

CREDIT UNIONS

Credit union membership plateaus as competition heats up

By **Ken McCarthy** October 18, 2023, 2:43 p.m. EDT 3 Min Read



Erie Federal Credit Union in Pennsylvania saw 6% year-over-year membership growth after bringing in "a fairly large number" of new members from local banks.

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credit unions aren't necessarily losing ground, they don't seem to be gaining it either.

In Pennsylvania, credit unions are losing members due to the convenience of online banks and the inability of some credit unions to [keep up with technology](#), said Tom Brennen, chief marketing officer of Erie Federal Credit Union.

Erie bucking the national trend of lagging growth. The \$805 million-asset credit union had 74,000 members at the end of the most recent quarter, a 6% increase compared to the second quarter of 2022.

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But that growth came at a cost that not all credit unions could bear.

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"While the increases certainly contributed to higher cost of funds here, I think it also enabled us to maintain a strong retention of members and member deposits, which is key to future growth," Brennan said.

Credit union [membership](#) in total increased by just 0.2%, to 137.7 million, in the year ending in the second quarter of 2023, according to [second-quarter data](#) compiled by the [National Credit Union Administration](#).

Overall, about 53% of federally insured credit unions had more members at the end of the second quarter of 2023 than a year earlier. Roughly 60% of credit unions with falling membership had less than \$50 million in assets.

Erie FCU saw a membership spike in the spring that carried through the summer, in part due to an aggressive campaign around certificates of deposit, Brennan said.

"We welcomed a fairly large number of new members from local banks," Brennan said. "The goal now is to properly onboard and cross sell them other sticky products and services to hopefully become their primary financial institution. We have seen measurable success thus far."

Michael Bell, an attorney at Honigman, said adding new members is the keystone of a solid organic growth strategy. Credit unions can and should increase wallet share or the number of products per household, but there is an inherent limit to that strategy because credit unions are either pitching products or pitching service, he said.

"Personally I don't like simply pitching a product by competing on price because it commoditizes the effort and leads you into a vortex that is not optimal. I think the most successful credit unions pitch a service," Bell said.

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On the opposite end of the spectrum, [membership](#) declined in Washington, D.C., and 17 states over the year. Credit unions in New Jersey (-1.2%) and Pennsylvania (-0.9%) reported the largest declines in membership.

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[New Hampshire, birthplace of U.S. credit unions, sees membership drop](#)

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Another Pennsylvania-based credit union, Trumark Financial Credit Union in Fort Washington, had 139,500 members at the end of the second quarter, which represented a 4% increase compared to a year earlier.

[Kelly Botti](#), Trumark's president and CEO, said the \$3 billion-asset institution operates in the greater Philadelphia area, which is always "incredibly competitive" – and the rising rate environment made this year even more competitive than usual.

"Many of our new members in 2023 came to us through lending or rate-driven deposit products," Botti said. "Given the competition inherent in our marketplace, we are continually refining our new member acquisition and retention strategies, and we are deepening our focus on increasing member engagement and member value."

Ken McCarthy Reporter, Credit Union Journal [in](#) [twitter](#) [email](#)

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