DCUC
DEFENSE CREDIT UNION COUNCIL

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May 12, 2025

The Honorable Andy Barr
Chairman, HFSC Subcommittee on Financial Institutions
U.S. House of Representatives
Washington, DC 20515

The Honorable Bill Foster
Ranking Member, HFSC Subcommittee on Financial Institutions
U.S. House of Representatives
Washington, DC 20515

Re: Hearing on "Merger Mayhem: Concentration and Competition in the Banking Sector" – May 15, 2025

Dear Chairman Barr and Ranking Member Foster,

On behalf of the Defense Credit Union Council (DCUC) – representing defense and veteran-focused credit unions serving over 40 million members with more than $500 billion in assets – I write in connection with your upcoming hearing, *"Merger Mayhem: Concentration and Competition in the Banking Sector,"* scheduled for May 15, 2025. We strongly urge the Committee to ensure that any policy responses to consolidation trends do not restrict the ability of community banks to merge with or sell to credit unions – transactions that are helping preserve local financial services and promote financial inclusion.

Across the country, financial institutions are rapidly consolidating, leaving many communities with fewer banking options. When a community bank decides to sell, credit unions have increasingly provided the strongest proposals to keep that institution's services local. Importantly, these mergers are initiated by willing sellers and approved by bank boards – they are not hostile takeovers. In many cases the alternative for a small bank is to close its doors, which would leave a banking desert in the area. By merging with a credit union instead, the local branch can remain open – preserving access to financial services, retaining jobs, and keeping property and payroll taxes flowing in the community.

Mergers of community banks into credit unions yield **significant community and financial benefits**. For example:

- **Underserved communities:** These transactions help ensure residents in underserved areas continue to have a local financial institution. More than 70% of credit union branches are located in low- and moderate-income communities, filling critical gaps left by larger banks that have closed branches in economically disadvantaged neighborhoods.
- **Rural areas:** Credit unions have a track record of maintaining a presence in rural towns even as big banks pull out. They often step in to serve small communities that would otherwise be left without any banking services.
- **Local jobs and economic stability:** When a credit union acquires a community bank, it keeps the branch open under new ownership – saving local jobs and sustaining the

- economic activity and tax revenue that the branch and its employees generate. This prevents the economic blow that a branch closure would inflict on a small town or neighborhood.
- **Military communities:** Defense credit unions, in particular, specialize in serving military bases and their surrounding areas. They frequently operate on installations where for-profit banks will not. Allowing credit unions to expand via bank acquisitions helps ensure that service members, veterans, and their families can continue to access affordable financial services near bases and in military communities.

Community bank leaders themselves often acknowledge the value of these partnerships. As one bank CEO explained upon agreeing to merge into a credit union, the transaction would provide “numerous benefits for our customers, our communities, and our employees”. In short, these sales can be win-win: the bank’s owners and shareholders receive fair value, while the credit union brings its member-focused, community-oriented model to sustain and enhance services for local families and businesses.

It is also important to recognize that credit union acquisitions of banks remain **limited in scale yet significant in impact**. Since 2012, bank sales to credit unions have accounted for only about **0.3%** of all banking assets merged during that time. In fact, banks have merged with other banks more than 2,000 times since 2012, whereas fewer than 40 banks chose to merge into credit unions. According to the National Credit Union Administration (NCUA), only 64 purchase-and-assumption transactions involving banks were approved from 2011 through late 2023. By comparison, there were 90 bank-to-bank mergers in just the first nine months of 2023 alone. These numbers make clear that while the **pace of credit union acquisitions has grown in recent years** (as more community banks turn to credit unions when seeking a buyer), such deals are still a tiny fraction of overall financial sector consolidation. Meanwhile, the banking industry has been steadily **withdrawing from local markets** – from 2012 to 2023 banks closed a net 19,301 branches, while credit unions opened a net 1,373 branches in that period.

In other words, credit unions are filling the void by expanding service to communities that have been abandoned by others. It would be counterproductive to limit the very transactions that help keep banking services in those underserved areas.

Given these trends and benefits, we urge policymakers **not to impose new roadblocks** that would hinder credit unions from acquiring banks. Proposals to erect barriers are often driven by banking trade groups, but they ignore the needs of local communities. Recent state-level actions have demonstrated the harm of such restrictions. For example, lawmakers in Colorado (and similarly in Tennessee) moved to prohibit credit unions from purchasing banks – a policy change that pleased banking interests but alarmed credit union supporters. At a time when banks are **closing branches and reducing access**, blocking credit union purchases would remove a vital lifeline for customers in those areas.

As the GoWest Credit Union Association noted during Colorado’s debate, “at a time when banks in Colorado and nationally continue to close branches and reduce people’s access to financial services, there must be an option for banks to sell to credit unions that are simultaneously opening branches to ensure local financial access for all”. We strongly echo this sentiment. Preventing credit unions from buying a bank does nothing to magically keep that bank open – it only ensures that the community loses a financial institution altogether, or that it gets absorbed by a larger out-of-town bank with less local focus. By contrast, allowing these voluntary sales gives communities a fighting chance to retain a hometown financial partner.

In conclusion, we respectfully ask Congress and this Committee to **avoid any legislative or regulatory barriers** that would limit banks ability to sell to credit unions. These mergers are undertaken in a safe and sound manner with regulatory approval, and they consistently **preserve access to financial services, jobs, and community investment** in areas that might otherwise be left behind. Far from harming consumers, credit union-bank acquisitions often **strengthen community-based institutions** and reinforce the credit union mission of serving people of modest means. We urge you to support and preserve this important avenue for sustaining financial access – especially in military, rural, and underserved communities – rather than introducing measures that would restrict it. DCUC and our member credit unions stand ready to work with you to ensure all Americans continue to have access to affordable, community-focused financial services.

Should you or your staff have any questions or require additional information, please do not hesitate to contact me at **202.557.8528** or by email at **jstverak@dcuc.org**. DCUC and our member credit unions stand ready to serve as a resource as you move forward on these important issues.

Sincerely,

Jason Stverak
Chief Advocacy Officer
DCUC

CC: HFSC Committee Members