CREDIT UNIONS

A credit union hired banking pros to take on Philly's biggest lenders

By Ken McCarthy July 07, 2022, 2:15 p.m. EDT 3 Min Read

The Philadelphia commercial lending market is dominated by large banks, but one credit union wants to grab its own piece of the pie.

The $4.8 billion-asset Citadel Credit Union in Exton, Pennsylvania, plans to launch its new business banking division in August. Earlier this year, the company lifted a team of business bankers from Santander Bank to build the new division and establish partnerships with clients around the eastern Pennsylvania region.

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Historically, the major obstacle for credit unions trying to enter the commercial space has been finding the right personnel. But Sutliff said he has enlisted bankers who are known in the Philly commercial community and who were “born and bred” at large banks.

“A lot of it is the people that you bring in. That’s the reality of it,” he said. “A lot of credit unions will just promote from inside and they’ll call it business services.”

The former Santander Bank employees who form Citadel Credit Union's commercial lending team. From left: Brendon Robinson, Anil Punjwani, Phil Sutliff, Eric Murchison and Kye Kreutzberger.

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Citadel's sweet spot for commercial loans will be between $5 million and $15 million with an overall range of $1 million to $20 million, Sutliff said.

Commercial lending in Philadelphia today is extremely competitive. PNC Financial Services Group, Bank of America and Wells Fargo hold the top three spots in terms of market share in the city, according to Jeff Marsico, president of the Kafafian Group, a consulting firm based outside of Philadelphia.

Those banks typically will spend less time on smaller commercial loans where Citadel seems to be targeting, given what it takes to move the needle in loan growth for banks of their size, he said.

"So for a commercial real estate borrower looking for favorable rate and structure regardless of relationship, Citadel could be a formidable foe, especially with the tax advantages and their capital position," Marsico said. Credit unions, as nonprofits, don't have the tax burden that banks do; without this cost, they can offer more competitive pricing.

For comparison, Marsico pointed to $475 million-asset First Resource Bank, which is also based in Exton. First Resource has a $405 million loan portfolio, about half of which is commercial, he said.

"Both would be competing in that $5 million-to-$7 million loan size space, as would WSFS Bank, Meridian Bank, S&T Bank and Univest [Bank and Trust]," he said.

And credit unions are getting more aggressive in the commercial lending market. Commercial loans at federally insured credit unions increased $19.7 billion, or 20.2% on a year-over-year basis, to $117.2 billion in the first quarter of 2022, according to the National Credit Union Administration.

in need of new funding, Sutliff said.

While Citadel is competing with some of the largest banks in the U.S., many businesses in the market were unable to secure the funding they needed during the pandemic from those larger players, and so they might be looking for a new bank, Sutliff said.

"I was on the front line of that, taking calls at Santander, and so were the folks that work for me now," he said. "A lot of those experiences weren't great."

Under current law, credit unions are restricted from lending more than 12.25% of total assets to member businesses, and Marsico expects that the banks in the region will be watching the credit union's portfolio closely.

"The more aggressive they are, the more aggressively bank trade associations will pursue relief," he said. "But legislative action remains unlikely, and the NCUA has been accommodative."

Ken McCarthy Reporter, Credit Union Journal

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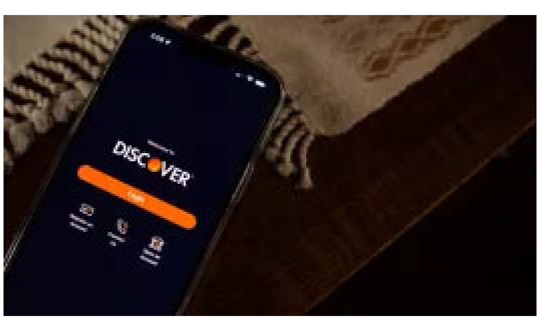

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