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Credit Union Mergers at a Crossroads

The Forces Reshaping Credit Union Consolidation and What Responsible Mergers Look Like

The credit union movement has entered an era of accelerating consolidation. The pace is not incidental. Instead, it reflects the weight of several converging forces that are systematically reordering the landscape of American cooperative finance. The catalysts in favor of consolidation include the following:

- aging leadership at financial institutions and the resulting succession vacuum,
- the relentless escalation of technology and compliance costs,
- the fading of Select Employer Group (SEG) relationships that once anchored fields of membership,
- the rising burden of fraud prevention,
- the liquidity consequences of the post-COVID deposit surge and its painful reversal in a rising rate environment, and
- the intensifying competition from fintechs for client deposits and primary financial relationships.

At this point, these pressures are well understood by most credit union executives and market observers. Less well accepted, however, is the fact that the current version of the credit union merger transaction itself remains deeply flawed in its typical execution. Critics have documented the ways in which today's mergers too often enrich executives at the expense of the members they are supposed to serve. These concerns are not academic. They go to the heart of the cooperative model.

This paper examines the structural forces driving consolidation and takes seriously the criticism leveled at how too many mergers are conducted today, before arguing that properly executed mergers are both possible and imperative for the success of the credit union movement going forward.

Before this paper unfolds, two foundational points require emphasis:

First, there is a deeper obligation at work here, one that transcends the financial pressures facing any individual institution. Following the Great Depression, the Federal Credit Union Act (FCUA) was enacted with a clear and specific purpose: to make credit available to people of small means through a national system of cooperative finance. That mission was never simply aspirational language. Instead, it was a directive. The FCUA makes an affirmative statement of what the cooperative model exists to accomplish. To our mind, the most honest measure of fidelity to that directive is the loans-to-shares ratio: the standard measure of the share of deposits that an institution cycles back to work as credit for its members. And on that measure, the data are unambiguous. Larger credit unions consistently outperform their smaller counterparts.

The data confirm a simple story. As institutions grow, they lend more of what their members deposit, serve a broader range of credit needs, and deliver on the cooperative promise with greater consistency and scale. The uncomfortable implication follows directly: with approximately 25 percent of all credit union assets concentrated in the largest 21 institutions, and only 13 percent held across the bottom 3,500 credit unions by size, most of the industry's institutions are doing less lending per dollar of member deposits than their larger counterparts. A movement that holds inefficiently deployed capital in thousands of sub-scale institutions is not fulfilling the mandate it was chartered to keep. The leaders of the credit union movement — board members, executives, and the regulators who oversee them — bear a genuine responsibility to ask whether the current industry structure is serving its intended mission, and whether decisions about consolidation, growth, and capital allocation are bringing the system closer to its founding purpose or quietly allowing it to drift further away.

Second, a proper merger is difficult work. It must adequately address the full constellation of constituencies involved: members, regulators, management, staff, the broader community, the institution's brand and history, and the board of directors that carries the ultimate fiduciary duty.

In the discussion that follows, this paper considers an emerging practice that has the potential to meaningfully reshape how the industry approaches the equity question in merger transactions: the special dividend to members of the merged institution.

I. The Consolidation Imperative: Six Forces Pressing Credit Unions Together

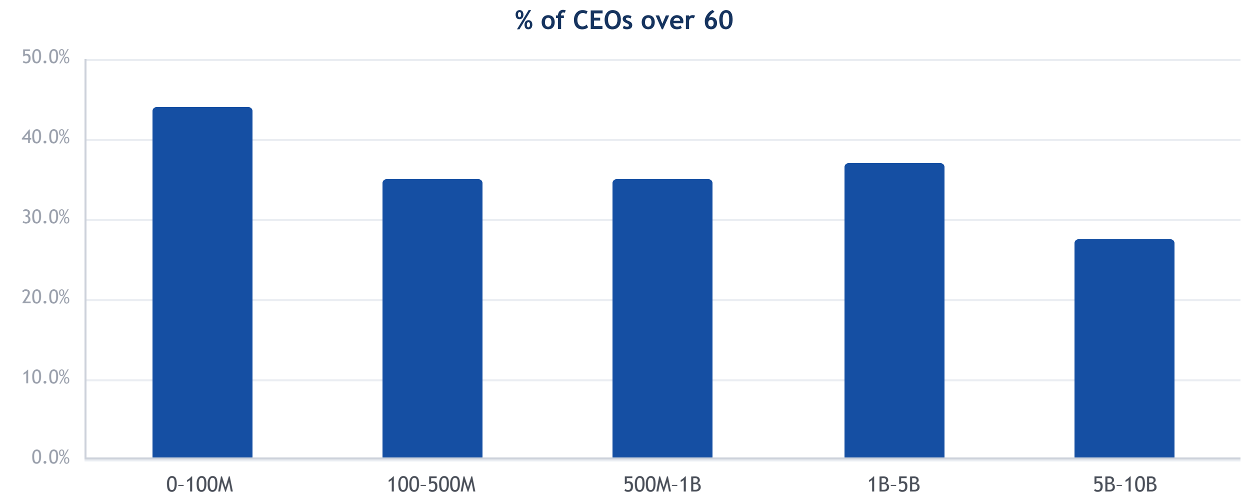
It is fashionable in some quarters of the credit union movement to view the push toward consolidation as a failure of nerve. Too often, we encounter a reflexive view that small institutions are surrendering to a trend they ought to resist. The data, however, tell a different story. The forces at work are structural, not cyclical, and they are not going away. Finally, as we are too often reminding our clients at Olden Lane: hope is not a strategy.

1. Aging Leadership and the Succession Crisis

The credit union industry has an aging leadership problem, and most boards know it even if they are reluctant to say so out loud. A disproportionate share of chief executives at smaller credit unions are in their late fifties or early sixties, having built careers in the cooperative model over decades. The pipeline of talented, experienced successors is thinner than most boards would like to admit. The NCUA has acknowledged the problem explicitly: the agency's own analysis found that approximately 10% of credit union chief executives were expected to retire between 2019 and 2021 alone, and the retirement wave has continued since. The regulator also found, at a July 2024 board meeting, that 25% of credit unions either lacked any succession plan or had one the agency deemed inadequate.[1]

Olden Lane proprietary data was used to generate the age of credit union CEOs by asset size presented in Chart 1 below.

CHART 1



Source: Olden Lane proprietary data.

Succession planning is difficult work. Identifying, developing, and transitioning to the next generation of leadership requires time, resources, and institutional commitment that smaller credit unions frequently struggle to provide. To its credit, the NCUA moved to address this gap directly. In December 2024, the agency's board unanimously approved a final Succession Planning Rule, effective January 1, 2026, requiring all federally insured credit unions to maintain a board-approved written succession plan covering key leadership positions. In significant part, the rule was driven by the agency's finding that poor succession planning was either a primary or secondary reason for approximately a third of all credit union consolidations. Then-Chairman Todd Harper was direct about the rule's purpose, stating that it "establishes a way for the NCUA to address one of the most common causes for unplanned and unforced credit union mergers."[2,3]

In our own comment letter addressing the proposed rule, Olden Lane expressed support for the rule's goals, but cautioned that the succession problem at smaller institutions runs deeper than any compliance exercise can cure: "the typical small credit union already struggles mightily to run its business effectively and comply with the web of requirements already in place," and "the issue is less about the availability of resources than it is about the availability of time and attention from the credit union's leaders." We also suggested that structural limitations of the smallest institutions make it difficult to compete for top talent and to monitor the professional market with any regularity. In our view, this means that "some susceptibility to the unexpected departure of a key manager or board member is simply an inevitability that the smaller firm will likely confront."[4,5]

Executives at institutions with under $200 million in assets often wear multiple hats, leaving little bandwidth for the kind of deep mentoring and leadership development that meaningful succession demands. When a longtime CEO retires without a credible successor in place, the board faces a stark choice: a costly and often uncertain external search, or a conversation about whether the institution's members might be better served by combining with a stronger partner.

> ***"For many well-run, community-anchored credit unions, a merger is not a concession. It is a strategic decision made from strength, not weakness."***

The retirement of the Baby Boomer leadership cohort over the next decade will accelerate this dynamic. While the NCUA's new succession rule provides a regulatory framework, its efficacy in preventing mergers at the smallest institutions is less than certain.[6]

We regularly resist the simplistic reaction that romanticizes the unquestioned perpetual continuation of poorly performing credit unions or reflexively views all credit union consolidation as harmful. Instead, we often invoke Herb Stein's maxim with our clients: if something cannot go on forever, it will stop. Boards that have not yet initiated meaningful succession conversations should be doing so in earnest. For those that have reached the conclusion that a qualified internal successor does not exist, the conversation about merger partners should begin from a position of strength, before difficult financial or operational deterioration compromise negotiating leverage.

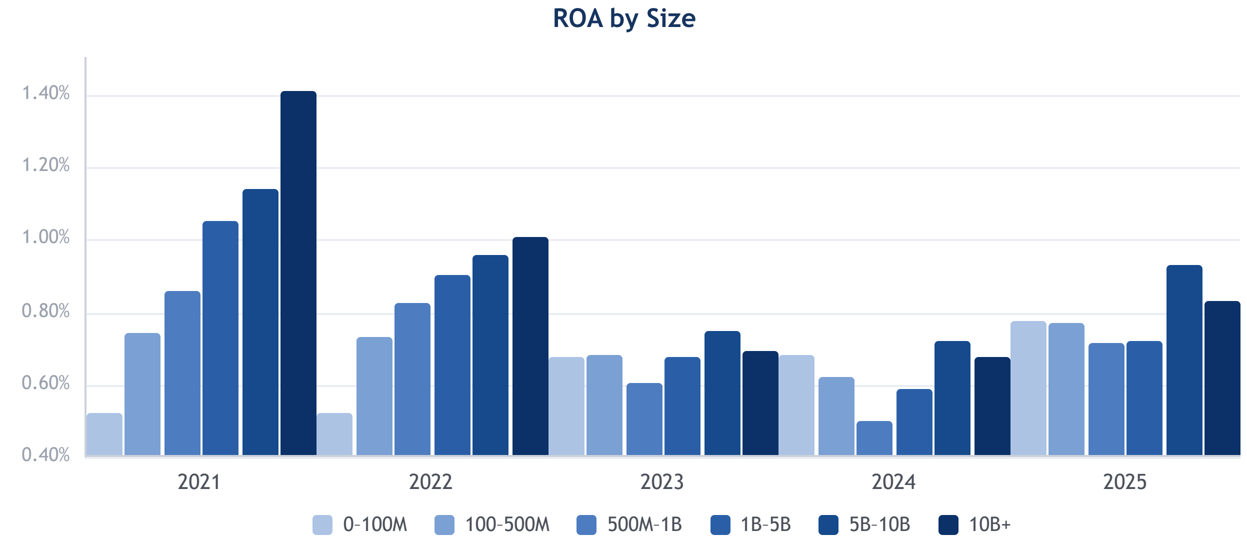
2. The Rising Cost of Technology, Regulation, and Compliance

The technology stack required to compete in modern financial services has never been more expensive, and the pace of obsolescence has never been faster. Core processing platforms, digital banking applications, mobile payments infrastructure, cybersecurity systems, fraud detection tools, and the data analytics capabilities required to serve members with personalization and precision are no longer optional. They are table stakes.

A credit union with $100 million in assets may spend the same absolute dollars on core technology as one with $500 million but carries that cost across a far smaller asset base. The efficiency penalty is severe and compounding. At the same time, the regulatory and compliance burden has grown substantially since the financial crisis of 2008, adding layers of expense in areas including Bank Secrecy Act compliance, consumer protection examinations, cybersecurity reporting, and fair lending analysis. For smaller institutions without dedicated compliance officers, this burden falls on executives and staff already stretched thin.

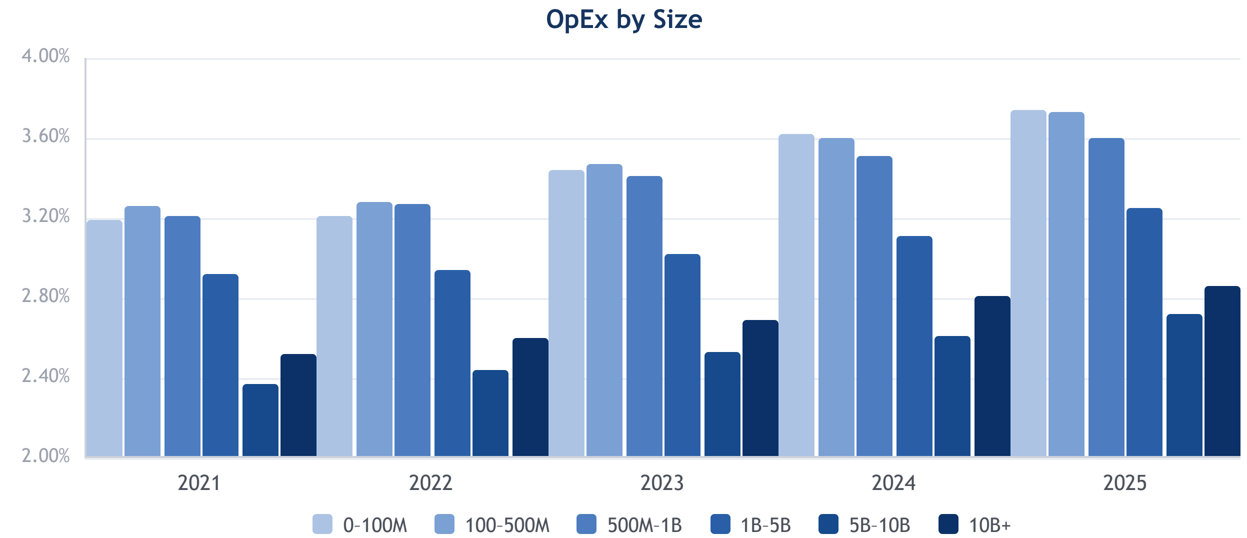
As Charts 2 and 3 below illustrate, the Return on Assets increases with the size of the credit union and its Operating Expense ratio declines.

CHART 2



Return on Assets by asset-size cohort, 2021-2025.

CHART 3



Operating Expense ratio by asset-size cohort, 2021-2025.

The combined effect is a structural drag on earnings that makes it increasingly difficult for sub-scale institutions to generate the capital required to reinvest in their operations and serve members competitively. This is not a problem that resolves itself with time. The technology curve steepens and the regulatory environment does not simplify.

3. The Fading of the Select Employer Group Model

The SEG-based field of membership model was a cornerstone of credit union growth for decades. By organizing around an employer, including manufacturers, hospital systems, and school districts, credit unions built loyal, homogenous membership bases and delivered financial services to employees who might have otherwise had limited access to a reliable provider. The model worked well in an era of stable, long-term employment relationships.

That era has largely passed. The American labor market has become more fragmented, more mobile, and more contingent. Employees change jobs more frequently. Employers downsize, merge, offshore, and automate. Many of the major manufacturing facilities that were once the anchor for many industrial credit unions have shuttered or dramatically reduced their workforces. SEGs that once guaranteed a captive, growing membership, now more likely represent a dwindling pool of workers, many of whom maintain accounts out of habit rather than loyalty.

Credit unions that have not successfully evolved beyond a single-SEG field of membership are particularly exposed. The loss of employer support through workforce reduction, employer consolidation, or simply the erosion of the payroll deduction relationship, can place a credit union’s membership trajectory in rapid decline with little ability to replace it organically.

4. The Escalating Cost of Fraud Prevention

Fraud is no longer a peripheral concern for credit union management. Instead, it has become a central budget line. U.S. financial institutions reported fraud losses of $12.5 billion in 2024, representing a 25% increase over the prior year. The first half of 2025 alone produced an additional $7.1 billion in losses, a 15% climb over the same period in 2024. The industrialization of fraud has been enabled by sophisticated synthetic identity schemes, account takeover attacks, elder financial exploitation, and the relentless evolution of social engineering tactics. The role of artificial intelligence in accelerating these threats cannot be overstated: seven in ten financial institutions reported major increases in fraud in 2025, driven in part by an 1,100% surge in the use of AI, deepfakes, and synthetic identities by criminal actors. Synthetic identity fraud alone is growing at an annual rate of approximately 16%, powered by low-cost access to personal data and the industrialization of fraud operations. AI-enabled fraud losses are projected to reach $40 billion annually by 2027, according to Deloitte's Center for Financial Services. These forces have transformed the threat environment in ways that demand continuously escalating investment.[7-11]

Smaller credit unions face a particularly difficult asymmetry. The fraud schemes targeting them are developed and deployed by sophisticated criminal networks operating at scale, yet credit unions consistently bear a disproportionate share of the damage. According to the Alloy 2025 State of Fraud Benchmark Report, 79% of credit unions experienced more than $500,000 in direct fraud damage in 2024. This represents a higher rate than any other financial sector surveyed.[12,13]

To detect and prevent these schemes, credit unions require advanced technologies that include behavioral analytics, real-time transaction monitoring, biometric authentication, and AI-driven anomaly detection. Fraud detection and mitigation has become the top technology investment priority for 43% of credit unions. Yet the detection gap remains wide: only 33% of credit unions most commonly identify fraud at the onboarding stage, while more than half catch it only after a transaction is already underway. The proper fraud tools are expensive to acquire, integrate, and maintain, and the expertise required to operate them effectively is difficult to recruit and retain at smaller institutions.[14,15]

The escalating cost of fighting fraud is, in this sense, not merely a budget problem. It is a consolidation accelerant.

5. Liquidity Whiplash and the Weight of Underwater Assets

The financial consequences of the pandemic years continue to reverberate through credit union balance sheets in ways that are not always visible from the outside. The COVID-19 period produced an extraordinary surge in deposits driven by stimulus payments. At the same time, reduced consumer spending and elevated personal savings rates flooded credit unions with liquidity at precisely the moment loan demand was depressed. Many institutions deployed that excess liquidity into longer-duration, lower-yielding investments, locking in returns that made sense in a near-zero rate environment.

The Federal Reserve's subsequent rate hiking cycle represented the most aggressive in four decades. It also destroyed the mark-to-market value of those investments. For credit unions that hold securities to maturity, the unrealized losses remain on the balance sheet but do not flow through earnings. Yet they represent a real constraint: institutions carrying significant underwater asset portfolios have less flexibility to respond to deposit outflows, fund loan growth, or generate the liquidity required for strategic investment.

The deposit environment has also normalized in challenging fashion. Members moved deposits into higher-yielding alternatives—money market funds, online savings accounts, and brokered deposits—as rates rose. Credit unions that had grown accustomed to a low-cost deposit base found themselves competing for the same dollars at significantly higher cost. For institutions whose earnings model was calibrated to a different rate environment, the adjustment has been painful and, in some cases, existential.

> ***"The COVID deposit surge was a gift that many institutions are still paying for. The rate cycle turned easy liquidity into a strategic liability almost overnight."***

6. The Fintech Threat and the Battle for Deposits

The competitive landscape for deposits has been permanently altered by the rise of digital financial platforms. SoFi, Wealthfront, Robinhood, and a growing ecosystem of digital challengers now offer high-yield savings accounts, seamless digital onboarding, and integrated investment tools that compare favorably to what most credit unions can offer on mobile devices.

While the credit union movement counts more than 20,000 branches across the country, these platforms have none. Nor do they have SEG relationships. Instead, they acquire customers through social media, app stores, and word of mouth at a fraction of the cost of traditional member acquisition.[16]

The deposit displacement this has produced is substantial. In a July 2025 study, Cornerstone Advisors estimated that more than $2.15 trillion has already fled traditional financial institutions, including community banks and credit unions, in favor of fintech investment platforms and high-yield savings accounts. An additional $1 trillion has migrated specifically into fintech savings accounts. Cornerstone's chief research officer, Ron Shevlin, has observed that Americans increasingly treat their checking accounts like "paycheck motels" where monies rest temporarily before moving on to higher-yielding savings accounts, investment platforms, and other alternative financial services. The primary checking account, once the gravitational center of the member relationship, is losing its anchoring function.[17-19]

The demographic consequences are severe and measurable. As Olden Lane has documented in recent research, Gen Z has not increased its share of credit union membership in nearly a decade, despite aging into full financial maturity. Millennials' share of credit union membership is declining and the share of newly opened checking accounts going to credit unions has dropped materially, with digital platforms capturing a growing proportion of primary financial relationships among younger consumers.[20,21]

The fintech threat is not merely a technology problem. It is a product design problem, a value proposition problem, and an urgency problem. Digital platforms are not waiting for credit unions to catch up. They are building deeper member engagement, accumulating data, and expanding product ecosystems in ways that make switching costs rise with time. Each year of inaction compounds the competitive deficit.

While the credit union industry appears to be paying attention, its response remains constrained by resources. Cornerstone's 2025 annual banking study found that the share of credit unions citing fintech partnerships as a tool for increasing deposit account volume jumped from 26% in 2024 to 39% in 2025. The problem for credit unions is that these fintechs are already delivering the composable finance experience consumers demand, coupling the ability to save, spend, invest, and grow within a single seamless platform.[22]

The issue for credit unions is that consumers are not waiting for their bank or credit union to evolve. They are moving on. For smaller credit unions, the deposit battlefield is yet another front on which the structural advantages of scale are becoming decisive, and the cost of standing still is compounding.

II. The Critics Have a Point: What's Wrong with the Typical Merger

The forces documented above are creating acute pressure toward consolidation. That pressure does not, by itself, validate how credit union mergers are conducted. And on that question, the record is mixed.

Chip Filson, who has observed and analyzed the credit union industry for more than four decades, has been among the most persistent and specific critics of contemporary credit union merger practice. His critiques deserve to be engaged seriously and not dismissed as the objections of a merger skeptic. Two of his central concerns cut to the core of what it means to operate as a member-owned cooperative.

The Executive Compensation Problem

In a standard for-profit acquisition, executives of the acquired company may receive change-of-control payments, severance arrangements, or equity monetization as part of the deal structure. In those transactions, that compensation is disclosed, negotiated, and paid from capital that belongs to shareholders who have the ability to vote on the transaction.

In credit union mergers, the dynamics are more troubling. The accumulated capital of the acquired institution belongs, in any meaningful economic sense, to its members. When executives of the merging credit union negotiate substantial retention arrangements, enhanced compensation packages, or generous transition terms for themselves as part of a merger, they are effectively extracting value from the institution's accumulated surplus—value built over years or decades through member relationships and cooperative enterprise—and directing it to themselves.

Filson's criticism is pointed: merger agreements too often prioritize the financial interests of the executive team over the interests of the membership that the executive team is supposed to serve. The structural problem is clear. The executives who negotiate the merger are the same people whose own compensation packages are embedded in it. Members—who are nominally asked to vote on the transaction—receive little of the financial information they would need to evaluate whether the terms are fair to them. Merger vote materials are frequently thin on financial disclosure and heavy on aspirational language about combined scale, enhanced technology, and improved member service.

> ***"Members are asked to vote on their institution's future with disclosure that would be considered inadequate in virtually any other financial transaction."***

This is not a hypothetical concern. NCUA data and independent analysis have documented patterns of executive compensation that swell materially in the period surrounding merger transactions. Boards that have allowed this dynamic to persist—however well-intentioned their other decisions may have been—have exposed the institution to legitimate criticism that the merger was structured as much for management as for members.

The Member Consideration Problem

In a bank acquisition, shareholders of the acquired institution receive cash, stock, or some combination of the two. The consideration is quantifiable and disclosed. Members of an acquired credit union, by contrast, typically receive no direct financial consideration at all. They become members of the continuing credit union. They may gain access to additional branches, improved digital tools, and a broader product set—benefits that are real, but speculative at the time of the vote and impossible to independently verify.

The asymmetry is stark. The accumulated net worth of the acquired credit union—representing the economic surplus generated through member relationships over time—transfers to the continuing credit union without any direct return to the members who built it. Executives may be compensated. Boards may negotiate preferred positions. But the members who made it all possible typically walk away with nothing more than a letter promising them a better banking experience.

Filson's broader argument is that this dynamic has eroded the credibility of the member-ownership model. If merger after merger results in institutions' accumulated surplus being absorbed into larger organizations without meaningful member consideration, the cooperative model begins to look, in practice, less like member ownership and more like a fiction that benefits insiders at the expense of the people the model is meant to serve.

III. A Proper Role for Mergers—But They Must Be Done Right

The prevalence of badly executed mergers does not argue against mergers. Quite the contrary. It argues for doing them better.

The debate over credit union consolidation often begins with the wrong question. Too much attention is devoted to whether a particular institution can remain independent, with far too little attention paid to whether the assets entrusted to that institution are being deployed in a manner consistent with the mission of the credit union movement.

The cooperative system was not created to preserve charters. It was created to serve members. The capital accumulated by credit unions over decades of member participation and retained earnings exists for a specific purpose: to expand access to credit, promote financial well-being, and deliver increasingly valuable financial services to the people who own the institution. Those assets are not ends in themselves. They are tools. Their value lies in their productive use.

That reality imposes an obligation on all participants in the movement. Whether a director, executive, regulator, advisor, or trade association, we are stewards of a substantial pool of cooperative capital. Stewardship requires more than safeguarding those assets. It requires ensuring they are deployed effectively.

When a credit union consistently lends a small percentage of its deposits, pays below-market rates to savers, lacks the resources to offer competitive products, or falls behind the service standards consumers increasingly expect, the issue is larger than the performance of a single institution. It is a question of whether scarce cooperative resources are being utilized to their highest and best purpose. Every dollar of member capital trapped in an institution unable to fully deploy it is a dollar not being used to advance the mission for which the movement exists.

This is an uncomfortable observation because it challenges one of the industry's most deeply held assumptions: that independence is inherently virtuous. It is not. Independence is valuable only insofar as it enables a credit union to serve its members effectively. When independence becomes an obstacle to that objective, preserving it for its own sake ceases to be a cooperative virtue and begins to resemble institutional self-preservation.

Viewed through this lens, consolidation is not merely a response to economic pressure. It is often a mechanism for improving the efficiency with which the movement's assets are deployed. A well-structured merger can place capital in institutions that lend more aggressively, invest more heavily in technology, offer broader product suites, attract stronger management talent, and compete more effectively for members' primary financial relationships. This means that smart consolidation can increase the overall effectiveness of the cooperative system.

This is not an argument that every small credit union should merge, nor that size alone determines success. Many smaller institutions perform exceptionally well and deliver extraordinary value to their members. The relevant question is not size. It is effectiveness. The industry should be indifferent to whether member value is delivered by 4,000 institutions or 400. It should care deeply whether the movement's assets are producing the greatest possible benefit for the members who own them.

The alternative to a thoughtful strategic merger is often not continued success as an independent institution. More frequently, it is gradual decline: deteriorating competitiveness, shrinking relevance, reduced member value, and eventually a merger conducted under supervisory pressure or outright liquidation. By that stage, most of the institution's leverage has disappeared, its best members have lost confidence, and the range of available outcomes has narrowed considerably.

Today, the proper response is not to oppose consolidation. It is to insist that consolidation be conducted in a manner worthy of the cooperative principles it is intended to advance. A merger should not simply create a larger balance sheet. It should improve the deployment of cooperative capital, strengthen member outcomes, and leave the movement better positioned to fulfill its public mission.

Achieving those objectives requires careful consideration of every constituency affected by the transaction. There are seven such constituencies, and each deserves genuine and substantive attention in any merger process.

1. Members

Members are the owners of the credit union. In both the legal and moral sense, they are the constituency whose interests should be paramount. In practice, they are often the last to receive substantive attention in merger negotiations. This must change.

Member interests include (1) honest and transparent disclosure of the transaction's financial terms, including how the institution's accumulated capital will be treated, (2) credible commitments about the continuation of branches, products, and service levels that members rely upon, (3) clear communication about how member data will be handled, and, (4) some form of direct financial consideration that recognizes the equity they helped build. Members deserve a vote informed by real information, not a carefully managed communication campaign designed to produce a predetermined outcome.

2. Board of Directors

The board of directors of a merging credit union bears the ultimate fiduciary responsibility for the decision to merge. These volunteer boards are typically comprised of community members who have given time and attention to the governance of their institution out of genuine commitment to its mission. They deserve support, independent advice, and the comfort of knowing that they have fulfilled their duty of care and duty of loyalty to the membership.

This requires, at a minimum, access to independent financial and legal counsel not beholden to the same interests as management. It requires substantive engagement with the terms of the proposed transaction, including an honest assessment of alternatives. And it requires the courage to ask hard questions about how members will benefit, how management is being compensated, and whether the proposed transaction genuinely represents the best available outcome for the institution's owners.

> ***"Boards that allow themselves to be managed through a merger process by executives whose interests may diverge from those of the membership are failing in their fundamental responsibility. Independent counsel is not an optional luxury in a merger transaction. It is a fiduciary necessity."***

3. Management

Executives of the merging credit union have real, tangible interests in a merger transaction, and those interests deserve to be addressed directly and fairly. Leaders who have devoted careers to building and stewarding an institution should not be expected to advocate for a transaction that leaves them financially stranded or professionally diminished. Transition arrangements, career continuity provisions, and recognition of service are entirely legitimate subjects for negotiation.

The line that must not be crossed is one of disproportionality and opacity. Compensation arrangements that are structured to enrich individual executives at the expense of member equity, that are not disclosed in a manner members can meaningfully evaluate, and that are negotiated by the very executives who stand to benefit from them represent a fundamental breach of fiduciary duty. The antidote is not to deny management any consideration. Instead, it is to disclose all of it fully and ensure that it is proportionate to legitimate contributions rather than negotiating leverage.

4. Staff

Employees of the merging credit union are among its most important stakeholders and among the most vulnerable in any consolidation. Legitimate concerns about job security, benefit changes, cultural integration, and career trajectory can lead to an anxiety that surrounds merger announcements and can become corrosive to morale and member service during the transition period and long after it.

A well-negotiated merger should include explicit commitments regarding staff retention, compensation continuity, and benefit integration. Where workforce reductions are ultimately necessary, transitions should be handled with transparency, generosity in severance terms, and genuine outplacement support. The staff of a merging credit union built the institution's member relationships and they deserve to be treated as contributors to be honored, not liabilities to be managed.

5. Community

Credit unions are community institutions. Their branches anchor neighborhoods and their small business lending supports local enterprise. Their charitable giving, financial education programs, and community partnerships reflect a commitment to place that distinguishes cooperative finance from its commercial competitors. These community ties are part of what members are voting to protect when they approve a merger.

The continuing credit union should be held to explicit commitments regarding branch retention, community lending programs, charitable foundations, and local advisory structures. The merging institution's community relationships should be seen as assets to be cultivated, not costs to be rationalized. Merger transactions that are perceived as stripping community presence from local markets create lasting reputational damage and invite the kind of regulatory and legislative scrutiny that no party to the transaction benefits from.

6. Brand, History, and Legacy

A credit union's name, history, and identity carry meaning to its members, its employees, and the communities it has served. The loss of an institutional name, the disappearance of a founding story, or the erasure of decades of community presence is not a trivial matter, even if it cannot be expressed on a balance sheet.

The industry has developed creative approaches to this challenge. Often, the acquired institution operates as a named division of the continuing credit union, or as part of a joint rebranding that incorporates elements of both institutions' identities. Other popular arrangements include governance structures that ensure voices from the acquired institution continue to be heard in the combined organization. These are not just public relations gestures. They reflect a genuine respect for the accumulated social capital that a well-run credit union represents, and they contribute meaningfully to member acceptance of the transaction.

7. Regulators

The NCUA and applicable state regulators have clear authority and responsibility in reviewing merger transactions. A merger that is structured and presented to the regulatory community with transparency, sound financial justification, and genuine member benefit at its center is far more likely to receive timely and favorable treatment than one that must be defended against legitimate questions about executive self-dealing or inadequate member disclosure.

Institutions considering merger should invest in regulatory relationship management well in advance of any transaction, ensuring that supervisory concerns are understood and addressed rather than discovered for the first time in a merger application. Regulators are not adversaries in this process. They are a necessary and valuable check that, when engaged constructively, can help ensure that the final transaction reflects genuine member benefit.

IV. The Special Dividend: An Idea Whose Time Has Come

Of all the changes that could improve the credit union merger landscape, none is more significant than the possibility of a special dividend paid to members of the acquired institution at the time of a merger. The concept is straightforward: when an institution’s accumulated capital transfers to a continuing credit union, the members who built that capital receive a direct financial distribution that reflects their ownership stake.

In a bank acquisition, there is an acquisition price, providing consideration to shareholders for their equity. Credit unions, as mutual organizations, do not have shares that trade in markets. But they do have members, and those members collectively own the net worth of the institution. When that net worth is absorbed into a continuing credit union without any distribution to the members who created it, a legitimate economic claim goes unrecognized.

The Case for the Special Dividend

The arguments in favor of a special dividend are grounded in both principle and practicality. On principle: the cooperative model holds that the economic surplus generated by a member-owned institution belongs to its members. A merger that extinguishes one cooperative institution and transfers its capital to another should, in fairness, return some portion of that capital to the members whose participation made it possible.

On practicality: a special dividend transforms the member vote from an exercise in aspirational promises about future service improvements to a transaction with quantifiable and tangible, immediate value. Members receiving direct financial benefit from a merger are far more likely to understand and support the transaction.

With one financial change, the merger is demystified, the cooperative model is validated and the critics who argue that mergers benefit insiders at the expense of members are given a powerful, factual retort.

> ***"A special dividend does not weaken the case for merger. It strengthens it. It turns a governance exercise into a genuine economic event for the people who built the institution."***

There are also sound institutional arguments for the practice. A continuing credit union that approaches a merger with a commitment to direct member consideration signals its commitment to member value and a governance culture. That signal resonates with the membership of the acquired institution and contributes to the cultural integration that is often the most difficult challenge of any merger transaction.

Structure and Practical Considerations

The special dividend model raises legitimate practical questions that deserve careful consideration:

- How should the dividend be sized?
- How should it be calculated—per member, proportional to relationship balances, or based on length of membership?
- What are the tax implications for recipients?
- How does it interact with the NCUA's regulatory framework for mergers and the continuing credit union's capital requirements?

None of these questions is insurmountable. Several institutions have implemented special distributions in various forms, and we suspect the industry will develop greater sophistication in structuring them. The NCUA has been an active participant in discussions about how to improve member consideration in merger transactions. The regulatory framework is not an impediment to innovation; it is a framework within which creative and member-focused deal structures can and should be developed.

In our view, the sizing of the special dividend should reflect a genuine effort to recognize member equity rather than a token gesture designed to check a box. A distribution that represents a meaningful share of the institution's accumulated capital sends a different message than a nominal payment that insults the intelligence of the membership. Of course, any dividend must be calibrated against the continuing credit union's post-merger capital requirements and growth plans.

From Exception to Standard Practice

There is reason to believe that the special dividend is moving from the margins of credit union merger practice toward the mainstream. We expect several factors to accelerate this trend. First, the industry's critics have made the member consideration argument with sufficient persistence and specificity that boards and regulators are taking notice. Second, the NCUA has signaled its interest in ensuring that merger transactions reflect genuine member benefit. Third, the competitive environment for acquiring quality merger partners is intensifying, giving merging institutions greater leverage to negotiate terms that include direct member consideration. Finally, the chasm that exists between what credit unions are paying to acquire community banks and what they are not paying to merge in credit union partners is both non-economic and non-sustainable.

Credit unions that are first to adopt the special dividend as a standard feature of their merger approach will differentiate themselves as partners of choice for institutions weighing their options. They will attract better consolidation partners, with boards genuinely committed to member outcomes rather than the most favorable executive transition arrangements. And this transition will usher in a record of mergers that honor the cooperative model rather than exploit it.

V. Conclusion: Consolidation Is Not the Enemy. Carelessness Is.

The credit union industry is consolidating. That is not a trend that can be reversed by nostalgia or by resistance for its own sake. The forces documented in this paper are structural, persistent, and in some cases accelerating. The institutions that respond to them thoughtfully, from a position of strength, will be able to negotiate mergers that genuinely serve their members. Those that wait until difficult conditions force the issue will find their leverage diminished and their options narrowed.

But the case for merger is not a case for the way mergers have typically been conducted. The critics are right.

- Too many transactions have been structured around the interests of executives rather than the members they serve.
- Too many members have been asked to vote on their institution's future with disclosure that would be considered inadequate in any other financial transaction.
- Too much of the accumulated capital of the cooperative movement has been absorbed into larger institutions without any direct return to the members who built it.

A better path exists. It requires boards that take their fiduciary independence seriously. It requires independent advisors who put outcomes above transaction fee optimization. It requires continuing credit unions that approach acquisitions as a genuine opportunity to honor the cooperative model rather than simply to grow their balance sheets. And it requires a willingness to make the direct, quantifiable consideration for the members of the acquired institution embedded in the special dividend a standard feature of merger transactions rather than an afterthought.

The credit union movement was built on a simple and powerful idea: that people working together, pooling their resources, and looking out for one another can build financial institutions that serve human needs rather than extracting profit from them. That idea is worth preserving. But it is only worth preserving if the institutions that carry its banner actually live by its principles – especially when those institutions decide it is time to merge.

> ***"The cooperative model is worth preserving. But it is only worth preserving if the institutions that carry its banner actually live by its principles."***

Notes

1. NCUA, Succession Planning Final Rule, 89 FR 60329, Dec. 26, 2024; NCUA Board Meeting, Jul. 18, 2024 (Chairman Harper disclosing that 25% of credit unions lacked a plan or had an inadequate one, as reported by The Financial Brand, March 13, 2025).
2. Id., (citing 2014 NCUA internal analysis). The statistic is quoted in the preamble to both the 2022 proposed rule and the 2024 final rule.
3. NCUA Chairman Todd M. Harper, Statement on the Succession Planning Final Rule (Dec. 17, 2024), available at ncua.gov.
4. Olden Lane Inc., Comment Letter to the NCUA on Succession Planning Proposed Rule, at 9 (Aug. 7, 2024) (Michael C. Macchiarola, CEO), available at www.oldenlane.com/regulatory-comment-letter.
5. Id., at 10.
6. Id., at 5 (invoking Herb Stein's maxim: "if something cannot go on forever, it will stop").
7. Federal Trade Commission, Consumer Sentinel Network Data Book 2024 (March 2025); America's Credit Unions, As Fraud Hits Record Levels, Credit Unions Lead the Fight, (March 24, 2026), available at www.americascreditunions.org.
8. Id.
9. Id. The 1,100% figure refers to the surge in AI, deepfake, and synthetic identity use by criminal actors as reported in institutional fraud surveys for 2025.
10. Sumsub, Identity Fraud Report (2025) (reporting a 311% increase in synthetic identity document fraud between Q1 2024 and Q1 2025); Mitek and Datos Insights, Synthetic Identity Fraud Report (2025), cited in CFO Dive (June 2025), projecting 16% annual growth rate.
11. Deloitte Center for Financial Services, Generative AI and the Future of Financial Crime (2023), (projecting AI-enabled fraud losses of approximately $40 billion annually by 2027).
12. Alloy, 2025 State of Fraud Benchmark Report. See also PYMNTS Intelligence, Credit Unions Fight Fraud With Tougher Tech and Smarter Members (March 6, 2025), available at www.pymnts.com; Thomson Reuters Institute, Fraud Fighters: Credit Unions' Battle Against Sophisticated Schemes (November 2024), available at www.thomsonreuters.com.
13. Id.

14. America's Credit Unions, Credit Unions Prioritize Fraud Detection, (citing America's Credit Unions / PYMNTS Intelligence survey data (2024–2025)).

15. See Alloy, 2025 State of Fraud Benchmark Report, supra note 13.

16. According to Callahan.com, there were 20,498 total credit union branches as of Q1 2026.

17. See Liz Gujral and Ron Shevlin, Stemming the Deposit Outflow: The $2 Trillion Investing Opportunity for Banks and Credit Unions, Cornerstone Advisors (Jul. 2025).

18. Id.

19. See Elizabeth Gujral, Ron Shevlin, Emily Osburn and Cornell Davis, Beyond the Paycheck Motel: Strategic Imperatives for Community Banking, Cornerstone Advisors (2025).

20. See generally Daniel Prezioso and Elaine Xiang, Reckoning with Generational Realignment, (Winter 2026), available at www.oldenlane.com/white-papers.

21. Id.

22. See Ron Shevlin, What's Going On in Banking 2025: Happy(er) Days Are Here Again, Cornerstone Advisors, at 46.

About Olden Lane

OLDEN LANE

Olden Lane is a boutique investment bank dedicated exclusively to credit unions. The firm provides M&A advisory services, subordinated debt placement, and valuation services to credit unions across the United States. Olden Lane's team combines deep institutional expertise with a genuine commitment to the cooperative financial services model. We believe that credit unions are different and that the financial advice they receive should reflect that difference.

Readers interested in discussing credit union merger strategy, member consideration structures, or independent advisory services are encouraged to contact Olden Lane directly.

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