.



(2015 Merged Members Survey, CUNA Market Research) Fig 2.7



(2015 Merged Members Survey, CUNA Market Research) Fig 2.8

As you can see, in spite of the sustained growth that credit unions have experienced in recent years, there is still a tremendous opportunity for credit unions to grow their wallet share according to this research. Credit unions who possess strong sales cultures have the best chance to capitalize on this opportunity, and in most cases larger credit unions with the resources to employ a sales department are the ones who stand the best chance of pushing the wallet share needle in their direction; thereby increasing their revenue and return on average assets (ROAA).

Merger Positives – Safety and Soundness

The NCUA is charged with ensuring the safety and soundness of the credit union industry and protecting the insurance fund. They are the gatekeepers of the industry and they obviously believe in the merger model as they use it frequently in an effort to revitalize struggling credit unions and eliminate threats to the insurance fund. Similar methods are used at the state level by state regulatory authorities. In truth this model is often times the only way to protect credit union members and their money.

Additionally, mergers and consolidations are not exclusive to the credit union industry. Private enterprise has made use of these methods extensively over hundreds of years. It is a trial by fire of sorts whereby companies become more efficient and more capable out of necessity, and the only evils associated with these models, namely the creation of monopolies, is no threat to the credit union industry as we do not compete with one another in the traditional sense, but rather with the ideology of the for profit banking industry.

Merger Positives – Target Credit Unions

As previously discussed, mergers aid target credit unions in various ways. From greater access to technologically advanced delivery channels to broadened revenue streams, additional branch locations and more, mergers and consolidations provide relief to target credit unions by curing the ills that have led to the condition in which they find themselves. Their members gain access to expanded product lines and larger service networks, which allow them to take advantage of products and services that better fit their financial needs. As noted by Glenn Christensen in his 2015 article, *NCUA Approves 20 Credit Union Mergers in July*, the primary factor contributing to the decision to merge continues to be expanding product offerings. When smaller credit unions reach the impasse where their members are clamoring for expanded products and services, but the credit union cannot afford to develop these initiatives, a merger becomes the best, and perhaps only viable solution. Jeffery Bergum certainly found this to be true of his credit union's consolidation with Associated Credit Union. During our interview with him, he stated, "We were able to open up the offerings to a new market while keeping the same staff that the members were accustomed to working with, making it a win-win situation for all involved." Mergers are at times about saving a troubled credit union, but they are also often a matter of convenience in which a credit union puts the needs and desires of their members ahead of their own nostalgic sentiments.

This selflessness on behalf of the target credit union also results in tangible fiscal benefits for their members. According to a 2011 Filene study that tracked target and acquiring credit unions from 1984 to 2009, target credit unions experienced a decrease in their noninterest expense per assets (NIEXP) and their loan rates of 0.79% and 0.51% respectively following their merger. Their rates on deposits also improved, increasing 0.08% (Filene, 2011). The NIEXP figure speaks to the improved efficiencies gained through the merger, but the improvements to the loan and deposit rates mean credit union members put money back into their pockets. The merger model provides merged members with a great deal and serving members in this way is our original and principal purpose.

Additionally, when target credit unions are acquired, compliance burdens are placed in the hands of resources that have been hired specifically for compliance management rather than splitting time between multiple duties. Regulatory demands are burdensome for credit unions of all sizes, but having dedicated resources and larger compliance budgets definitely serve to lessen the burden shouldered by smaller credit unions where a few employees, who have most often had an insufficient amount of training, attempt to abide by regulatory requirements that they have very little familiarity with. As Randall Robinson, CEO of South Carolina National Guard FCU, stated during our interview with him, "Some mergers are necessary as the burdens of regulation and the cost of technology will leave many smaller institutions unable to survive."

One other area where mergers have a positive impact on target credit unions is in the area of succession planning. In a 2007 study, William Brown found that the imminent departure of a longtime CEO was the second most common reason given for a merger (Brown, 2007). Smaller credit unions typically do very little succession planning because there aren't enough resources to allocate for this purpose. In a smaller credit union that only employs a handful of staff members, for example, there may not be any viable candidates to replace the manager when he or she decides to retire. In a larger credit union, however, where departments are more robustly staffed, successors can more easily be identified and groomed thereby ensuring the continuance and stability of the organization. This ability to identify successors is vitally important to credit unions of all sizes given that a 2012 study conducted by D. Hilton Associates Inc. found that 91% of CEOs at credit unions with more than $100 million in assets planned to retire by 2022 (Chilingerian, 2012).

Merger Positives – Acquiring Credit Unions

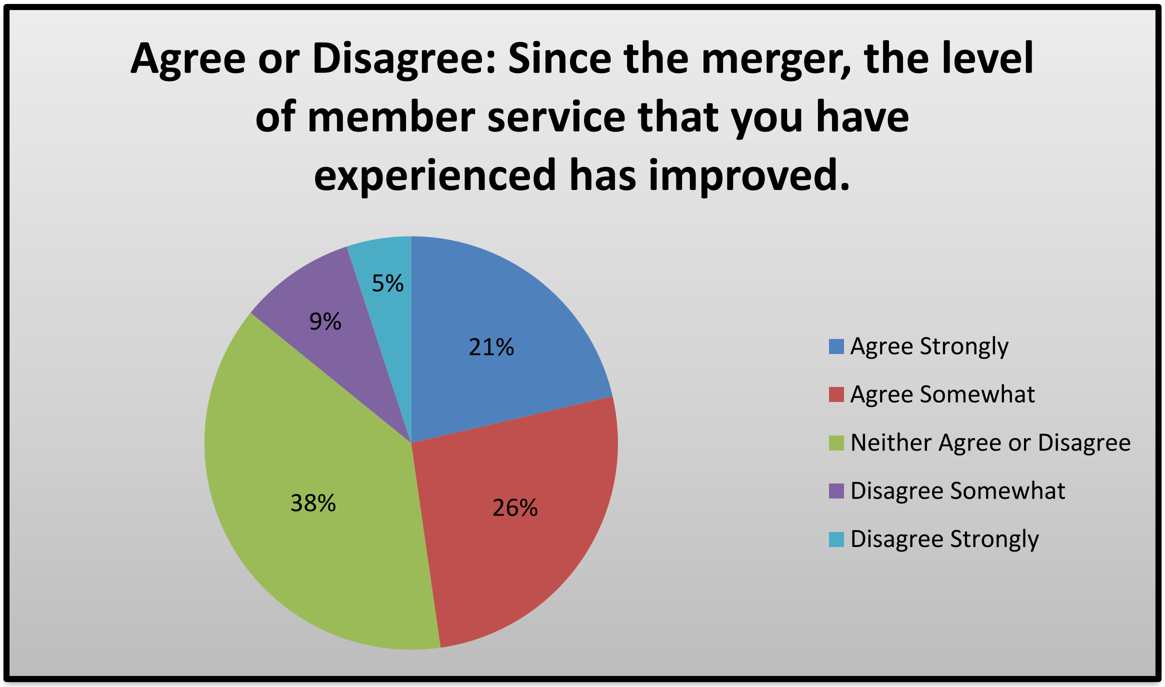
As with consolidated credit unions, the consolidators also stand to benefit in a number of ways. These credit unions gain a new set of members who already understand the credit union model and believe in the benefits of cooperative membership. These new accounts and new branch locations present opportunities for an organization to sell its products and services to a new set of clientele in a new market, which promises to generate new revenue streams and a larger deposit base. This, in turn, provides further opportunities to grow loans and generate more interest income, which serves as the lifeblood of all credit unions. It is true that surviving credit unions occasionally have to take on delinquency problems and toxic assets in order to gain the new membership, but often times these credit unions are willing to take on these liabilities in exchange for the new membership because of the revenue potential that new membership brings.

Additional revenue streams mean growth and growth is essential to survival in a marketplace characterized by a steady decline in the number of total institutions. The merger cycle almost begets itself in that credit unions consolidate to survive, but every consolidation decreases the number of total credit unions and increases the industry's average asset size, which causes more credit unions to feel an immense pressure to grow quickly. This pressure generates further consolidations and the cycle begins again. This cycle creates the economies of scale that were discussed earlier, which create cost advantages and allow large credit unions to compete more effectively with large banks. However, they also create an amalgamation within the industry, which some view as a negative trend. Next, we will discuss this and other negative perceptions of mergers within the industry.

Merger Negatives – Redefining an Industry

Some within the movement view the merger trend as the dissipation of the industry's origins, and there is some evidence to suggest that the days of the single sponsor credit union are all but over. Data from a 2015 article, entitled *Field of Membership: A 25 Year Evolution*, reveals that in 1990 57% of federally insured credit unions had a single common bond. At year-end 2014, however, that number was down to just 17% (Strozniak, 2015). Part of this decline can be attributed to mergers and consolidations as smaller credit unions with single sponsors end up being merged into a larger credit union that possesses either multiple common bonds or a community charter. However, a portion of this sharp decline can also be attributed to the affinity possessed by credit unions of all sizes to convert to a community charter over the past quarter century. As credit unions began to search for new revenue streams, or saw their single sponsor go out of business, it seemed that everyone was in a rush to obtain a community charter.

Some would argue that this decline in single sponsor organizations has led to a degeneration in overall member service and a deterioration in the employee-member relationship. They might further venture that the pro-merger crowd does not define success in the same manner as they do insomuch as the pro-merger group defines success by the bottom line while they measure it by the deepness of the relationship with their members. The authors, however, would contend that front-line employees know their members and relate to them as well as they ever have. In fact, as the figure below illustrates, eighty-five percent of surveyed members felt that the level of member service post-merger either remained the same or improved.



(2015 Merged Members Survey, CUNA Market Research) Fig 2.9

There simply aren't as many people visiting branches as there used to be, which suggests that if anything is to blame for the reduction in employee-member interaction, it is the vast array of technology based delivery channels that are available to consumers who increasingly resist human interaction.

Merger Negatives – Fodder for the American Bankers Association (ABA)

Other merger detractors point out that the industry's consolidation provides the ABA with further ammunition regarding the tax exempt status. Anyone who even mildly keeps up with the banking industry has seen the ABA's flyers and banking magazine articles that rail against the "inequality" of the tax exempt status. These publications almost invariably contain images of some of the more elaborate credit union corporate headquarters and quips such as: "Credit unions have leveraged their taxpayer subsidy to aggressively grow, becoming a $1 trillion industry. And as the credit union industry expands, it does so at the expense of all taxpayers" (Flessner, 2015). The message is that if it looks like a bank and feels like a bank, then it must be a bank. The problem with the ABA's argument and with the merger disparagers who use this line of reasoning is that there are different breeds of financial institutions. Some are bred on stockholders and profits while others are characterized by their cooperative structure and member ownership. Put simply, it can look and feel like a bank and yet be something entirely different. The credit union movement's structure and purpose remains unchanged in spite of the fact that it is being redefined. Our tax exemption is not based on the size of our buildings, but rather the ideals and structure upon which the movement was founded. If we lose our tax exempt status, it won't be because we built ornate corporate offices; it will be because politicians fell victim to enticement and ignored the merit of our purpose.

Merger Negatives – Attrition of Merged CU Members

Perhaps the most compelling of the anti-merger arguments is that the attrition rate among members at merged institutions appears to be higher than the national average. According to a 2015 article entitled *Mergers Drive Members Away: Gallup*, the average attrition rate at financial institutions that were acquired was 8% while the average attrition rate across the financial industry was 5% (Orem, 2015). Further research, such as that conducted by J. Pilcher in his 2014 article, *How To Keep Customers From Jumping Ship After A Merger*, suggests that customers are three times more likely to switch banks after their bank merges with or is acquired by another financial institution. He also stated that 17% of bank customers switched at least one of their accounts to another institution following an acquisition, according to a study conducted by the Deloitte Center for Banking Solutions. Two-thirds of those switches came within the first month of the deal's announcement (Pilcher, 2014). The problem with these studies is that they don't focus solely on credit unions. Some reference financial institutions in general and others mention banks exclusively. Unfortunately, no one appears to have done a widely published study on member attrition as it relates to mergers in the credit union industry, and our member survey was not the proper research medium with which to measure post-merger attrition rates, although the survey does suggest that the percentage of members who consider their credit union their "primary financial institution" remains virtually unchanged when comparing merged members to the industry at large. Further, credit union specific research in this area would help to provide a baseline for the relationship between mergers and attrition rates within the industry.

We do acknowledge that our survey clearly indicates that member satisfaction was lower for the merged members who were surveyed than the industry wide satisfaction numbers. There is also a decrease of 14% in the Net Promoter Score for merged members, which measures responses to the question of whether members would recommend their credit union. However, when one considers the alternative that these credit unions would have likely been liquidated or closed had it not been for the merger, one must admit that the surveyed data represents an overarching net positive as a credit union closure would result in a 100% attrition and dissatisfaction rate and a Net Promoter Score of 0%. Moreover, the authors believe that if the recommendations that follow would have been diligently adhered to during the mergers that were involved in the survey, the satisfaction and promoter numbers would have likely been much closer to the survey's margin of error. Proper execution is key to the success of any consolidation and to generating a positive opinion related to the ways in which they are perceived by those involved. Many other factors also contribute to the perception held by merged members.

For example, if marketing efforts fall short during a merger and no communication efforts are made to the merged members, attrition and dissatisfaction rates will undoubtedly be higher than if extensive efforts are made to make the new members feel welcomed. If an institution went further and offered a special rate to merged members in order to retain their business, attrition rates would likely fall even farther. These variables, and the lack of credit union exclusivity possessed by the attrition data referenced above, make it difficult for the attrition argument to hold up.

Merger Negatives – Damaging the Value of Acquiring CUs

Another leading argument against the proliferation of credit union consolidations is that mergers damage the value of the surviving credit union. In his 2013 article entitled, *Mergers Will Continue to Cull Small Credit Unions From Herd*, Robert McGarvey interviewed Henry Wirz, CEO of SAFE Credit Union based in Sacramento, CA. Wirz argued that the capital cost associated with merging a troubled credit union would slow growth because there would be less capital to meet regulatory requirements. However, Mr. Wirz comments imply that the acquiring credit union hasn't done their homework. No credit union should ever merge another if they feel that doing so would leave them in a cash strapped position. A consolidation should only be entered into after meticulous consideration and after an institution has an assurance that they can take on any toxic assets or delinquency issues while also maintaining regulatory reserves and sustained growth. Otherwise, the merger stands to benefit no one.

As previously stated, not every merger involves a failing institution, but acquiring credit unions are often willing to take on the negative aspects of merging another institution because they feel that the opportunities a merger presents outweighs any potential negative impact. Virtually everything that we do as financial institutions, from offering new products to expanding departments, involves a cost-benefit analysis and mergers are no different. In fact, running this analysis on a potential merger is required for federally insured credit unions and it should be one of the most exhaustive and comprehensive cost-benefit calculations that an institution ever conducts. Nothing can be left to chance when considering a consolidation, but when effective analysis is conducted, there should be nothing to fear regarding the devaluing of an acquiring credit union.

In addition, if we look beyond the acquiring institution to the movement at large and assess the risks associated with mergers from a big picture perspective, we find that mergers aid in preventing the devaluation of the industry as a whole. When acquiring credit unions take on troubled assets, they decrease the industry's risk by reducing threats to the insurance fund. If strong credit unions refused to merge smaller institutions with troubled assets, the distressed credit unions would tax the insurance fund by going out of business, which would pose a threat to all credit unions and cause an NCUSIF rate increase.

Merger Negatives – Perceptions

Despite all of the preceding anti-merger arguments, most of the negative connotations surrounding mergers and consolidations can be traced to the way in which they are perceived by the general public. The subtexts of greed and monopolization often accompany water cooler discussions of mergers and acquisitions. These perceptions have been formed over time as a result of mergers that have occurred outside of the credit union industry. Consolidations such as AOL's purchase of Time Warner, Exxon's merger with Mobil, and Citicorp's consolidation with Travelers have tainted the public's perception of mergers and consolidations. Many view these efforts as an attempt to increase profits at all cost, while minimizing the competition that drives prices down. Images of executives in high end suits, smoking expensive cigars and laughing greedily come to mind. When you add in the insatiable pace at which banks acquire one another and change hands, leaving customers feeling overlooked and underappreciated, you begin to gain some understanding of the public's resistance to this kind of change. Unfortunately, the negative undertones surrounding mergers filter into the credit union industry in spite of the fact that credit unions had no part in the formation of these perceptions.

Additionally, within the credit union industry, many view mergers and consolidations as the death or failure of an organization. Many articles and headlines within the industry use quips such as "Look to your right, look to your left. One in three credit unions will vanish by 2025." (McGarvey, 2013). When discussing the industry's institutional decline, they use phrases such as mortality rates and "the coming purge" (McGarvey, 2013). It's no wonder that some people within the industry treat mergers like a plague. The framework that has been constructed around this topic is terrifying. The truth, however, is that no one is dying. The same articles that predict that there will be less than 1,500 total credit unions fifteen to twenty years from now, which we aren't refuting, also acknowledge that the same data curves predict that total credit union assets will more than double over the same period and that membership will increase by more than thirty million members. If these numbers do indeed come to fruition and population growth remains relatively steady, it would mean that one in three people in the U.S. would belong to a credit union by the end of this period (Pilcher, 2012). So why all the gloom and doom? So what if less than ten percent of credit unions will have less than one hundred million in assets twenty years from now? The industry is experiencing the biggest boom in its history in terms of assets and members, but to hear some individuals within the industry talk about it, you would think that we were two decades from suffering the same fate as the savings and loan industry. The truth is that there is nothing but opportunity in front of the movement, but people don't like change and they cling tightly to the things that they have always known to be true, like the single sponsor credit union. Involving a third of the U.S. population would afford the movement leverage like it has never known and would provide it with a platform through which it could educate the entire population regarding the credit union difference.

The industry must find a way to remove the stigma associated with mergers by changing the ways in which we talk and think about these consolidations. We must begin to identify as part of a collective team rather than individual units. We don't have to give up the uniqueness of our individual origins and structure in order to accomplish this. Those stories become part of the larger story, and this is not a concept that is foreign to our industry. We already collaborate more than almost any other industry through initiatives such as the shared branching network and

Credit Union Service Organizations (CUSOs). We must find a way to embrace this modern realignment; this inevitable fate, or else risk our burgeoning future.

III. Recommendations/Solutions

The Right Merger Partner Matters

When considering a merger, having the right people on the opposite side of the table matters. So too do the numbers and ratios that those individuals represent. Merging for the sake of merging will result in setbacks at best and insolvency at worst. Grace Helms aptly stated during her interview that mergers happen most seamlessly when credit unions share the same member philosophy, and confirming coinciding convictions should certainly be part of the initial merger dialog. After ensuring that these philosophical viewpoints are compatible, enlisting the aid of a professional, unbiased, third party should be viewed as a non-negotiable. This objective analysis should be conducted so as to ensure the viability of the merger with respect to the balance sheets and each institution's corporate culture. Individuals close to the merger often develop an "at any cost" attitude because they are personally invested in the process and they want to see the merger through. They may see the merger as part of their legacy and make fast, absentminded decisions that end up costing their organization time and money.

There are times when an institution merges a credit union that is so small that the potential impact of any unforeseen challenges is negligible. In these cases, it obviously doesn't make sense to invest vast amounts of money into rigid analysis. However, any merger that involves one or more institutions that collectively account for more than approximately ten percent of an institution's current assets should be given an appropriate level of consideration.

From 2012 to 2014, there were only 19 mergers where the credit union being merged possessed more than one hundred million in assets (Payne, 2014). This number will likely escalate as the average credit union asset size continues to surge and as leaders continue to realize that size and scale are essential to maintaining marketplace relevance. As Dustin DeVore stated when discussing the differences between previous mergers and the emerging consolidation climate, "The difference, however, will be that mergers in 2016 will be by and between strong credit unions with a mutual goal of improving member service and increased opportunities to members" (DeVore, 2016). Mergers involving institutions of this size should become part of a credit union's five year plan. As part of this process, William Brown suggests in his previously referenced 2007 article, *The Board's Role in Credit Union Mergers,* that credit unions should precisely define the elements that it deems as essential to moving forward with a merger as part of this strategic planning process (Brown, 2007). Rushing into a merger of this size could cost all involved institutions their collective and individual viability. These mergers must be lengthy processes not only because of the size and complexity of the merger, but also because multiple corporate cultures must be blended together in order to create a collaborative, optimally functional new institution. The strengths of each credit union must be recognized, stimulated and institutionalized. Furthermore, the resources possessed by each institution must be harnessed and leveraged.

One particular resource that often gets forgotten about in mergers, especially larger ones is the employees. The leadership team has to realize that bottom lines are about performance, but performance is about employee buy-in and no merger can attain a maximum level of success without it. The newly formed institution must be ready to move forward as a single unit, fully cohesive and holding fast to the new strategic plan.

It is also vitally important to ensure that the institution that you are merging doesn't possess the same weaknesses as you. For instance, if the acquiring credit union has above average delinquency and the institution being merged has delinquency issues of its own, they probably don't make the best merger partners. Finding an institution that possesses a dissimilar set of strengths and weaknesses is important, but this is not always easy to identify as both institutions may have weaknesses that don't show up on a balance sheet. This is another reason that acquiring institutions should procure the aid of an unbiased group to conduct third party organizational evaluations of all involved parties. There are no mulligans when it comes to consolidations. They either get done effectively or they don't, and the implications are momentous either way.

Communication with the Members Matters

Keeping members abreast of merger happenings from start to finish is imperative to maximizing member retention and ensuring a smooth transition. We understand from human experience that when people feel that they have been adequately communicated with, they are often times more understanding and they temper their expectations. When they feel blindsided, however, they are much more likely to be unreceptive and antagonistic. In fact, in a study conducted in 2014, Pilcher found that a mere fifty percent of customers at acquired banks felt that they had received a sufficient amount of information regarding their acquisition. He also reported that a customer is twice as likely to leave their financial institution when they find out about a merger from someone other than their bank (Pilcher, 2014). If that figure is accurate, an institution could potentially cut their attrition rate in half following a merger by simply communicating effectively with their members/customers during the merger. The bottom line is people like to feel important. They want to be "in the loop", and walking into your financial institution and noticing that all of the branding has been altered without any prior knowledge stirs within us feelings of ostracism and isolation.

In order to effectively communicate about mergers with members, credit unions must do something that they fail to do far too often in spite of their cooperative structure and their "people helping people" mentality. They must approach things from the member's perspective. We must ask ourselves how it would make us feel if an entity as important to our everyday lives as our financial institution made an overarching change and cared so little that they either failed to inform us at all or they sent a single letter in a common envelope that we threw away as soon as we received it. The answer would clearly be that we would feel excluded and disrespected. At a minimum, credit unions should use all of their delivery channels to disseminate the merger announcement and subsequent communications. A single mailed letter and a small sign in the lobby are a waste of time and resources. We have more communication channels at our disposal than ever before and they can all serve a viable function when distributing this type of information. No one is asking that an institution spend a king's ransom on merger communication, but social media, text blasts, email blasts and mobile alerts are all relatively inexpensive. Yet, these mediums have the potential to generate a significant return on investment (ROI) by reducing attrition rates and they make a huge impact on the way members perceive the impending merger.

At a minimum, merger communication should include information about any potential changes that will take place related to member accounts. Often times mergers involve a core processor change for the target credit union, which usually involves at least some small variations in account processing in addition to platform changes such as online, mobile and audio banking. These changes must be communicated effectively in order to stave off frustrations stemming from members' confusion. Providing members with informative material allows them to pre-plan for the coming changes and serves to make the modifications less impactful. These changes should as often as possible be framed as upgrades and enhancements in order to gain the buy-in of the merged members. Member communication is a make or break issue during the merger process. Retention and attrition rates affect a credit union's bottom line in very real ways and the pendulum's swing regarding these two important items hinge on effective member communication.

Communication with the Employees Matters

As with member communication, effective employee communication is a worthwhile endeavor that can serve as a very advantageous tool during a merger's construction. Employee buy-in from top to bottom within an organization is vitally important to the success of any merger. As with members, employees desire to feel appreciated and included. When this need is met, employees individually perform at a higher level, which lifts the performance of the entire institution. The Pilcher study referenced earlier also measured how communication with employees affected the staff's mood and outlook during the merger process. In his results, he stated that employees who were updated early and often during the merger were 9% less stressed, 6% more likely to remain with the company, 14% more satisfied and 22% less uncertain about the future (Pilcher, 2014). Communication matters! It matters in all areas of life, but when you are dealing with employees, its importance is amplified because there is a thin line between employee buy-in and employee upheaval. Most employees don't simply come to work to collect a pay check even if their attitudes sometimes indicate that that is exactly what they are there to do. Innately, they want to feel like they are a part of something bigger than themselves; they want to feel as if they had a hand in achieving a corporate goal. Informing them well and letting them know that they have contributed to what has taken place at the organization can go a long way towards achieving an institution's strategic plan and maintaining a high level of employee performance.

One proven mechanism for creating an inclusive work environment and attaining employee buy-in is team building. In specific relation to mergers and consolidations, the surviving credit union should put together a merger team comprised of employees at every level of each institution involved in the merger process. Preferably, these team members should be held in high esteem within their respective areas of work. The team concept works best if these individuals are viewed as leaders by their coworkers; someone that they believe will serve employee interest and not simply act as a corporate lackey. Regular meetings should be held where merger information can be adequately disseminated. The members of the team should be the touchpoint for other employees in the various departments and branches. In constructing a merger team, a credit union establishes an environment where the employees on the team become instantly invested in the success of the merger, which is exceedingly valuable. They also serve as an effective tool to combat push back from employees who resist change, and they can inform executives of merger-related issues that arise in each division that might have otherwise been overlooked.

Aside from simply building the team and providing them with information, the team should be given responsibilities in order to foster deeper buy-in. The merger team should be charged with creating leaflets and informational materials for the staff related to merger timelines and FAQs. They should also be involved in the process of reviewing member communications and branding decisions. While they will not and should not have the final say in these areas, being asked to be involved and having their opinions heard will pay dividends during the merger process and beyond. The C-suite must recognize that all of their best laid plans face an uphill battle without the backing and buy-in of the employees who will carry them out. The greatest disservice that executives can do to themselves is to set their strategic plan up to fail by keeping their employees at arm's length.

Perception and Thinking Outside the Box Matter

As previously detailed, the general public's perception of mergers and consolidations is almost entirely negative. More specific to the topic at hand, the narrative surrounding mergers within the credit union industry is one that projects dejection and hopelessness. In order to combat these dangerous sensitivities, credit unions must develop methods to conduct mergers in a manner that is viewed as a win-win by all involved parties. Accomplishing this difficult feat means that credit unions will have to be willing to try things that haven't been done on a large scale before. One example of such an endeavor might involve maintaining the name and brand of each institution involved in the merger. A recent example of this outside of the credit union industry is Allstate's acquisition of Esurance. Through the acquisition, Esurance maintained its name, brand, spokesperson and advertising style. The only difference is that the company now states that they are “backed by Allstate” at the end of their ads. Allstate obviously saw value in the branding and name recognition possessed by Esurance, so instead of framing the relationship like a corporate takeover and doing away with everything that existed before, they took an “if it’s not broken, don’t fix it” mentality and in doing so made it seem more like a partnership in which everybody won; a bit like a corporate spin-off in reverse. This model has also been replicated, albeit sparsely, in the credit union industry. Preceding a merger during the fourth quarter of 2015 between Department of Commerce FCU and White House FCU, Evan Clark, President of DCFCU, stated “We’re going to change the name from White House Federal Credit Union to White House Credit Union, but we’re going to keep that brand because it is a very sexy brand. People who work at the White House like to use the White House Credit Union credit card and checking accounts” (Stozniak, 2016). Possessing the ability to recognize the existing value in a merger partner’s name recognition and brand is important to the success of this type of partnership, and the authors believe that this model provides a more palatable merger option that could potentially add value and aid in changing the perceptions surrounding consolidations within the industry.

Filene also produced some research related to this type of collaborative merger model during the first quarter of 2016. Their article, *The Network Credit Union: A Modern Alternative to a Traditional Merger*, outlines a consolidation design in which the target credit union becomes part of the acquiring institution, but maintains its name and an advisory board. These “Divisional Advisory Boards” serve in a consultative capacity to the actual Board of Directors, or what Filene has termed the “Network Board”. Also within the Filene model, “Divisional CEOs” serve in a capacity similar to that of a Regional Manager and report to the “Network CEO”. Filene seems to suggest that this model would be most beneficial for a group of small credit unions who are looking to collaboratively combined in an effort to gain the scale that they are incapable of gaining on their own. And while Filene’s proposal that this model be used to combine several small institutions is certainly a valid proposition, the authors believe that similar models, as evidenced by the Allstate – Esurance consolidation, could work even when a larger institution is involved.

There are indeed times when a very large credit union absorbs a very small institution, and in these situations, the Allstate model doesn’t make a great deal of sense. In other instances, however, when a credit union merges another whose assets account for ten percent or more of its own, this model could serve as a very enticing possibility. Changes to the merged credit union’s branding could be as subtle as adding “a division of ABC Credit Union” to its logo and marketing efforts. Any necessary changes to the merged credit union’s core and peripheral systems could be framed as an internal change rather than a product of the takeover. Additionally, communication with the merged members could sound much less abrasive as the merger could be rolled out as a partnership in which things largely stay the same rather than a consolidation where one credit union views it as the end of an era. This model, and other creative merger concepts, have the potential to soften the blow for merged credit unions and their members. They could also serve to lessen the disdain with which individuals inside the industry view mergers, and in doing so, aid the movement in exchanging the current stigma for a more collaborative future.

IV. Summary/Conclusion

Current merger trends, which have led to the steady decline in total institutions and the surging average asset size, represent a paradigm shift within the credit union industry. Many factors have converged to initiate and sustain this irreversible development, and numerous uncertainties about the movement's future remain. What is certain; however, is that opportunity abounds as we push forward into the great unknown. And this opportunity that stands before us is in many ways itself a product of the existing consolidation explosion. As credit unions have come together to create scale, they have created cost advantages and have amplified the operational efficiencies with which they operate, which has increased income and allowed more capacious credit unions to spend more on advertising and brand recognition. As these larger credit unions approach equal footing with some of their banking counterparts, they possess opportunities to brand themselves as a caring disrupter and increase their wallet share relative to their members' financial products.

In many ways, large credit unions represent the ideal financial provider. They offer all of the modern conveniences typically associated with big banks, yet they don't endure the pressure of acquisitive stockholders and they believe in the cooperative foundations of the movement centered on compassion and "people helping people". It is the most sensible and consumer friendly financial model the contemporary era has produced. It's not that smaller institutions are insignificant or that they don't serve a viable purpose within the industry. The authors certainly aren't advocating an industry wide restructuring whereby any institution under $500 million in assets is merged with a larger credit union. We believe that small institutions serve a viable and noble purpose so long as they are adding value to the financial lives of their members. Similarly, we are not stating unequivocally that success should be measured entirely by the bottom line. Gauging success by the quality of an institution's relationship with their members is an honorable sentiment; one that we should all share, but size and scope cannot be ignored and assuming that small, single SEG credit unions who possesses no sustainable growth will continue to endure is naïve and presumptuous given the existing data. As we have seen, the majority of target credit unions are either troubled or under $50 million in assets. For many of these institutions, the cost of doing business, which continues to rise due to regulatory and consumer demands, is simply too high.

For acquiring credit unions that possess the resources to operate with efficiency, however, mergers offer an opportunity to grow their membership base much faster than they could organically. When one considers that the incoming clientele already possess an understanding of the credit union philosophy and that attrition rates can be limited by effective member communication and collaborative merger models, the foundations of the industry's affinity for consolidations becomes clear. Expanded membership bases and the additional revenue streams that accompany them aid credit unions in widening their margins and strengthening their efficiency ratios, which creates the opportunity to gain what every company in every industry desperately desires – scale. Scale is the means to a great end, whereby credit unions expand their product lines and modern offerings, which keeps members happy and well equipped to effectively manage their financial circumstances and aspirations. Such are the objectives upon which our industry was founded. The industry's amalgamation may not be what Edward Filene envisioned when he held credit union meetings in Massachusetts in 1908, but the philosophical underpinnings and goals of the redefined, 21st century movement remain unchanged. Filene's dream persists; his vision lingers regardless of the fact that State Employees' Credit Union's corporate headquarters resembles that of a Fortune 500 company.

Moreover, when a target credit union enters into a merger, they demonstrate that they have their members' best interest at the core of their operation. Unlike other large corporate acquisitions, the executive staff of the target credit union does not stand to line their pockets for pushing the merger through. In fact, in contrast, they stand to in some cases forfeit large portions of their autonomy and their brand. These concessions represent a high level of devotion to the individuals that they serve. The target institution does, however, stand to benefit by placing burdens such as succession planning, compliance initiatives, and collection issues in the hands of departments that possess the resources to resolve any existing problems effectively. They also ensure the continued employment of their staff most often and access to modern product lines for their members. These institutions put the needs of their members ahead of their own autonomy and romanticized nostalgia, which is really the essence of "people helping people". In fact the entire merger model, when the consolidation is properly executed and done in a collaborative manner, is merely an extension of the "people helping people" mentality. When credit unions help other credit unions, everyone wins.

Merger detractors levy a number of arguments in favor of the status quo. They contend that redefining the industry in a manner that eliminates single sponsor credit unions is an affront to the industry's origins, but they ignore the implications of possessing a complete lack of diversity within one's charter. Sponsors go out of business, and when they do, that is often a death sentence for their credit union unless they adapt quickly and obtain a community charter or merge with another institution. Additionally, often times single sponsors are not prosperous enough to support the modern product lines that their employees desire from their financial institution. When this occurs, the credit union reaches an impasse and a merger becomes virtually obligatory.

Other anti-merger arguments such as providing ammunition for the ABA, increased member attrition, and devaluing the acquiring institution simply do not hold up under scrutiny. Fearing the ABA and their lobbyists should never be a driving force behind any credit union industry initiative. There is no connection between our tax exempt status and the average asset size of our institutions. The two issues are mutually exclusive. Concerning attrition data, there is no credit union specific evidence to suggest that mergers result in elevated rates. We monotonously point out the differences between credit unions and banks, so we cannot assume that our attrition data will mirror theirs. There are simply too many variables that could come into play. Similarly, there is no data that substantiates claims that acquiring institutions are inevitably devalued by a merger. When institutions conduct sufficient research, there should be no reason that they cannot grow at a healthy pace following a consolidation.

In spite of the shortcomings of the hitherto mentioned arguments, mergers are still viewed very negatively inside the movement. This negative perception is perhaps the principal impediment to embracing a more collaborative future. Generally, there are two forces working against the efforts that are needed to reverse these opinions. First, the perception of mergers and acquisitions outside the industry has bled into the movement and has served to intensify existing anti-merger sentiments. Second, the industry itself has created a toxic image of mergers with all of the doomsday discussions and op-ed articles. Meanwhile, in the midst of all this negativity, the movement is experiencing the steepest growth in its history. The industry's total membership and assets have increased by 41% and 80% respectively since 1991 (CUNA, 2015). This negativity is misplaced. Mergers and consolidations present the industry with opportunities to create scale and further multiply the growth that it has sustained. Anti-merger sentiments are inherently anti-growth and these opinions must be softened in order for both collaboration and progress to flourish.

Spurning mergers and consolidations is not only a vote against industry growth; it will also inevitably lead to the acquisition of those credit unions who reject it; thereby proving the folly of their reasoning. As William Brown has stated, "...the odds that your credit union will be involved in a merger, as either the acquiring or the merged institution, are quite high. There are relatively few sure bets in the world of consumer finance, so this high-probability event presents a clear opportunity for you and your senior team to plan proactively" (Brown, 2007). Including merger discussions in strategic planning sessions is imperative for boards and executive staffs. Even if a merger is not imminent for an institution, discussing potential merger goals will leave the organization in a much more prepared place when the opportunity does arrive. In addition, although a credit union is well-capitalized today, it isn't guaranteed to remain in that state indefinitely. As Tammy Williams of Best Advantage Credit Union stated in her 2014 interview with Filene, "Our credit union was healthy, but we recognized that at some point – whether that was 5 or 10 years out – that wasn't necessarily going to be the case and we were going to face some tough decisions" (Filene, 2014).

When conducting this preparation, credit unions should bear in mind that a number of things matter a great deal when conducting a merger. The merger partner that is chosen, for one, matters tremendously. Merger partners must ensure that their philosophical viewpoints align, but that their weaknesses do not. Adequate time must also be allotted to have an independent third party conduct organizational and financial analysis to ensure the viability of the merger from all angles.

Adequate communication with both the membership and the employees is also crucial to the success of the merger. Without sufficient levels of communication, both groups will feel disconnected and quickly become disenchanted with the merger venture. A high level of effective communication, on the other hand, will cause members and employees to feel included, thereby reducing member attrition and increasing employee buy-in.

Finally, having the ability to think outside the box and being aware of the fact that perception often trumps reality when it comes to mergers will go a long way towards ensuring the success of a consolidation. Collaborative efforts are imperative in the contemporary movement, especially when it comes to mergers and acquisitions. Allowing target credit unions to maintain some level of autonomy and brand independence can go a long way towards altering negative perceptions and fostering a collaborative environment. CEOs and boards should think creatively about consolidations and resist the temptation to be boxed in by customary merger models. Framing the merger as a partnership rather than an acquisition serves to make the transition more palatable and it echoes the movement's foundational principles.

Credit union mergers and the movement's overall consolidation has positively impacted the industry as a whole, as evidenced by the growth trajectories that have emerged during this amalgamated period. Individual credit unions and their members have also been aided greatly by the merger trend according to the member survey that we conducted in conjunction with CUNA as well as the secondary research that has been presented. It appears that the only thing standing in the way of the continued propagation of the merger trend, and the benefits that accompany it, is the perception held by some within the industry that consolidating somehow stands in opposition to the movement's origins. As Grace Helms stated during our interview with her, "There is an opinion that the more credit unions merge and grow, the more they will resemble banks. Because of that perception, mergers may be viewed as being bad for the industry. I feel that credit unions continue to stand out in society for their volunteerism and community service. As long as this continues and members are served by way of the credit union philosophy, mergers do not have to be viewed in a negative light. Alternately, they can be viewed as 'credit unions helping credit unions'. Banding together in order to become stronger results in credit union membership being offered to a greater number of consumers." The authors would agree that credit unions offer value to their members and their communities, not because of their sponsor status or their asset size, but rather their foundational principles and their 'people helping people' mentality. These ideologies endure and are in many ways perpetuated by current merger trends. The original foundation of the movement truly holds. A new structure may sit atop it, but the foundational ideologies persist. The future of the movement is exceedingly bright, but it will not be without challenges and adversities. We can be exceedingly confident, however, that the movement will be best equipped to meet those challenges and adversities by embracing the collaborative mantra and banding together to face what comes.

Individual Conclusions

Nathan

Prior to conducting the research for the paper, I would have likely argued against the movement's consolidation because of my general perception of mergers and the supposed threat that mergers pose to small, single sponsor credit unions. After conducting the research, however, I feel that collaborative mergers aide credit unions by creating scale and increasing product lines and delivery channels. My credit union has briefly considered one collaborative merger possibility since I began my tenure, but it did not ultimately take place. When the opportunity arises again, I will be guided by the knowledge that I have gained through this process and will likely argue in favor of the merger assuming the right partner is present and the independent evaluations validate the organizations' compatibility. I think we often fear that which we are not familiar with, and for credit unions that have not been part of a merger in an extended period of time, such as mine, consolidating with another institution seems like a daunting task. When one considers the potential benefits of a collaborative merger, however, the prospective rewards make the endeavor feel worthy of the undertaking. I believe our entire team has learned a great deal from this project and I am happy to have been a part of it.

Ryan

I believe that from the regulatory level down to individual credit unions, the credit union industry, as a whole, should strive to be smart and work together to make sure the industry continues to grow and stay strong. Increased regulatory constraints, while needed in some cases, can certainly put added pressure on the smaller credit unions and drive them into having to seek merger partners or close their doors. Also, the wants and needs being demanded by members for increased levels of products and services built around technology can present the same dilemma for a lot of smaller institutions. If these issues are not addressed, members will find other financial institutions to move to if the new standard of products and services are not being found at their local credit union. This is why I believe that credit unions need to recognize what direction they are heading, before the NCUA has to step in, and be willing to do what is best to keep a credit union presence alive for its local member base. Sure, the perception of a credit union "dying" is what's out there when we talk mergers, but in reality that is not the case. Mergers may reduce the number of credit union names out there, but will ultimately expand credit union membership and the movement by meeting the needs and exceeding the expectations of the member base when it comes to providing an affordable financial product or service. Mergers can certainly help the credit union industry go beyond just mere sustainability into a "the sky's the limit" growth mode. We, as an industry, are cooperatives at our core. Working together to make sure the credit union industry remains strong should be at the top of our lists. I believe that merging credit unions, from a smart strategic standpoint, offers a viable way to achieve this goal and does answer the question "Do mergers add value and improve the financial well-being of credit union members or not?" with a resounding YES!

Kim

The results of participating in this study have positive consequences for me beyond the benefits of accomplishing goals established by SRCUS: my credit union was already involved in two mergers, and as per the research presented, it stands a strong chance of being in another merger in the not so distant future. Our credit union welcomed the two mergers we participated in as the acquiring credit union, but I certainly felt the disdain presented in industry publications regarding the negative feelings towards our industry's amalgamation. But I've learned from our research presented here that there is nothing to fear but fear itself. While the rhetoric surrounding credit union mergers is negative, the quantitative data is not. The credit union movement is growing and succeeding at a rapid pace, perhaps not despite the many mergers, but because of it. Financial services are not the kind of services that benefit from being small, and that's okay. The thing that does and will continue to set us apart from banks is our desire to serve. Mergers that are necessary or desired *do* move the movement forward. Mergers that happen because a credit union is struggling keep that credit union and those members in the movement, just under a different name. And something I hadn't considered until reading this paper: merging strong credit unions with struggling credit unions protects our collaborative Share Insurance Fund. Mergers that happen because credit unions want to increase their services to members work, without detriment to the service those merged members receive. As shown by our Merged Member Survey, members do notice an increase in services - especially those aged 20-40 - and they also overwhelmingly feel that the member service stays the same or gets better. These positive findings bring me hope for the future of the credit union movement. If we can work together, we can enjoy the many benefits that necessary and desired mergers bring forth - and working together is something our industry does better than any other.

In addition to realizing that the perceived evils of mergers are not based in fact, the opportunity to work with my SRCUS partners on this topic afforded me the benefit of gathering ideas and solutions for future mergers that I would not have thought of on my own. Collaboration is key; from a team of four people to an entire industry focused together on helping people, as Mattie Stepanel said, "Unity is strength... when there is teamwork and collaboration, wonderful things can be achieved."

Billy

This whitepaper has taught me that credit union mergers are a part of today’s financial environment and are beneficial if they are completed with an objective bias from both sides of the boardroom table. Mergers are not bad, but the perceptions of mergers are bad. This whitepaper was able to provide its readers with positives and negatives of credit union mergers, but in the end how an individual perceives a merger is up to them. The readers of this paper are sure to see that the perceptions of the necessary mergers are the only thing that will keep the credit union industry from gaining powerful market share. The increased market share, gained through mergers, will grow the credit union industry and will allow us to continue to be relevant by using increased capital, to provide our owners with the services and products that they not only need, but deserve.

As an individual who has been a credit union member since the day I was born, I thought I knew it all in regards to credit unions. Little did I know that my credit union education had only begun when I started working for a credit union in 2012. These last three years of SRCUS have provided me with invaluable knowledge that I will be forever grateful for. I will continuously use this gained knowledge to continue my career as a potential credit union executive.

Bibliography

Bergum, Jeffrey, Grace Helms, and Randall Robinson. "How Mergers Affect the Credit Union Industry." E-mail interview. 29 Oct. 2015.

Brown, William A. (2007). The Board's Role in Credit Union Mergers. *Filene Research Institute.*

Chilingerian, Natasha. (2012, January 31). *CEO Talent Pool is Shrinking Due to Specialization*. Credit Union Times. www.cutimes.com/2012/01/31/ceo-talent-pool-is-shrinking-due-to-specialization.

Clark, S. (2015, June 26). *The Benefits Of Cooperative Design*. Retrieved June 26, 2015 from http://www.creditunions.com/blogs/graphic-of-the-week/the-benefits-of-cooperative-design/

Christensen, Glenn. (2015, September 22). NCUA Approves 20 Credit Union Mergers in July. *CEO Advisory Group*.

Christensen, Glenn. (2014, September 30). The Future of Credit Unions – Average CU $2 Billion in Assets. *CEO Advisory Group*.

CUNA. (2015). http://www.cuna.org/Webassets/Pages/Content.aspx?id=3904&ct=2fde44e8a0ec97b35a19265a49b7abd457fad146362fe9369d8fbd186aca92e28958608cdd96351069fd09910ac732cb9893ee711c704168a4ff0

Dopico, Luis, Macrometrix and James Wilcox. (2011, February 10). Impacts of Mergers on Credit Union Costs: 1984-2009. *Filene Research Institute.*

Filene Research Institute. (2016, January 28). The Network Credit Union: A Modern Alternative to a Traditional Merger.

Filene Research Institute. (2014, September 18). Credit Union 2.0: An Opportunity to Build Collaborative Partnerships.

Flessner, D. (2015, June 15). Credit unions grow in size and services, shrink in number. *Chattanooga Times Free Press.* Retrieved September 18, 2015 from http://www.timesfreepress.com/news/business/aroundregion/story/2015/jun/15/credit-unions-grow-size-and-services-shrink-number/309680/

McGarvey, R. (2013, February 27). Mergers Will Continue to Cull Small Credit Unions From Herd. *Credit Union Times Magazine*. Retrieved July 2, 2015 from http://www.cutimes.com/2013/02/27/mergers-will-continue-to-cull-small-credit-unions

Merged members of ArrowPointe Federal Credit Union, Bowater Employees Credit Union, Credit Union of Southern California, Georgia's Own Credit Union, Peach State Federal Credit Union, Rio Grande Credit Union. "2015-2016 Credit Union Member Survey." Online Survey. CUNA Market Research. www.research.net. 18 December 2015 - 29 February 2016.

Muckian, M. (2015, May 15). Are Credit Unions Being Regulated Out of Business? *Credit Union Times Magazine*. Retrieved July 2, 2015 from http://www.cutimes.com/2015/05/15/are-credit-unions-being-regulated-out-of-business

Muckian, M. (2015, July 15). The Top 25 Credit Unions: Then and Now. *Credit Union Times, Volume 26, number 25,* 20-21.

National Credit Union Administration, Office of Small Credit Union Initiatives. (2014, May 1). *Truth In Mergers: A Guide for Merging Credit Unions*. Retrieved June 20, 2015, from http://www.ncua.gov/Resources/OSCUI/Documents/TruthInMergers.pdf

Orem, T. (2015, June 3). Mergers Drive Members Away: Gallup. *Credit Union Times*. Retrieved June 26, 2015 from http://www.cutimes.com/2015/06/03/mergers-drive-members-away-gallup

Pilcher, J. (2012, September 4). Credit Union Industry Outlook: 5 Years Back, 20 Years Forward. *The Financial Brand*. Retrieved June 20, 2015 from http://thefinancialbrand.com/24943/credit-union-industry-outlook/

Pilcher, J. (2014, March 5). How To Keep Customers From Jumping Ship After A Merger. *The Financial Brand*. Retrieved June 26, 2015 from http://thefinancialbrand.com/27872/merger-communications-strategies-for-financial-institutions/

Payne, E. (2014, May 8). *The New Normal In Mergers*. Retrieved June 20, 2015 from http://www.creditunions.com/blogs/off-the-cuff/are-mergers-the-new-normal/

Rapport, M. (2015, July 27). *Secondary Capital Helps An Oregon Credit Union Seize the Moment*. Retrieved July 27, 2015 from http://www.creditunions.com/articles/secondary-capital-helps-an-oregon-credit-union-seize-the-moment/#

Srinivas, Val, Sam Friedman & Jim Eckenrode. *The Business Imperative Behind Mobile Offerings*. Deloitte University Press. May 19, 2014.

Strozniak, P. (2015, July 30). Field of Membership: A 25-Year Evolution. *Credit Union Times*. Retrieved December 15, 2015 from http://www.cutimes.com/2015/07/30/field-of-membership-a-25-year-evolution

Stozniak, P. (2016, February 7). Credit Union Mergers to Hold Steady. *Credit Union Times.*

Taft, S. (2015, May 11). *4 Charts About Credit Union Mergers.* Retrieved July 23, 2015 from http://www.creditunions.com/blogs/graphic-of-the-week/4-charts-about-credit-union-mergers/#

Appendix:

Credit Union Merged Members Survey

CUNA
Credit Union National Association

Credit Union Merger Survey

March 2016

Survey assistance provided by:

Connie Dey-Marcos, Manager of Market Research
Market Research & Consumer Engagement
Credit Union National Association, Inc.
cuna.org/Research-And-Strategy/Market-Research

Methodology

- **Survey Conducted:** December 2015 – March 2016
- **Methodology:** E-mail
  - Members that came to the credit unions through mergers were sent e-mails from their respective credit unions inviting them to participate in the survey
- **Sample Size:** at least 18,000*
- **Responses:** 1,249
  - ArrowPointe FCU 57 of 1,217
  - Bowater ECU 14 of 161
  - CUSoCal 903
  - Georgia's Own CU 191 of 4,670
  - Peach State FCU 82 of 2,500
  - Rio Grande CU 2 of LT 100
- **Response rate:** 5% overall*
- **Error Margin:** ± 2.8%

*Not all CUs reported the exact numbers of members that were sent e-mails. The response rate is based on those CUs for which numbers were known.

CUNA Credit Union National Association

2015-2016 Credit Union Member Survey

We would like feedback on your experiences regarding the most recent merger of your credit union.

1. Overall, how satisfied are you with the credit union since the merger?

- Very satisfied
- Somewhat satisfied
- Somewhat dissatisfied
- Very dissatisfied

2. How likely is it that you would have recommended your original credit union BEFORE the merger to family, friends, or colleagues?

- 10 - Definitely would
- 9
- 8
- 7
- 6
- 5
- 4
- 3
- 2
- 1
- 0 - Definitely would not

3. How likely is it that you would recommend the current credit union to family, friends, or colleagues?

- ◯ 10 - Definitely would
- ◯ 9
- ◯ 8
- ◯ 7
- ◯ 6
- ◯ 5
- ◯ 4
- ◯ 3
- ◯ 2
- ◯ 1
- ◯ 0 - Definitely would not

4. Besides this credit union, at which other places do you currently use financial products/services? (Check all that apply.)

- ☐ Other credit union(s)
- ☐ Bank(s)
- ☐ Other (specify below)
- ☐ No others

If you indicated you use financial products/services at "other" places, please specify.

5. Is the current credit union your primary financial institution - where you conduct most of your business?

- ◯ Yes
- ◯ No

6. How likely is it that you would contact the credit union the next time you are looking for a financial product/service or loan?

◯ Definitely would ◯ Probably would ◯ Probably would not ◯ Definitely would not ◯ Not sure

7. Please tell us how strongly you agree or disagree with the following statements regarding your current credit union - since the merger.

	Agree strongly	Agree somewhat	Neither agree nor disagree	Disagree somewhat	Disagree strongly
Since the merger... ...the number of products and services available to you has **increased.**	◯	◯	◯	◯	◯
...the number of products and services available to you has **decreased**.	◯	◯	◯	◯	◯
...your access to modern account features (i.e., mobile banking, remote deposit capture, online banking, shared branching) has **increased**.	◯	◯	◯	◯	◯
...your access to modern account features is fairly **similar** to what it was.	◯	◯	◯	◯	◯
...the level of member service that you have experienced has **improved**.	◯	◯	◯	◯	◯
...the level of member service that you have experienced has **declined**.	◯	◯	◯	◯	◯
...the way in which credit union employees treat you is **better** than before.	◯	◯	◯	◯	◯

	Agree strongly	Agree somewhat	Neither agree nor disagree	Disagree somewhat	Disagree strongly
...the way in which credit union employees treat you is **worse** than before.	◯	◯	◯	◯	◯

8. Before the merger, did you think credit unions were better, worse, or the same as banks?

◯ Better than banks ◯ The same as banks ◯ Worse than banks

9. Since the merger, do you think credit unions were better, worse, or the same as banks?

◯ Better than banks ◯ The same as banks ◯ Worse than banks

10. How many years have you been a member of the credit union (including years pre- and post-merger)?

11. Prior to the official notice from your original credit union announcing the merger, were you aware that your original credit union was looking to merge with another credit union?

◯ Yes

◯ No

12. If your original credit union had closed instead of merging, what do you think would have been the place you most likely would have gone for your financial products/services?

◯ A bank ◯ A credit union ◯ Not sure

13. Please tell us the name of your original credit union - before the merger.

14. Please tell us your age.

15. Please share anything else you would like us to know about the merger of your credit union.

Done

Analysis Guidelines

- **When comparing percentages:** differences of at least five (5) percentage points are considered meaningful (e.g., 40% vs. 45%)
- **When comparing scores:** differences of two-tenths (.2) of a point are considered meaningful (e.g., 3.8 vs. 4.0)
- **Consider the number of responses (N):** because of the low number of responses for some segments, use caution in interpreting differences. Segments with fewer than 30 respondents should not be included for comparison. The N for each segment for each question is indicated on the tables.

Benchmarks for Other CUs

- **Overall satisfaction with CU**
  - Very satisfied: 72%
  - Average score: 3.6 (4.0="very satisfied" and 1.0="very dissatisfied")
- **CU is PFI:** 52%
- **Would recommend CU to others**
  - Definitely – rate as 10: 48%
  - Promoters (10 or 9): 63%
  - Detractors (6 or lower): 18%
  - Net Promoter Score: 45
- **Would contact CU for future services**
  - Definitely: 48%
  - Probably: 35%

CUNA
Credit Union National Association

Q. 1: Overall, how satisfied are you with the credit union since the merger?

		N	Average*	Very satisfied	Somewhat satisfied	Somewhat dissatisfied	Very dissatisfied
Overall		1240	3.4	62%	25%	8%	5%
By age group	19 or younger	3	3.0	67%	0%	0%	33%
	20 - 40	146	3.5	60%	29%	7%	4%
	41 - 50	217	3.3	53%	29%	12%	6%
	51 or older	778	3.5	65%	23%	7%	4%
By years of membership	1 or less	6	3.7	67%	33%	0%	0%
	2-4	52	3.2	54%	23%	12%	12%
	5-9	135	3.4	61%	24%	8%	7%
	10-14	180	3.6	69%	24%	6%	1%
	15 or more	821	3.4	61%	26%	8%	5%
By asset size of surviving CU	Less than $250 million	70	3.5	66%	23%	7%	4%
	$250 million - $500 million	83	3.5	60%	29%	8%	2%
	$500 million or more	1087	3.4	62%	25%	8%	5%

*Average scores are based on a 4-point scale, where 4.0 represents "very satisfied" and 1.0 represents "very dissatisfied."

Q. 2: How likely is it that you would have recommended your original credit union BEFORE the merger to family, friends, or colleagues?

		N	10 - Definitely would	9	8	7	6	5	4	3	2	1	0 - Definitely would not
Overall		1239	60%	11%	11%	5%	3%	5%	1%	1%	1%	0%	1%
By age group	19 or younger	3	33%	0%	0%	0%	0%	33%	0%	0%	0%	0%	33%
	20 - 40	146	55%	7%	14%	5%	3%	9%	1%	1%	2%	1%	1%
	41 - 50	218	55%	13%	9%	6%	3%	8%	1%	1%	1%	0%	1%
	51 or older	776	63%	11%	11%	4%	3%	4%	1%	1%	1%	0%	1%
By years of membership	1 or less	6	17%	33%	17%	17%	17%	0%	0%	0%	0%	0%	0%
	2-4	51	49%	10%	14%	6%	2%	10%	2%	4%	2%	0%	2%
	5-9	135	57%	7%	14%	6%	3%	8%	1%	1%	1%	1%	1%
	10-14	181	56%	16%	13%	3%	4%	4%	1%	2%	0%	0%	1%
	15 or more	820	63%	10%	10%	5%	3%	4%	1%	1%	1%	0%	1%
By asset size of surviving CU	Less than $250 million	71	69%	6%	13%	3%	0%	7%	1%	0%	0%	1%	0%
	$250 million - $500 million	83	53%	16%	11%	4%	4%	6%	1%	2%	2%	1%	0%
	$500 million or more	1085	60%	11%	11%	5%	3%	5%	1%	1%	1%	0%	1%

Q. 3: How likely is it that you would recommend the current credit union to family, friends, or colleagues?

		N	10 - Definitely would	9	8	7	6	5	4	3	2	1	0 - Definitely would not
Overall		1240	52%	12%	10%	5%	4%	6%	2%	2%	2%	1%	4%
By age group	19 or younger	3	67%	0%	0%	0%	0%	0%	0%	0%	0%	0%	33%
	20 - 40	145	48%	10%	13%	7%	7%	6%	4%	1%	0%	1%	3%
	41 - 50	217	41%	14%	12%	6%	3%	7%	1%	2%	4%	1%	8%
	51 or older	779	57%	11%	9%	5%	4%	5%	2%	2%	1%	1%	3%
By years of membership	1 or less	6	50%	17%	0%	17%	17%	0%	0%	0%	0%	0%	0%
	2-4	51	45%	10%	12%	4%	2%	6%	6%	4%	4%	0%	8%
	5-9	136	53%	9%	11%	6%	4%	7%	1%	2%	0%	1%	5%
	10-14	181	55%	17%	10%	4%	4%	6%	1%	0%	1%	1%	1%
	15 or more	821	52%	11%	10%	5%	4%	6%	2%	2%	2%	1%	5%
By asset size of surviving CU	Less than $250 million	71	62%	10%	14%	1%	0%	4%	1%	0%	0%	3%	4%
	$250 million - $500 million	83	51%	13%	8%	8%	7%	4%	0%	5%	0%	1%	2%
	$500 million or more	1086	52%	12%	10%	5%	4%	6%	2%	1%	2%	1%	4%

Q. 2: How likely is it that you would have recommended your original credit union BEFORE the merger to family, friends, or colleagues?

		N	Promoter	Passive	Detractor
Overall		1239	71%	16%	13%
By age group	19 or younger	3	33%	0%	67%
	20 - 40	146	62%	19%	18%
	41 - 50	218	68%	15%	17%
	51 or older	776	74%	15%	11%
By years of membership	1 or less	6	50%	33%	17%
	2-4	51	59%	20%	22%
	5-9	135	64%	20%	16%
	10-14	181	72%	17%	11%
	15 or more	820	73%	15%	12%
By asset size of surviving CU	Less than $250 million	71	75%	15%	10%
	$250 million - $500 million	83	69%	14%	17%
	$500 million or more	1085	71%	16%	13%

Promoter level: Promoter = rating of 10 or 9, Passive = rating of 8 or 7, Detractor = rating of 0-6

Q. 3: How likely is it that you would recommend the current credit union to family, friends, or colleagues?

		N	Promoter	Passive	Detractor
Overall		1240	64%	16%	20%
By age group	19 or younger (<20)	3	67%	0%	33%
	20 - 40	145	58%	20%	22%
	41 - 50	217	55%	18%	27%
	51 or older	779	68%	14%	18%
By years of membership	1 or less	6	67%	17%	17%
	2-4	51	55%	16%	29%
	5-9	136	62%	17%	21%
	10-14	181	72%	14%	13%
	15 or more	821	63%	16%	21%
By asset size of surviving CU	Less than $250 million	71	72%	15%	13%
	$250 million - $500 million	83	64%	17%	19%
	$500 million or more	1086	64%	15%	21%

Promoter level: Promoter = rating of 10 or 9, Passive = rating of 8 or 7, Detractor = rating of 0-6

Net Promoter Score

Promoter level: Promoter = rating of 10 or 9, Passive = rating of 8 or 7, Detractor = rating of 0-6

NPS - Original CU BEFORE merger		N	Promoter	Passive	Detractor	NPS*
Overall		1239	71%	16%	13%	58
By age group	19 or younger	3	33%	0%	67%	-33
	20 - 40	146	62%	19%	18%	44
	41 - 50	218	68%	15%	17%	51
	51 or older	776	74%	15%	11%	63
By years of membership	1 or less	6	50%	33%	17%	33
	2-4	51	59%	20%	22%	37
	5-9	135	64%	20%	16%	49
	10-14	181	72%	17%	11%	61
	15 or more	820	73%	15%	12%	61
By asset size of surviving CU	Less than $250 million	71	75%	15%	10%	65
	$250 million - $500 million	83	69%	14%	17%	52
	$500 million or more	1085	71%	16%	13%	58

NPS - Current CU		N	Promoter	Passive	Detractor	NPS*
Overall		1240	64%	16%	20%	44
By age group	19 or younger (<20)	3	67%	0%	33%	33
	20 - 40	145	58%	20%	22%	36
	41 - 50	217	55%	18%	27%	29
	51 or older	779	68%	14%	18%	49
By years of membership	1 or less	6	67%	17%	17%	50
	2-4	51	55%	16%	29%	26
	5-9	136	62%	17%	21%	40
	10-14	181	72%	14%	13%	59
	15 or more	821	63%	16%	21%	41
By asset size of surviving CU	Less than $250 million	71	72%	15%	13%	59
	$250 million - $500 million	83	64%	17%	19%	45
	$500 million or more	1086	64%	15%	21%	43

NOTE: NPSs are calculated using the percentages to the hundreth of a percentage point and are then rounded to the nearest whole number.

Q. 4: Besides this credit union, at which other places do you currently use financial products/services?

		N	Other credit union(s)	Bank(s)	Other	No others
Overall		1237	30%	62%	10%	21%
By age group	19 or younger	3	0%	100%	0%	0%
	20 - 40	145	30%	52%	5%	29%
	41 - 50	217	29%	60%	4%	23%
	51 or older	775	30%	64%	13%	19%
By years of membership	1 or less	6	33%	83%	17%	0%
	2-4	52	15%	67%	2%	29%
	5-9	135	33%	56%	3%	30%
	10-14	179	26%	58%	11%	25%
	15 or more	819	31%	65%	11%	18%
By asset size of surviving CU	Less than $250 million	67	28%	60%	9%	25%
	$250 million - $500 million	83	36%	73%	2%	13%
	$500 million or more	1087	29%	62%	11%	21%

Q. 5: Is the current credit union your primary financial institution - where you conduct most of your business?

		N	Yes	No
Overall		1237	55%	45%
By age group	19 or younger	3	33%	67%
	20 - 40	146	62%	38%
	41 - 50	218	51%	49%
	51 or older	775	55%	45%
By years of membership	1 or less	6	50%	50%
	2-4	52	54%	46%
	5-9	136	57%	43%
	10-14	180	51%	49%
	15 or more	818	55%	45%
By asset size of surviving CU	Less than $250 million	70	59%	41%
	$250 million - $500 million	83	41%	59%
	$500 million or more	1084	56%	44%

Q. 6: How likely is it that you would contact the credit union the next time you are looking for a financial product/service or loan?

		N	Definitely would	Probably would	Probably would not	Definitely would not	Not sure
Overall		1240	41%	35%	12%	5%	8%
By age group	19 or younger	3	67%	0%	0%	33%	0%
	20 - 40	146	38%	37%	6%	7%	12%
	41 - 50	218	39%	37%	12%	7%	5%
	51 or older	779	42%	34%	13%	4%	8%
By years of membership	1 or less	6	33%	67%	0%	0%	0%
	2-4	52	38%	29%	13%	10%	10%
	5-9	135	37%	33%	10%	8%	12%
	10-14	180	44%	38%	9%	2%	6%
	15 or more	822	40%	35%	14%	4%	7%
By asset size of surviving CU	Less than $250 million	70	56%	19%	10%	9%	7%
	$250 million - $500 million	83	34%	35%	16%	6%	10%
	$500 million or more	1087	40%	36%	12%	4%	7%

Q. 7: Please tell us how strongly you agree or disagree with the following statements regarding your current credit union - since the merger...
...the number of products and services available to you has increased.

		N	Average*	Agree strongly	Agree somewhat	Neither agree nor disagree	Disagree somewhat	Disagree strongly
Overall		1228	3.8	29%	27%	38%	4%	2%
By age group	19 or younger	3	3.7	33%	0%	67%	0%	0%
	20 - 40	145	3.8	32%	27%	33%	4%	3%
	41 - 50	217	3.6	28%	23%	38%	8%	3%
	51 or older	770	3.8	29%	28%	38%	3%	2%
By years of membership	1 or less	6	3.3	17%	0%	83%	0%	0%
	2-4	52	3.6	25%	25%	40%	2%	8%
	5-9	135	3.6	24%	25%	43%	4%	3%
	10-14	178	3.9	37%	22%	37%	2%	1%
	15 or more	813	3.8	28%	29%	36%	5%	2%
By asset size of surviving CU	Less than $250 million	70	3.7	31%	20%	40%	6%	3%
	$250 million - $500 million	83	3.8	30%	30%	31%	6%	2%
	$500 million or more	1075	3.8	29%	27%	38%	4%	2%

*Average scores are based on a 5-point scale, where 5.0 represents "Agree strongly" and 1.0 represents "Disagree strongly."

Q. 7: Please tell us how strongly you agree or disagree with the following statements regarding your current credit union - since the merger...
...the number of products and services available to you has decreased.

		N	Average*	Agree strongly	Agree somewhat	Neither agree nor disagree	Disagree somewhat	Disagree strongly
Overall		1178	2.5	5%	9%	45%	13%	28%
By age group	19 or younger	3	2.3	0%	0%	67%	0%	33%
	20 - 40	142	2.5	7%	7%	46%	13%	27%
	41 - 50	213	2.6	8%	13%	41%	15%	24%
	51 or older	732	2.4	4%	8%	45%	12%	30%
By years of membership	1 or less	5	3.0	0%	0%	100%	0%	0%
	2-4	46	2.6	11%	4%	48%	11%	26%
	5-9	132	2.8	11%	10%	51%	11%	17%
	10-14	176	2.5	3%	7%	51%	13%	26%
	15 or more	776	2.4	4%	9%	42%	14%	31%
By asset size of surviving CU	Less than $250 million	64	2.3	6%	2%	47%	6%	39%
	$250 million - $500 million	80	2.5	6%	8%	43%	14%	30%
	$500 million or more	1034	2.5	5%	9%	45%	13%	27%

*Average scores are based on a 5-point scale, where 5.0 represents "Agree strongly" and 1.0 represents "Disagree strongly."

Q. 7: Please tell us how strongly you agree or disagree with the following statements regarding your current credit union - since the merger...
...your access to modern account features (i.e. mobile banking, remote deposit capture, online banking, shared branching) has increased.

		N	Average*	Agree strongly	Agree somewhat	Neither agree nor disagree	Disagree somewhat	Disagree strongly
Overall		1214	4.0	40%	25%	29%	4%	3%
By age group	19 or younger	3	3.7	33%	0%	67%	0%	0%
	20 - 40	145	4.1	48%	23%	21%	4%	4%
	41 - 50	215	3.9	39%	25%	29%	6%	1%
	51 or older	762	3.9	39%	26%	30%	3%	2%
By years of membership	1 or less	6	3.5	17%	17%	67%	0%	0%
	2-4	51	3.7	33%	24%	35%	0%	8%
	5-9	134	4.0	42%	28%	25%	3%	3%
	10-14	178	4.0	43%	22%	29%	4%	2%
	15 or more	801	3.9	39%	26%	28%	4%	2%
By asset size of surviving CU	Less than $250 million	70	3.8	33%	27%	29%	7%	4%
	$250 million - $500 million	82	4.0	38%	29%	27%	5%	1%
	$500 million or more	1062	4.0	40%	25%	29%	4%	3%

*Average scores are based on a 5-point scale, where 5.0 represents "Agree strongly" and 1.0 represents "Disagree strongly."

Q. 7: Please tell us how strongly you agree or disagree with the following statements regarding your current credit union - since the merger...
...your access to modern account features is fairly similar to what it was.

		N	Average*	Agree strongly	Agree somewhat	Neither agree nor disagree	Disagree somewhat	Disagree strongly
Overall		1190	3.2	15%	30%	29%	14%	12%
By age group	19 or younger	3	3.0	0%	0%	100%	0%	0%
	20 - 40	144	3.0	9%	31%	27%	17%	16%
	41 - 50	216	3.3	15%	31%	30%	14%	10%
	51 or older	739	3.3	17%	29%	29%	14%	11%
By years of membership	1 or less	6	3.2	0%	33%	50%	17%	0%
	2-4	49	3.2	14%	29%	39%	4%	14%
	5-9	131	3.4	16%	40%	25%	8%	11%
	10-14	179	3.2	12%	31%	31%	14%	12%
	15 or more	782	3.2	15%	27%	29%	16%	12%
By asset size of surviving CU	Less than $250 million	67	3.2	16%	34%	21%	13%	15%
	$250 million - $500 million	79	3.0	5%	34%	32%	15%	14%
	$500 million or more	1044	3.2	16%	29%	30%	14%	11%

*Average scores are based on a 5-point scale, where 5.0 represents "Agree strongly" and 1.0 represents "Disagree strongly."

Q. 7: Please tell us how strongly you agree or disagree with the following statements regarding your current credit union - since the merger...
...the level of member service that you have experienced has improved.

		N	Average*	Agree strongly	Agree somewhat	Neither agree nor disagree	Disagree somewhat	Disagree strongly
Overall		1207	3.5	21%	26%	38%	9%	5%
By age group	19 or younger	3	3.3	0%	33%	67%	0%	0%
	20 - 40	144	3.5	21%	28%	38%	8%	5%
	41 - 50	214	3.4	18%	28%	38%	11%	6%
	51 or older	756	3.5	22%	25%	38%	9%	5%
By years of membership	1 or less	6	3.3	17%	0%	83%	0%	0%
	2-4	50	3.5	22%	28%	34%	6%	10%
	5-9	134	3.6	25%	25%	40%	5%	4%
	10-14	178	3.7	24%	29%	40%	4%	3%
	15 or more	794	3.4	19%	26%	37%	11%	6%
By asset size of surviving CU	Less than $250 million	68	3.5	21%	31%	32%	10%	6%
	$250 million - $500 million	82	3.7	22%	37%	33%	5%	4%
	$500 million or more	1057	3.5	21%	25%	39%	9%	5%

*Average scores are based on a 5-point scale, where 5.0 represents "Agree strongly" and 1.0 represents "Disagree strongly."

Q. 7: Please tell us how strongly you agree or disagree with the following statements regarding your current credit union - since the merger...
...the level of member service that you have experienced has declined.

		N	Average*	Agree strongly	Agree somewhat	Neither agree nor disagree	Disagree somewhat	Disagree strongly
Overall		1188	2.6	7%	12%	40%	15%	27%
By age group	19 or younger	3	3.3	33%	0%	33%	33%	0%
	20 - 40	145	2.6	8%	10%	43%	16%	23%
	41 - 50	214	2.7	7%	14%	41%	17%	20%
	51 or older	738	2.5	6%	11%	38%	15%	30%
By years of membership	1 or less	6	2.7	0%	0%	83%	0%	17%
	2-4	50	2.5	6%	14%	38%	8%	34%
	5-9	131	2.7	7%	11%	47%	15%	19%
	10-14	177	2.4	4%	10%	38%	18%	30%
	15 or more	780	2.6	7%	12%	38%	16%	27%
By asset size of surviving CU	Less than $250 million	69	2.3	9%	7%	29%	17%	38%
	$250 million - $500 million	80	2.4	6%	8%	38%	20%	29%
	$500 million or more	1039	2.6	6%	13%	40%	15%	26%

*Average scores are based on a 5-point scale, where 5.0 represents "Agree strongly" and 1.0 represents "Disagree strongly."

Q. 7: Please tell us how strongly you agree or disagree with the following statements regarding your current credit union - since the merger...
...the way in which credit union employees treat you is better than before.

		N	Average*	Agree strongly	Agree somewhat	Neither agree nor disagree	Disagree somewhat	Disagree strongly
Overall		1207	3.2	14%	17%	51%	10%	9%
By age group	19 or younger	3	3.0	0%	0%	100%	0%	0%
	20 - 40	143	3.2	14%	15%	53%	10%	8%
	41 - 50	213	3.2	12%	19%	51%	11%	7%
	51 or older	759	3.2	14%	17%	51%	9%	9%
By years of membership	1 or less	5	3.4	20%	0%	80%	0%	0%
	2-4	50	3.0	14%	8%	56%	8%	14%
	5-9	134	3.3	19%	19%	46%	9%	7%
	10-14	178	3.2	14%	19%	52%	10%	6%
	15 or more	798	3.1	12%	17%	51%	10%	9%
By asset size of surviving CU	Less than $250 million	69	3.0	10%	16%	52%	10%	12%
	$250 million - $500 million	81	3.4	25%	21%	35%	12%	7%
	$500 million or more	1057	3.2	13%	17%	52%	9%	8%

*Average scores are based on a 5-point scale, where 5.0 represents "Agree strongly" and 1.0 represents "Disagree strongly."

Q. 7: Please tell us how strongly you agree or disagree with the following statements regarding your current credit union - since the merger...
...the way in which credit union employees treat you is worse than before.

		N	Average*	Agree strongly	Agree somewhat	Neither agree nor disagree	Disagree somewhat	Disagree strongly
Overall		1179	2.4	5%	8%	42%	13%	32%
By age group	19 or younger	3	3.0	33%	0%	33%	0%	33%
	20 - 40	144	2.4	6%	6%	44%	16%	28%
	41 - 50	213	2.6	6%	8%	46%	16%	23%
	51 or older	733	2.3	4%	8%	40%	12%	36%
By years of membership	1 or less	6	2.7	0%	0%	83%	0%	17%
	2-4	48	2.5	8%	6%	44%	10%	31%
	5-9	130	2.6	8%	8%	44%	13%	27%
	10-14	175	2.2	2%	7%	41%	13%	37%
	15 or more	778	2.4	5%	8%	42%	13%	32%
By asset size of surviving CU	Less than $250 million	67	2.3	7%	6%	40%	6%	40%
	$250 million - $500 million	77	2.3	8%	5%	32%	14%	40%
	$500 million or more	1035	2.4	5%	9%	43%	13%	31%

*Average scores are based on a 5-point scale, where 5.0 represents "Agree strongly" and 1.0 represents "Disagree strongly."

Q. 8: Before the merger, did you think credit unions were better, worse, or the same as banks?

		N	Better than banks	The same as banks	Worse than banks
Overall		1237	76%	21%	3%
By age group	19 or younger	3	100%	0%	0%
	20 - 40	145	75%	23%	1%
	41 - 50	218	72%	25%	3%
	51 or older	776	79%	19%	3%
By years of membership	1 or less	6	50%	50%	0%
	2-4	52	71%	25%	4%
	5-9	136	77%	22%	1%
	10-14	181	72%	25%	2%
	15 or more	818	78%	19%	3%
By asset size of surviving CU	Less than $250 million	70	76%	24%	0%
	$250 million - $500 million	82	71%	27%	2%
	$500 million or more	1085	77%	20%	3%

Q. 9: Since the merger, did you think credit unions were better, worse, or the same as banks?

		N	Better than banks	The same as banks	Worse than banks
Overall		1232	67%	28%	5%
By age group	19 or younger	3	67%	0%	33%
	20 - 40	146	64%	29%	6%
	41 - 50	218	61%	34%	5%
	51 or older	773	70%	25%	5%
By years of membership	1 or less	6	67%	33%	0%
	2-4	52	62%	23%	15%
	5-9	136	68%	24%	7%
	10-14	180	68%	30%	2%
	15 or more	816	67%	28%	5%
By asset size of surviving CU	Less than $250 million	70	73%	23%	4%
	$250 million - $500 million	82	65%	30%	5%
	$500 million or more	1080	67%	28%	5%

Q. 10: How many years have you been a member of the credit union (including years pre- and post-merger)?

		N	Average	1 or less	2-4	5-9	10-14	15-19	20-24	25 or more
Overall		1200	21.0	1%	4%	11%	15%	14%	17%	38%
By age group	19 or younger	2	15.0	0%	0%	0%	0%	100%	0%	0%
	20 - 40	143	11.3	1%	14%	29%	26%	18%	5%	6%
	41 - 50	209	16.8	0%	4%	16%	17%	17%	26%	20%
	51 or older	765	24.1	0%	3%	7%	12%	12%	16%	49%
By asset size of surviving CU	Less than $250 million	68	17.7	0%	7%	25%	10%	12%	18%	28%
	$250 million - $500 million	83	15.6	0%	0%	22%	22%	30%	11%	16%
	$500 million or more	1049	21.6	1%	4%	10%	15%	13%	17%	40%

Q. 11: Prior to the official notice from your original credit union announcing the merger, were you aware that your original credit union was looking to merge with another credit ...

		N	Yes	No
Overall		1237	21%	79%
By age group	19 or younger	3	0%	100%
	20 - 40	146	21%	79%
	41 - 50	217	19%	81%
	51 or older	779	22%	78%
By years of membership	1 or less	6	17%	83%
	2-4	52	23%	77%
	5-9	136	23%	77%
	10-14	179	21%	79%
	15 or more	822	21%	79%
By asset size of surviving CU	Less than $250 million	70	26%	74%
	$250 million - $500 million	84	23%	77%
	$500 million or more	1083	21%	79%

Q. 12: If your original credit union had closed instead of merging, what do you think would have been the place you most likely would have gone for your financial products/services?

		N	A bank	A credit union	Not sure
Overall		1227	31%	46%	24%
By age group	19 or younger	3	0%	100%	0%
	20 - 40	146	27%	45%	27%
	41 - 50	215	34%	47%	20%
	51 or older	770	30%	46%	24%
By years of membership	1 or less	6	50%	17%	33%
	2-4	52	31%	42%	27%
	5-9	134	28%	47%	25%
	10-14	179	31%	47%	22%
	15 or more	814	31%	45%	23%
By asset size of surviving CU	Less than $250 million	69	32%	42%	26%
	$250 million - $500 million	83	36%	37%	27%
	$500 million or more	1075	30%	47%	23%