



Article first appeared
July 14, 2003

Share Your Thoughts

Article
Key Word Search

Articles in 2003

Search

**2003 Branch
Management and
Productivity Study**



Branching Study
Last year, credit unions spent over \$8 billion on land and building acquisitions.

Branches play an important role in generating loans, attracting new members and building relationships with current members.

Find out how your credit union peers are enhancing branch performance.

Credit Union Alternative Capital Unlikely - Converts Announce Plans To Tap the Capital Markets - Bank Conversions Continue

Sponsored & Written by:

By: [Alan D. Theriault](#),
President, [CU Financial Services](#)

CU Financial Services
Strategic Planning and Implementation
Services for Progressive Credit Unions

**Reader Comment
Spotlight**

"When the options are few, what can you do? Appears to be an emerging trend."

What do you think?
Submit your ratings & comments below:

Credit union leaders continue to underscore the need for alternative forms of capital. However, a legislative solution is unlikely, especially since Congress, in 1998, provided the means for credit unions to access the capital markets by way of conversion to a mutual savings bank charter. In addition, larger banks and mortgage companies are starting to join the fight by smaller banks to slow down credit union growth. Since access to capital would support even faster growth, opposition to such a move will be fierce. The US Treasury Department is also likely to continue to oppose alternative forms of capital for credit unions.

In contrast, six former credit unions have already raised over \$100 million in capital from member approved offerings; and several more are expected to tap the capital markets in the near future with offerings exceeding \$125 million. The additional capital would support asset growth to over \$4.5 billion, making a significant positive impact in the communities served by these institutions.

For example, \$530 million Rainier Pacific (WA), which converted from a credit union in 2001 recently announced plans to raise \$80 million in a depositor offering. Last August, \$500 million Pacific Trust Bank raised over \$60 million in an offering, and recently its stock has traded at over a 50% premium. The additional capital will allow these two former credit unions to better serve their communities with asset growth to the \$2 billion range. California, Texas, Maryland, Illinois, Washington, New Jersey, and Pennsylvania are states from which former credit unions have successfully raised regulatory capital from depositors.

Banks generate strong interest among depositors and on Wall Street for their capital offerings. In contrast, credit unions, like many business cooperatives, are new and largely unknown and unproven participants in the capital markets. In the unlikely event alternative capital ever becomes an option for credit unions, capital offerings are likely to be difficult to structure and more expensive than bank offerings. Credit unions will be forced to pay premiums for capital, much like the premiums they are forced to pay in order to attract deposits.

Despite liberal state credit union regulations, two credit unions in Washington State (\$570 million Columbia Credit Union in Vancouver and \$275 million Washington's Credit Union near Seattle) just announced plans to convert to the mutual bank charter, bringing the total to four making the charter switch. In May, \$140 million CU of the Pacific completed its conversion to a bank. In a press release addressing the conversions, John Annaloro, Washington Credit Union League President and CEO said, "these conversions may represent fundamental weaknesses in the overall national credit union charter, which needlessly restricts capital accumulation and business lending."

The process of going from a credit union to bank and gaining access to capital involves several steps which involve board of director and management education, feasibility assessment, and charter changes. As advisor to the majority of institutions converting to a bank charter (including the recent applicants) and those accessing the capital markets, CU Financial Services and its "[Conversion Network](#)" is in a unique position to help credit unions

make this dynamic transition with strategic, business, CRA, and public relations assessment, modeling and preparation and transition consulting including training, networking opportunities, merger and acquisition help, and growth strategies.

You can learn more about conversions and raising capital at the following events:

Date - Event - Location	Speaker
Aug 6, 2003 - 26th Annual Director's Conference - Las Vegas	Hans Ganz, President, Pacific Trust Bank
Sep 25, 2003 - KBW's Annual CU Conference for Strategic Financial Growth - New York	Hans Ganz, President, Pacific Trust Bank Patricia McJoynt, EVP, KBW Robert Freedman, Esq, Silver Freedman & Taff Alan Theriault, President, CU Financial Services
Nov 3, 2003 - CUES CEO Network 2003 Conference - Naples, FL	Alan Theriault, President, CU Financial Services

The table below provides information about credit union conversions to the bank charter. More information is available at www.cufinancial.com:

CU Name	Assets Before	Assets 3/31/03	Members	Status
Affiliated Federal (TX)	9	63	1250	Bank 6/1/98
AGE FCU (GA)	266	323	38545	Bank 7/1/01
Allied Pilots (IL)	70	96	7500	Bank 9/1/01
Atlantic Coast (GA)	321	486	41000	Bank 11/1/00
AWANE Bank (NH)	11	42	2200	Bank 5/1/96
Beacon Federal (NY)	145	270	30000	Bank 1/7/99
BUCS Federal (MD)	58	118	11306	Bank 3/1/98
Carolina Federal (SC)	16	57	2650	Bank 8/1/99
Citizens Community (WI)	109	124	25000	Bank 12/01/1
Columbia CU (WA)	569	569	57433	Pending
CU of the Pacific (WA)	125	140	12500	Bank 5/2/03
Community Schools (MI)	35	46	12316	Bank 2/1/02
I.G.A. Federal (PA)	160	499	25000	Bank 7/1/98
Kaiser Federal (CA)	190	407	34254	Bank 11/1/99
Lusitania SB, FSB (NJ)	55	150	6517	Bank 9/1/95
Ohio Central Federal (OH)	29	47	16337	Bank 6/1/98
Pacific Trust (CA)	215	500	31223	Bank 1/1/00
Rainier Pacific (WA)	375	531	34738	Bank 1/1/01
Synergy Federal (NJ)	180	521	20100	Bank 5/1/98
Washington's CU	264	264	62664	Pending
AAL Members (WI)	38	Merger	8000	Bank 6/30/01
AAL (WI)	173	Merger	58741	Bank 6/30/01
Caney Fork Coop (TN)	0.3	Merger	186	Bank 11/01/00
Professional Teachers (TN)	1	Merger	650	Bank 7/1/01
Roper Employees (SC)	7	Merger	2200	Bank 3/1/01
Salt City Hospital (NY)	8	Merger	2500	Bank 3/1/03