

# Host of bank M&A deals could remake Denver's credit union landscape

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The potential for merger-related disruption has banks and credit unions eyeing Denver.

Seven banks based in the market have sold in the last two years, including Citywide Banks, Guaranty Bancorp and CoBiz Financial. Those deals have competitors eager to hire lenders and bring in new customers.

"We think there's huge opportunity in the Denver market because of dislocation of both customers and bankers," said Edward Francis, president and CEO of InBank in Raton, N.M. "We're really excited about what the market is presenting."

Francis, who led a group that recapitalized and rebranded the \$355 million-asset International Bank last June, now wants to expand into Denver. The plan is to use deposits in New Mexico to lend in the Mile High City. Right now, the bank's only Colorado branch is Aurora, just outside of Denver.

InBank is rolling out a mortgage platform that will allow employees to close loans in less than 15 days. "We think we can actually build a consumer book around the mortgage business versus trying to build a branch and compete head-to-head with a credit union," Francis said.

Credit unions are also keen to expand in Denver.

# Colorado credit unions

2018 asset growth	7.5%
2018 membership growth	5.3%
CUs with 2018 asset growth	72.8%
Total assets	\$25.9 billion
Credit unions statewide	81

Source: CUNA/Mountain West Credit Union Assc.

Michael Calcote, chief financial officer at Elevations Credit Union in Boulder, Colo., said the institution is interested in adding branches around the city.

The \$2.1 billion-asset credit union has a branch in Denver's Westminster suburb and more than 28,000 members in the market. About a third of the students at the University of Colorado are Elevations members, and many of them move to Denver after graduation.

Elevations originated roughly \$250 million in residential mortgages and \$45 million in commercial real estate loans, in the Denver area last year, Calcote said. In the last year, Elevations has added to its digital banking team and devoted "significant" resources to refining its online and mobile offering, he said.

"It's early yet, but we've already experienced a dramatic increase on our member loyalty scores," Calcote said. "This should translate into enhanced share of wallet going forward."

While no major credit union mergers have taken place in Denver recently, there have been plenty in the past, including an attempted [merger of equals](#) in 2016 between Sooper CU and

Denver Community Credit Union, though that deal was never finalized and both institutions continue to operate independently.

Denver-area deposits rose by 31% over the five-year period that ended June 30, totaling \$84 billion, according to the most recent data from the Federal Deposit Insurance Corp.

While Denver-specific statistics for credit unions are harder to come by, Colorado continues to be a strong market for credit unions. According to the Mountain West Credit Union Association, which serves CUs in Colorado, Arizona and Wyoming, the Rocky Mountain State is home to 81 credit unions with 1.97 million members holding \$25.9 billion in assets. Nearly three-quarters of CUs in the state saw their assets grow in 2018, for a total of 7.5% asset growth and 5.3% membership growth.

And credit unions shouldn't kid themselves that bank M&A measures won't impact them. CUs in North Carolina are already [evaluating how the merger of BB&T and SunTrust](#) – the biggest bank merger in more than 15 years – will impact them. And some credit unions, again in North Carolina, have even [altered their marketing strategies](#) in response to widespread consumer frustration over rampant bank mergers.

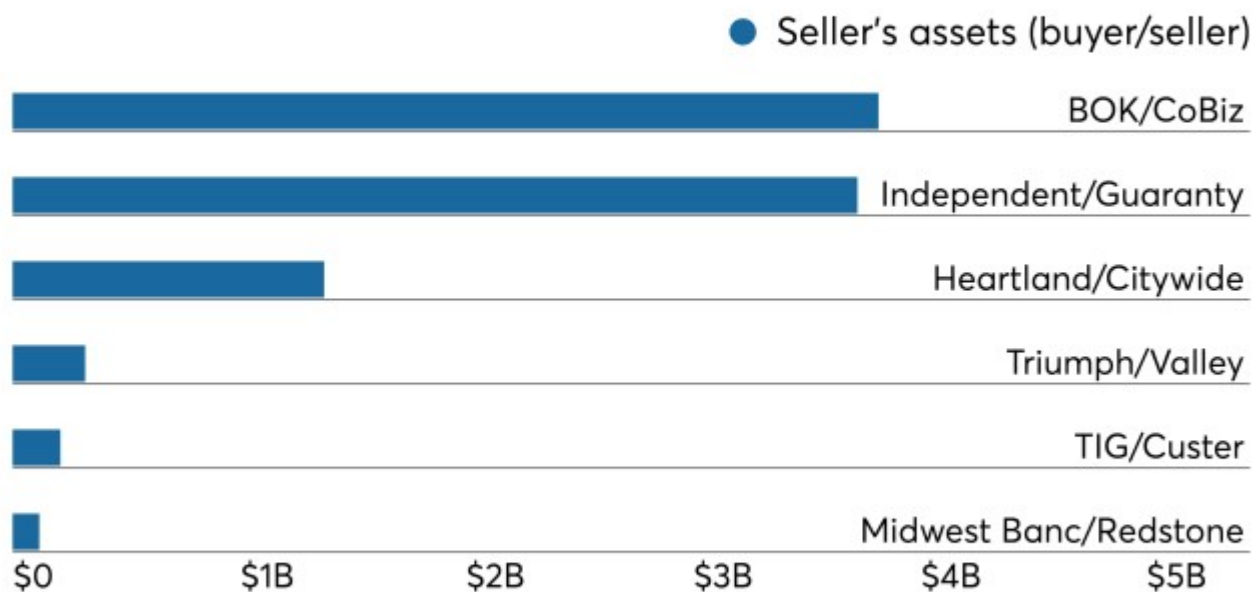
### **Banks making big moves**

A number of the banks that bought Denver banks have already shifted gears from integration to playing offense.

BOK Financial in Tulsa, Okla., which [bought CoBiz in October](#), completed the systems conversion in March. The company is set to consolidate four offices in downtown Denver later this year.

"Now our full focus is on customer experience and growth strategies," Steven Bradshaw, BOK Financial's president and CEO, said during an April 24 conference call to discuss quarterly results. The plan includes [marketing the BOK brand](#) and selling more fee-generating services to CoBiz customers.

# Mile High mergers



Sources: KBW and S&P Global Market Intelligence (2017-present)

Independent Bank in McKinney, Texas, is off to a solid start in Colorado, where it bought Carlile Bancshares in April 2017 and [Guaranty in January](#), David Brooks, the company's chairman, president and CEO, said during an April 23 earnings call. Still, he cautioned that loan growth had been "muted" as a result of "intense pricing competition" in the market.

Independent is pleased with deposit-gathering opportunities, noting that pricing in Colorado is up to 100 basis points lower than it is in Texas. The company decided to [close eight Colorado branches](#) after closing the Guaranty deal.

The city has more business deposits compared InBank's New Mexico markets, which can increase a bank's valuation, Francis said. As a result, InBank is working to attract commercial clients that might be put off by recent consolidation.

Taking business from recent consolidation could be challenging, industry experts said.

While there is a certain amount of disruption that comes with any merger, recent buyers have managed their transitions well, said Don Childears, president and CEO of the Colorado Bankers Association. Still, he acknowledged that customer migration does happen, resulting in

some opportunity for institutions seeking new business and forcing competition on rates and terms.

"Business lending disruption is happening, but is modest and localized," Childears said.

Though "M&A interest exists," it will be difficult for more banks to enter Denver via acquisition "due to limited supply," Childears said.

InBank, for its part, plans to open a branch in the Denver Technology Center this summer. Most subsequent growth will rely heavily on technology.

The bank just upgraded its core processing systems and added a new mobile banking platform. On May 1 it introduced a new e-payables platform that gives commercial clients an integrated accounts payables system for credit cards, ACH and checks.

"We don't have to have every bell and whistle that Wells [Fargo] has or that U.S. Bank has, but we have enough to compete," Francis said.

Aaron Passman and Paul Davis contributed to this report.

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