January 15, 2020

Members of the Colorado Banking Board
Colorado Division of Banking
1560 Broadway, Suite 975
Denver, Colorado 80202

Re: Cache Bank & Trust Application to Operate as a National Bank

To Whom It May Concern:

On behalf of the Credit Union National Association (CUNA) and the Mountain West Credit Union Association (MWCUA), we are writing in support of the request for authorization made by Cache Bank & Trust to operate as if the bank were a national bank, which includes the approval of the purchase and assumption transaction with Elevations Credit Union and the plan of complete liquidation and dissolution of Cache Bank & Trust. CUNA represents America's credit unions and their 115 million members. MWCUA represents Colorado's credit unions and their 2 million members. Elevations Credit Union is a member of both associations. We appreciate your consideration of our views.

This application, which represents a step in the process of merging a bank into a credit union, is a first-of-its-kind in Colorado. It has unsurprisingly caught the attention of the industry groups representing banks and credit unions. We are aware of a recent letter from the Colorado Bankers Association (CBA) urging, at the very last minute, that you reject this application. We are also aware that several members of the Banking Board lead banks that are members of the CBA; and, in the interest of full disclosure, a member of the Banking Board represents CUNA before federal regulators and courts. We are hopeful that, notwithstanding these affiliations, the application will be judged on its merits and in the interest of Colorado and approved.

The CBA argues that because the law does not explicitly provide for the assets of state banks to be sold to other financial institutions, then the practice is prohibited. This is contrary to both Colorado law and the precedents set by the Colorado Banking Board.

Colorado law includes a parity provision, §11-102-104(5), which provides state banks the opportunity to engage in banking activities allowed to national banks unless prohibited by the law. In this case, the law provides no restriction on a state bank selling to a nonbank. The purpose of the parity provision is frustrated if the exclusion of a power constitutes its prohibition.

Moreover, if the Banking Board accepted the CBA argument, it would be reversing precedent the Banking Board itself has set over the years with respect to bank purchase and assumptions by thrift institutions, including the following:

- First State Bank (subsequently called First Tier Bank) received Banking Board approval to acquire certain assets of and assume certain liabilities of Frontier Savings Bank, Greeley, CO, with regard to branches in Greeley and Gunbarrel, CO
- Tracy Bankshares, Inc. purchased Tracy Federal Bank, FSB
- Peoples National Bank purchased Colorado Springs Savings & Loan Association
- Aspen Bancshares, Inc. purchased Centennial Savings Bank, FSB
- CIC Bancshares, Inc. received Banking Board approval to acquire certain assets of and assume certain liabilities of branches it acquired from Mutual of Omaha
- Washington Investment company received Banking Board approval to acquire certain assets of and assume certain liabilities, *i.e.*, branches of Liberty Savings Bank, FSB

These examples demonstrate that the Banking Board has the power to approve the sale between a bank and a financial institution and that it has appropriately applied this power consistent with Colorado law and regulation. Therefore, the transaction falls well within statutory bounds and the precedent set by the Banking Board.

We respectfully offer, as set forth below, this transaction confers substantial benefits to all parties involved, the community of Greeley and the State of Colorado.

The depository institution sector has undergone significant evolution in the last several years marked by a rate of consolidation that has increased as the compliance burdens on depositories has increased. Since 2012, there have been more than 2,000 bank mergers. While larger institutions can spread the cost of compliance over a larger base resulting in a lower relative burden, the rule of economies of scale makes it difficult for smaller institutions to do the same. As a result, many smaller institutions – banks and credit unions alike – have sought other options, including mergers and acquisitions, to ensure continued service for their members, customers and communities.

The best-case scenario when a small institution seeks to leave a market or cease operations is for another institution to merge the assets of the institution and commit to continued or expanded service to the customers and community. Unfortunately, that does not always happen and the consolidation of the banking sector has in some cases resulted in the creation of banking deserts when merger partners choose not to serve rural and underserved communities. Between 2004 and 2018, banks have closed over ten thousand branches and there are now 1,700 fewer bank branches today—and 86 new banking deserts—making it harder for U.S. consumers to access local financial institutions.[1] This phenomenon speaks to the need for banks seeking to exit markets to have a wide range of options, including merger with credit unions.

Credit unions stepping in to serve a customer base or community that a bank intends to exit is fully within the statutory mission of credit unions -- to promote thrift and provide access to credit for provident purposes. Ensuring access to financial services is a key reason Congress and the legislatures of the various states, including Colorado, have established credit unions. Since 2004, credit unions have opened thousands of branches across the country and, today, households now have access to 1,600 more credit union branches, ensuring that communities continue to be served by responsible, local financial partners. So, it is consistent with the public interest that laws permit, and regulators at the state and federal level have approved, credit union purchases of banking assets, and that credit unions would be willing and viable partners to bankers seeking to exit markets.

Credit union-bank transactions take place because they are good business decisions for the parties involved, as well as the consumers, small businesses and communities impacted. Consumers benefit by gaining access to strong, responsible community-focused financial services. Communities benefit because credit unions provide, based on our analysis, more than $16 billion in direct and indirect consumer benefits, especially in underserved areas that often have no other affordable option for financial services. And, clearly, bank investors benefit. Indeed, this sentiment has been confirmed by the Federal Reserve Bank of St. Louis in a recent report: "If they [the credit union] can retain enough of the employees and customers, these transactions have the potential to be a win for all the stakeholders involved."[2]

CUNA has conducted research to better understand the dynamics of these transactions and as part of that research we have asked the former CEOs of the banks to shed light on the decision to merge with a credit union. The factors that these bankers took into consideration when choosing a credit union as a merger partner speak to why the decision to allow this application to go forward is in the best interest of the bank's customers, employees and community. While every bank CEO indicated that the price needed to make it viable for them to have considered a credit union, they also noted that price was not the only factor. Nearly 90% of bankers indicated that they chose a credit union because they felt there was a greater likelihood that employees would be retained; more than 60% said a better cultural fit helped drive the decision. For about half, they saw the transaction as an opportunity to preserve their legacy of service to the community. A similar number indicated they felt that there was a greater likelihood that branches would remain open.

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[1] National Community Reinvestment Coalition. "Bank Branch Closures from 2008-2016: Unequal Impact on America's Heartland." Additional data from the Federal Deposit Insurance Corporation, National Credit Union Administration and CUNA.

[2] Meyer, Andrew P. "Why Are More Credit Unions Buying Community Banks?" Federal Reserve Bank of St. Louis. April 11, 2019. https://www.stlouisfed.org/publications/regional-economist/first-quarter-2019/credit-unions-buying-community-banks

The bottom line is that the bankers who have been a part of these transactions in other parts of the country understood that the credit union was engaging them in fulfillment of the credit union mission. That is certainly the case with Cache Bank & Trust. In a note to customers, Byron Bateman, CEO, President and Chairman of the Board wrote[3]:

> We have always strived to ensure our customers have the financial solutions that are right for them. That's why we've chosen Elevations Credit Union for this acquisition.
>
> We know Elevations is best suited to make long term investments that will benefit you, our customer, and we are confident this will be a great opportunity for you. While this acquisition is in the regulatory approval process, we hope you will look through the information here to help answer questions around the process and the acquisition.
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> Please rest assured that Elevations plans to preserve the local, community-minded culture in Greeley and Fort Collins, while providing even more opportunities for employees, clients and the community.
>
> Thank you for being a customer of Cache Bank & Trust.

Cache Bank & Trust is exercising the option available under Colorado law and precedent of the Banking Board to ensure continued service to its customers and continued employment to its employees through a merger with Elevations Credit Union. The history of these transactions is remarkably positive for all parties involved. We hope the Banking Board will carefully and fairly consider and approve the application.

Thank you for your consideration of our views.

Sincerely,

Jim Nussle, President and CEO
Credit Union National Association

Scott Earl, President & CEO
Mountain West Credit Union Association

[3] https://www.elevationscu.com/cache-bank-and-trust