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The Growth of the Credit Union Sector and Its Implications in the Third District States



COMMUNITY DEVELOPMENT & REGIONAL OUTREACH

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The rapid expansion of the credit union sector in the past two decades, characterized by significant growth in asset size, membership base, and lending activities, has important implications for consumer credit access, particularly for underserved individuals and communities. By the end of 2024, there were 4,455 credit unions in the United States serving approximately 142.3 million members.¹ While their deposits and total assets represented only about 1/10th of those held by banks and thrifts, credit unions have emerged as a key source of consumer finance — especially in real estate, auto lending — and, more recently, commercial lending markets. This brief examines recent trends in the growth and performance of credit unions compared with traditional banks, particularly small banks, across the Third District states (Pennsylvania, New Jersey, and Delaware).

Inspired by the Cooperative Movement in Europe, credit unions in the United States were initially established to provide financial access to poor and rural populations excluded from traditional banking services (Pessin, 2025). The foundational principle for credit unions was for individuals within a community — connected by a “common bond” such as occupation, association, or geography — to pool their resources into a shared lending fund. Like banks, credit unions are depository institutions that collect deposits and provide financial services. Unlike banks, however, credit unions are member-owned, not-for-profit organizations that are generally exempt from federal corporate income taxes, operate under a different regulatory framework, and face statutory limitations on their membership and product offerings.

The credit union sector has experienced substantial growth, particularly following the passage of the Credit Union Membership Access Act (CUMAA) in 1998. Recognizing overexposure to a single industry or employer could reveal systemic vulnerabilities, CUMAA relaxed long-standing restrictions tied to common-bond requirements,² by expanding membership eligibility and allowing for the formation of multigroup credit unions. These reforms

were further refined in subsequent years and, along with other regulatory changes and incentives, led to significant membership expansion and asset growth for credit unions in general, and a notable increase in special mission-driven credit unions, like community-chartered and low-income designated credit unions (LICUs)³ (Gissler et al., 2020; van Rijn, 2024). Regulatory reforms have also broadened credit unions’ lending capabilities, enabling them to increase the scope of their financial services. For instance, credit unions historically faced a statutory cap on member business lending set at 12.25 percent of total assets,⁴ but regulatory changes in 2017 relaxed some of the key constraints and enhanced credit unions’ ability to serve small businesses. The growing number of community-chartered or low-income designated credit unions, which are often exempt from certain lending restrictions, also provide opportunities and support for expansion in otherwise restricted services.

As a record number of 24 community banks were reported to be acquired by credit unions in 2024,⁵ banks have voiced concerns about market equity and regulatory parity between credit unions and traditional banks. Amid the ongoing consolidation and market contraction of small banks (and the expansion of large banks), credit unions — especially larger ones — are increasingly competing with smaller banks by offering comparable financial products, often at more favorable rates. Research has provided some insight into the market dynamics (see the review in Anderson and Liu, 2013, and DiSalvo and Johnston, 2017). Gissler et al. (2020) found that the presence of LICUs, which are allowed to collect deposits from nonmembers, was correlated with reduced bank lending and deposit activity in affected areas. Similarly, Ely and Robinson (2009) reported that credit unions are more active in business lending in markets with high rates of bank mergers and acquisitions.

There are also unanswered questions related to the roles of credit unions in promoting financial access for the underserved. Credit

¹ The main data set used for this brief is the public Call Report data, which U.S. banks and credit unions are required to file on a quarterly basis. These data contain detailed financial information, including outstanding loans (by loan category), assets, savings, delinquent and charged-off loans, and many others.

² The relatively narrow common bond typically refers to a very specific and limited group of people who share a particular characteristic or affiliation, such as employees of a single company, residents of a specific town or small geographic area, alumni of a particular institution, or members of a faith-based community.

³ Per the regulations on the NCUA website, a credit union may be designated low-income if more than 50 percent of its members have a family income of 80 percent or less of the median family income for the metropolitan area where they live or the national metropolitan area, whichever is greater, or those members who earn 80 percent or less of the total median earnings for individuals for the metropolitan area where they live or the national metropolitan area, whichever is greater.

⁴ Only low-income designated credit unions, those that participate in the community development financial institution (CDFI) program, or those that are chartered specifically for the purpose of making business loans are exempted from the lending cap (Congressional Research Service, 2018).

⁵ See “ABA DataBank: Credit Unions Buy Record Number of Banks in 2024,” *ABA Banking Journal*, March 28, 2025, bankingjournal.aba.com/2025/03/aba-databank-credit-unions-buy-record-number-of-banks-in-2024/. However, there have been no known credit union acquisitions of banks in the Third District states in recent years.

unions' longstanding mission of serving underserved populations has been the rationale behind their tax-exempt status and unique regulatory framework.⁶ As not-for-profit institutions, credit unions are expected to return earnings to members through more favorable interest rates, lower fees, and enhanced services. Numerous studies have confirmed that credit unions on average offer higher deposit rates and lower loan rates than banks, often spurring competition that benefits consumers more broadly (see review in van Rijn, 2024). But one study suggests the benefits to credit union borrowers are limited as credit unions use most (about 90 percent) of their tax exemption for the benefit of their membership via above-market deposit interest rates (Goddard, McKillop, Wilson, 2023). Evidence on credit unions' effectiveness in reaching truly underserved populations and communities remains mixed, primarily owing to limited data and the absence of a standard definition for "underserved"⁷ (Maskara and Neymotin, 2021; DiSalvo and Johnston, 2017; NCUA, 2025).

Below is a summary of the key findings of this research brief focusing on credit unions in the Third District states. Hereafter, small banks are defined in this brief as institutions with assets under \$1 billion in 2004 dollars.

- The credit union sector in the Third District states experienced substantial growth from 2004 to 2024, with inflation-adjusted lending increasing by 122.7 percent and assets by 86.9 percent. In contrast, total assets increased by only 39.5 percent for all banks and decreased by 52.1 percent for small banks during the same period. This growth of credit unions was largely driven by the expansion of large credit unions.
- Credit unions have grown significantly in their traditional markets in real estate and auto lending, and they have expanded in sectors where they are not traditionally specialized, such as commercial lending. There has been a 44.7 percent increase in real estate loans and a 132.2 percent increase in commercial loans since 2017 (the earliest year with comparable data), along with a 133.5 percent increase in auto loans since 2011.⁸ Small banks, instead, have experienced notable declines across all these markets.

- Credit unions continue to maintain a stronger branch presence in low- and moderate-income (LMI) communities, although they experienced a more significant decline in their branch presence in these neighborhoods compared with small banks.
- Credit unions originated a larger share of purchase mortgages in majority-minority communities compared with small banks. Credit unions, including LICUs, however, originated a smaller share of mortgages in LMI neighborhoods than small banks, and they also have higher mortgage rejection rates — often two to three times higher for borrowers in LMI and majority-minority neighborhoods than those of small banks, raising concerns about their effectiveness in reaching underserved populations.

Finding 1: Significant Growth of the Credit Union Sector in the Third District

Over the past two decades, the number of credit unions in the Third District states has declined, but their size and market presence have expanded substantially. From 2004 to 2024, the number of credit unions fell from 950 to 451 — a 52.5 percent decrease. However, the number of large credit unions, defined here as those with over \$1 billion (in 2004 value) in assets, increased from five in 2004 to 11 in 2024. In comparison, small banks experienced an even steeper decline in numbers, dropping from 372 in 2004 to just 138 in 2024 — a 62.9 percent decrease.

Despite the contraction in total number of institutions, credit unions in the region saw a significant expansion in total assets, which grew 86.9 percent from 2004 to 2024 (inflation adjusted) (Figure 2).⁹ By contrast, total assets held by small banks declined by 52.1 percent over the same period, from \$142.6 billion to \$68.4 billion. Credit unions surpassed small banks in aggregate assets

⁶ Congress has made it clear as to the purpose of the credit union exemption: "Credit unions are exempt from federal taxes because they are member-owned, democratically operated, not-for-profit organizations generally managed by volunteer boards of directors and because they have the specified mission of meeting the credit and savings needs of consumers, especially persons of modest means." See 105th U.S. Congress.

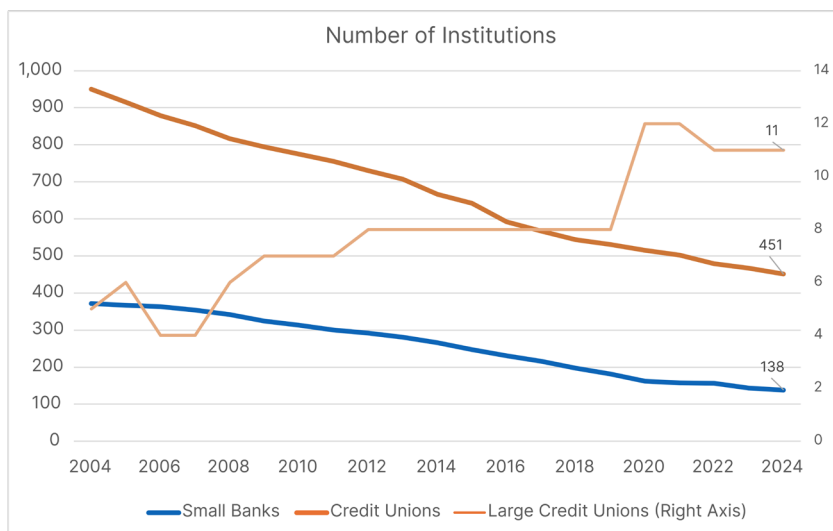
⁷ Most studies employ the census definition of a *low- and moderate-income area*, while others utilize measures such as the unbanked population or composite indices.

⁸ Before 2011, data for thrifts were reported separately in Call Reports. Beginning in 2011, the reporting requirements for banks and thrifts were consolidated into a single set of Call Reports.

⁹ Most credit unions are still very small compared with small banks, although there are a few large credit unions. Median assets for credit unions were about \$29.6 million, compared with a median of \$381.5 million for small banks, in 2024.

FIGURE 1

Number of Institutions, Third District States, 2004–2024

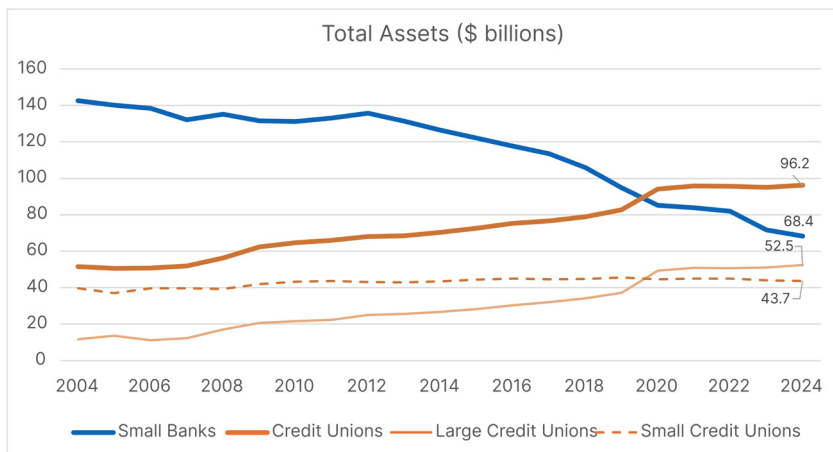


Source

Author’s calculations based on Federal Financial Institutions Examination Council and National Credit Union Administration Call Reports.

FIGURE 2

Total Assets by Institution Types, Third District States, 2004–2024



Source

Author’s calculations based on Federal Financial Institutions Examination Council and National Credit Union Administration Call Reports.

in 2020, a shift largely driven by the rapid growth of larger credit unions. By 2024, these large institutions accounted for 54.5 percent of all credit union assets in the region.

This asset growth has been accompanied by sharp increases in deposits and membership — particularly among large credit unions. From 2004 to 2024, deposits at large credit unions rose 414.6 percent, and membership increased 387.0 percent. In contrast, deposits and membership across all credit unions in the region grew 116.9 percent and 28.3 percent, respectively.

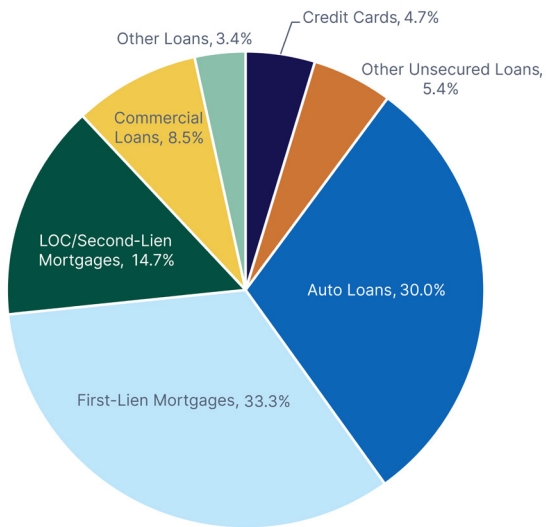
Finding 2: Significant Expansion of Credit Unions and Retrenchment of Small Banks in Lending Activities

Historically, credit unions have specialized in real estate and auto lending, but their role in commercial lending has grown significantly in recent years. As of the end of 2024, the loan portfolios of credit unions in the Third District states were composed of 48.1 percent real estate loans (including first-lien, second-lien, and real estate-backed lines of credit), 40.1 percent consumer loans (30.0 percent auto loans, 10.1 percent credit card and other unsecured loans), and 8.5 percent commercial loans (Figure 3). In contrast, small banks in the region concentrated more heavily on real estate lending (45.2 percent) and nonconsumer loans (50.2 percent), such as interbank lending, agricultural loans, and loans for securities purchases. Consumer lending (commercial loans, credit cards, and other consumer loans) accounted for only a small portion (4.6 percent in 2024) of small banks’ loan portfolios.

Credit unions’ market share across all major lending categories — auto, real estate, and commercial — has increased notably in recent years (Figure 4). By the end of 2024, credit unions accounted for more than 23.1 percent of all auto

loans and roughly 10–15 percent of residential real estate loans issued by depository institutions in the Third District states. The share of commercial lending by credit unions was still small but more than doubled after the regulatory revisions in 2017¹⁰ (an increase from 1.2 percent in 2017 to 2.8 percent in 2024). Meanwhile, small banks’ market share declined across most categories from 2017 to 2024. The changes in different lending categories are discussed in more detail below.

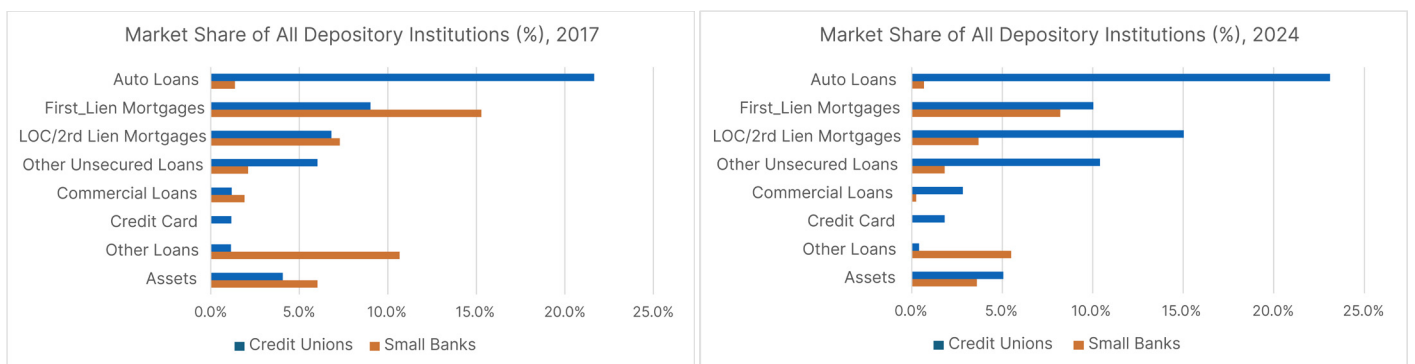
FIGURE 3 Loan Portfolio of Credit Unions, Third District States 2024



Source
Author’s calculations based on National Credit Union Administration Call Reports.



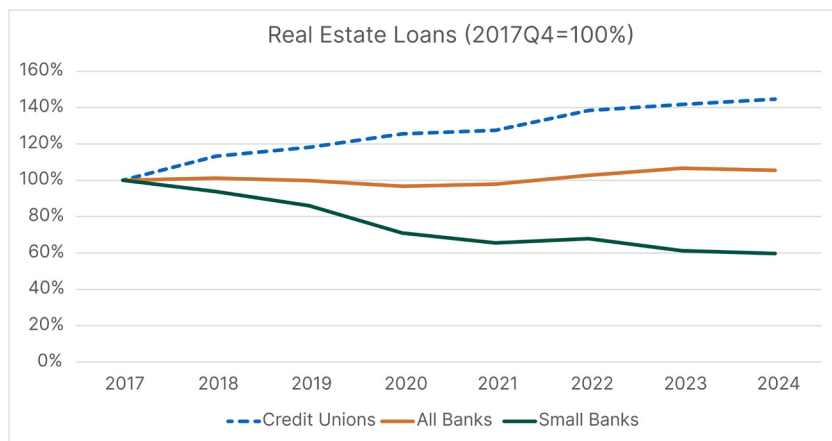
FIGURE 4 Market Share of Consumer Loans by Small Banks and Credit Unions, Third District States, 2017 and 2024



Source
Author’s calculations based on Federal Financial Institutions Examination Council and National Credit Union Administration Call Reports.
Note: Shares of total depository institutions’ loans and shares of loan types. Loan amounts as of the end of 2017 or 2024.

¹⁰ The year was used because it is the earliest year with more comparable data for all lending categories for both credit unions and banks.

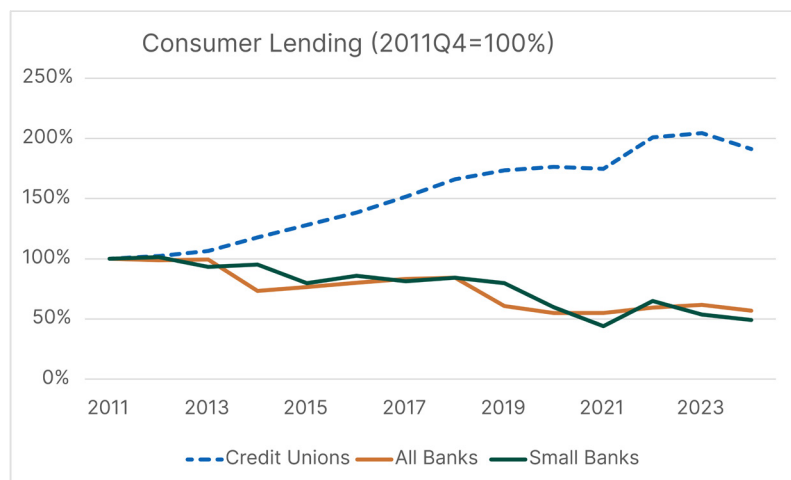
FIGURE 5 Growth in Real Estate Lending by Credit Unions and Banks, Third District States



Source
 Author's calculations based on Federal Financial Institutions Examination Council and National Credit Union Administration Call Reports. Loan amounts indices have been adjusted for inflation.



FIGURE 6 Growth in Consumer Lending by Credit Unions and Banks, Third District States



Source
 Author's calculations based on Federal Financial Institutions Examination Council and National Credit Union Administration Call Reports. Loan amounts indices have been adjusted for inflation.

Residential Real Estate Loans

Residential real estate loans are home loans that are secured by one- to four-family properties. Both credit unions and small banks rely heavily on residential real estate loans. However, their recent trajectories diverge significantly. Since 2017, the earliest year with comparable data, credit unions' real estate lending increased by 44.7 percent — while small banks reduced their activity in this segment by 40.3 percent. Real estate lending across all banks in the region rose marginally, by 5.6 percent.

According to DiSalvo and Johnston (2017), both credit unions and small banks tend to originate mortgages that are not intended for securitization. These loans do not need to conform to the underwriting standards of government-sponsored enterprises (GSEs), allowing for more flexible terms and stronger relationships with borrowers.

Consumer Lending

Credit unions have also expanded their presence in consumer lending. From 2011 to 2024, the volume of consumer loans made by credit unions increased by 91.1 percent. In contrast, consumer lending declined sharply for banks overall (-43.2 percent) and for small banks in particular (-50.8 percent) (Figure 6). The decline in bank-originated consumer loans was largely driven by a decrease in credit card and unsecured personal lending, even though their auto lending rose modestly during this period.

Auto loans

Auto loans are the dominant form of consumer lending for credit unions, accounting for approximately 23.1 percent of the auto loan market by the depository institutions in the Third District in 2024. In stark contrast, small banks accounted for just 0.7 percent of the market by depository institutions in the region. Credit unions generally provide auto loans directly to members, while large banks typically originate auto loans indirectly through dealership financing arrangements.

From 2011 to 2024, credit unions increased their auto lending volume by over 133.5 percent, while banks experienced a slightly larger increase of 148.9 percent. Small banks, however, saw a sharp decline in their marginal level of auto lending, with volumes falling 23.7 percent (Figure 7). By the end of 2024, small banks held a very small share of auto loans, just 4.6 percent of the amount held by credit unions.

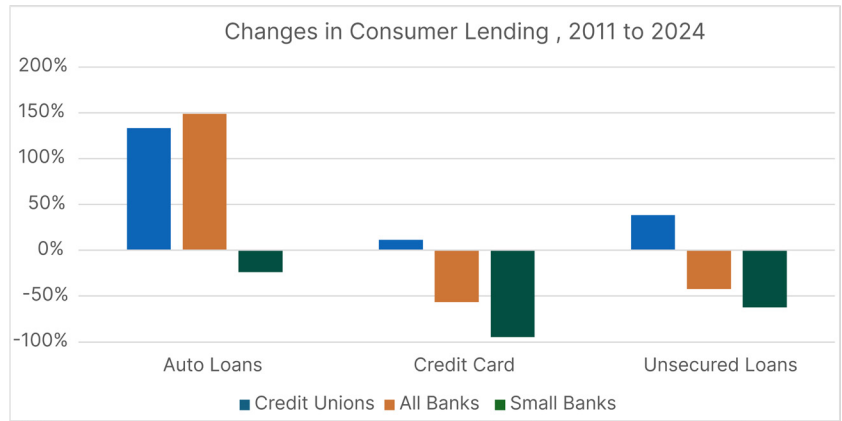


Credit Cards and Other Unsecured Loans

Trends in credit card lending show an even greater divergence (Figure 7). By 2024, credit unions had increased their credit card loan portfolios by over 11.2 percent compared with 2011. In contrast, credit card lending by banks declined more than 56.5 percent and by 94.7 percent for small banks, dropping to just \$1.8 million — less than 0.1 percent of the total issued by credit unions. In other words, while credit card lending by credit unions increased modestly in the past decade, small banks have largely withdrawn from the market in the region. The pattern for unsecured personal loans mirrors that of credit cards, with an even larger increase for credit unions and significant declines for banks, particularly small banks.

FIGURE 7

Change in Consumer Lending by Credit Unions and Banks, Third District States, 2011Q4 to 2024Q4



Source

Author's calculations based on Federal Financial Institutions Examination Council and National Credit Union Administration Call Reports. Loan amount indices have been adjusted for inflation.

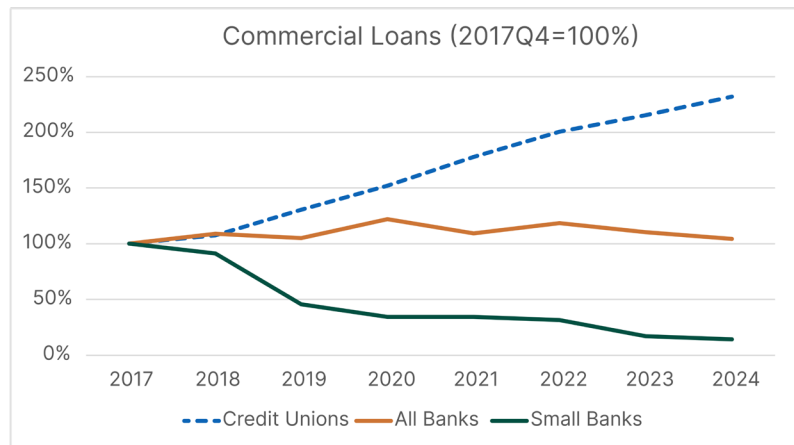
Commercial Lending

Regulatory changes in 2017 enhanced credit unions' capacity to offer business loans by lifting limits on nonmember business loans, easing collateral requirements, and eliminating the requirement for full personal guarantees by borrowers. Following these reforms, credit unions substantially expanded their commercial lending. Between 2017 and 2024, the volume of credit union commercial loans in Third District states rose by 132.2 percent (Figure 8).

By contrast, bank-originated commercial loans grew only 4.2 percent during the same period, and small banks experienced a dramatic decline of 85.8 percent. In 2017, the commercial loan volume of small banks was approximately 1.62 times that of credit unions. By 2024, it had fallen

FIGURE 8

Growth of Commercial Lending by Credit Unions and Banks, Third District States



Source

Author's calculations based on Federal Financial Institutions Examination Council and National Credit Union Administration Call Reports. Loan amount indices have been adjusted for inflation.

to just 9.9 percent of the credit union total in the Third District states. These figures suggest that the smallest banks have ceded much of their business lending market to both credit unions and larger banks.

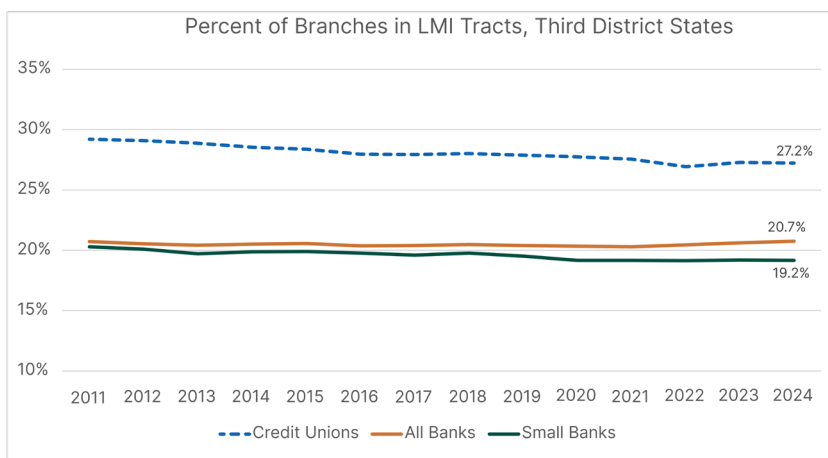
Finding 3: The Potential of Credit Unions to Serve Underserved Communities

Credit unions have a specified mission of meeting the financial needs of consumers, especially those with limited financial resources; many credit unions are also designated specifically to serve underserved communities. For example, almost half of credit unions (211 out of 451) in the Third District are LICUs, designated to primarily serve low-income members. Credit unions’ effectiveness in achieving that goal, however, is still inconclusive, partly because of insufficient data. One of the few studies on this topic, by Maskara and Neymotin (2021), suggests that underserved households, those without a traditional banking account, are less likely to use credit union services. Conversely, a study by the National Credit Union Administration (NCUA), the federal regulator of credit unions, indicates that credit unions extended more residential mortgages in underserved communities than banks and thrifts (NCUA, 2025). But according to another research note, minority mortgage borrowers were more likely to be rejected by credit unions compared with non-Hispanic White applicants, after accounting for observable factors in the expanded HMDA data (NCUA, 2022). To shed light on this issue, this section examines credit unions’ branch presence and residential mortgage lending patterns in underserved communities in the Third District.

Branching in LMI Communities

According to S&P Global Market Intelligence SNL US Bank Branch Data Set (“S&P SNL branch data”), which cover branches by all depository institutions, both banks and credit unions have reduced

FIGURE 9 Credit Union and Bank Branch Distribution by Neighborhood Income



Source
Author’s calculations based on S&P SNL branch data.

their physical branch networks in recent years, although the contraction has been more severe for banks. In the Third District states, the number of full-service credit unions branches (including those credit unions headquartered outside the Third District) declined 12.9 percent from 2011 to 2024 — from 1,400 to 1,219. During the same period, bank branches declined 28.3 percent, from 6,493 to 4,655.

As of mid-2024, credit unions had a greater proportion of branches located in LMI neighborhoods than either banks overall or small banks specifically (Figure 9). In Third District states, roughly 27.2 percent of credit union branches were located in LMI census tracts, compared with 20.7 percent for all banks and 19.2 percent for small banks. While this share for credit unions remained consistently higher than for banks, it declined by 2 percentage points after 2011. Banks, by contrast, have maintained a relatively stable presence in LMI areas over the past decade, suggesting they were closing similar shares of branches in LMI and non-LMI neighborhoods, which may be partially attributed to Community Reinvestment Act (CRA) requirements that ensure banks (but not credit unions) are not neglecting LMI neighborhoods.¹¹

Credit unions have retained more branches than have banks, likely to meet demand from an expanding membership base. Some of this expansion has also occurred through the acquisition of branches vacated by banks — an opportunity that may be

¹¹ If a bank were found to be closing a disproportionate number of branches in LMI areas compared with non-LMI areas, this would likely negatively affect the bank’s CRA evaluation.

particularly valuable in underserved areas.¹² They have the potential to help retain more branches in LMI areas and fill service gaps as traditional banks withdraw from LMI communities.

HMDA Mortgage Loans by Credit Unions for Underserved Communities

An analysis of Home Mortgage Disclosure Act (HMDA) data provides insight into credit unions' mortgage lending patterns in underserved communities — for example, in LMI and majority-people of color (POC) communities. This section focuses on first-lien home purchase mortgages originated by credit unions and small banks in the Third District states from 2019 to 2023. In essence, low-income credit unions are specifically designated to provide financial services tailored to the needs of low-income individuals and communities. Thus, we also compare lending by LICUs with lending by all credit unions and small banks.

Both credit unions and small banks originated the majority of their first-lien purchase mortgages in middle-income tracts in recent years (2019–2023) (Table 1). However, credit unions originated a smaller share of mortgages in LMI neighborhoods and a larger share in upper-income areas compared with small banks. In 2023, 17.1 percent of home purchase originations by credit unions were in LMI tracts, lower than the 19.2 percent for small banks, and the gap was larger in other years; 35.3 percent of credit union originations were in upper-income areas, higher than the 27.4 percent for small banks in 2023. This is generally consistent with the results from a national study by DiSalvo and Johnston (2017) but is different from the NUCA (2025) study that suggests credit unions originated more purchase and refinance mortgages in underserved communities¹³ than banks and thrifts. When focusing on borrowers with different income levels, credit unions originated fewer loans to LMI borrowers than small banks (19.4 percent of credit unions' mortgages went to LMI borrowers, compared with 30.5 percent of small banks' mortgages in 2023). More rigorous research is needed to better understand whether these patterns hold across markets or just reflect borrower risk profile.

From 2019 to 2021, LICUs originated a similar or higher share of mortgage loans in LMI communities compared with small

banks. However, the share was lower in other years, and LICUs' originations to LMI borrowers have consistently been lower than those of small banks. Conversely, LICUs have originated more loans in upper-income communities than small banks. In summary, while LICUs have issued more mortgage loans in LMI communities than other credit unions, they are still less likely to serve LMI individuals than are small banks.

Another important distinction is rejection rates: Credit unions deny a higher proportion of mortgage applications than small banks across all tract types, and the gap was the largest in LMI tracts. In 2023, credit unions rejected 26.6 percent of purchase mortgage applications in LMI tracts, significantly higher than the 8.0 percent for small banks. Denial rates of LICUs tend to be comparable with those observed across all credit unions. People may suspect credit union borrowers have higher denial rates because they have lower incomes or are applying for loans with larger loan amounts; to the contrary, as Table 2 suggests, applicants served by credit unions in LMI tracts tended to have slightly higher incomes than those served by small banks across tract types (except in 2023), and they were also applying for similarly sized or slightly smaller loans in LMI and middle-income areas. Applicants at LICUs typically have lower incomes compared with those applying at small banks, but they also tend to request significantly smaller loan amounts.

While variations in borrower creditworthiness may account for some of the observed differences in denial rates, another possible explanation is the differing mortgage products utilized by various types of lenders.¹⁴ Credit unions were less likely than small banks to originate government-insured mortgages — such as FHA or VA loans — in LMI neighborhoods, but they originated similar or higher shares of such loans in higher-income areas (those with middle or upper incomes) (Table 2). Relatively, LICUs exhibit the lowest propensity to originate FHA/VA loans (4.6 percent of originations were FHA/VA loans in LMI tracts in 2023, lower than the 11.0 percent for all credit unions and 14.1 percent for small banks). Assuming lenders are less insulated from risk for originating non-government-backed loan products, this may help explain the higher rejection rates in LMI areas, but it cannot explain the higher denial rates in middle- and upper-income areas for credit unions, where credit unions originated shares of FHA/VA loans similar to those of small banks. Research also indicates that credit unions tend to retain mortgages on their own balance sheets rather than

¹² For instance, American Heritage Credit Union significantly expanded its presence in South Jersey by acquiring three branches from Linkbancorp. See Jeff Blumenthal, "American Heritage Doubles South Jersey Presence with Acquisition of 3 Branches," Philadelphia Business Journal, April 1, 2025, www.bizjournals.com/philadelphia/news/2025/04/01/american-heritage-south-jersey-linkbancorp.html.

¹³ Defined as "less socially oriented lending," or lending to LMI, minority, or first-time borrowers or in LMI neighborhoods.

¹⁴ Other credit underwriting factors like potential differences in borrower credit scores may help explain the differences, but this cannot be assessed directly using the public version of HMDA.

TABLE 1

First-Lien Purchase Mortgage Lending by Lender Types and Neighborhood and Borrower Characteristics, 2019–2023

Year	Lender Type	Origs by Tract Income (%)			Origs by Borrower Income (%)			Denials by Tract Income (%)			Origs by Tract Majority Race (%)		Origs by Borrower Race (%)		Denials by Tract Majority Race (%)	
		LMI	Middle	Upper	LMI	Middle	Upper	LMI	Middle	Upper	White	POC	White	POC	White	POC
2019	Small banks	19.8%	55.4%	24.9%	36.0%	21.3%	42.7%	9.3%	8.3%	5.5%	89.7%	10.3%	83.6%	16.4%	7.6%	10.0%
	Credit unions	15.9%	51.5%	32.5%	25.0%	25.7%	49.4%	20.9%	14.5%	9.6%	88.9%	11.1%	79.1%	20.9%	14.4%	22.2%
	Low-income CUs	19.7%	50.8%	29.6%	31.5%	25.0%	43.5%	23.4%	17.2%	11.6%	86.1%	13.9%	79.0%	21.0%	19.6%	25.0%
2020	Small banks	18.3%	58.1%	23.6%	33.8%	20.9%	45.3%	9.3%	8.3%	6.6%	92.2%	7.8%	86.1%	13.9%	8.0%	9.3%
	Credit unions	15.8%	51.8%	32.4%	24.4%	23.9%	51.7%	21.3%	15.4%	10.3%	89.8%	10.2%	78.8%	21.2%	14.2%	24.5%
	Low-income CUs	19.2%	50.7%	30.1%	30.1%	23.2%	46.7%	19.8%	18.8%	11.8%	88.6%	11.5%	80.1%	19.9%	17.9%	23.5%
2021	Small banks	20.6%	56.6%	22.9%	34.2%	20.6%	45.1%	8.2%	7.7%	5.1%	89.8%	10.2%	80.5%	19.5%	6.9%	10.5%
	Credit unions	18.5%	51.8%	29.8%	25.5%	23.4%	51.1%	21.2%	15.9%	11.9%	88.3%	11.7%	78.3%	21.8%	14.6%	25.2%
	Low-income CUs	22.0%	51.0%	27.0%	30.4%	22.9%	46.7%	21.9%	18.5%	13.7%	87.9%	12.1%	80.3%	19.8%	16.7%	29.7%
2022	Small banks	20.0%	54.4%	25.7%	37.2%	19.9%	43.0%	7.2%	7.2%	5.4%	88.3%	11.7%	83.2%	16.8%	6.4%	9.1%
	Credit unions	17.4%	47.2%	35.5%	25.7%	23.6%	50.7%	22.2%	16.6%	12.5%	84.5%	15.5%	74.1%	26.0%	14.6%	24.3%
	Low-income CUs	18.8%	45.0%	36.2%	28.4%	23.4%	48.2%	19.2%	15.9%	10.6%	84.5%	15.6%	76.9%	23.1%	13.9%	19.4%
2023	Small banks	19.2%	53.4%	27.4%	30.5%	18.9%	50.6%	8.0%	6.6%	6.0%	88.7%	11.3%	82.9%	17.1%	6.5%	8.2%
	Credit unions	17.1%	47.5%	35.3%	19.4%	21.8%	58.9%	26.6%	19.0%	14.1%	85.7%	14.3%	74.8%	25.2%	16.9%	28.7%
	Low-income CUs	17.9%	46.3%	35.9%	22.7%	20.6%	56.7%	25.1%	19.9%	11.5%	85.8%	14.3%	77.8%	22.2%	17.4%	22.8%

Source

Author's calculations based on Home Mortgage Disclosure Act data.

Note: LMI tracts: median family income (MFI) < 80 percent of area median; middle-income: 80–119 percent; upper-income: 120 percent or higher. Share of originations and percent of denials are based on the number of loans, instead of loan volume. "White" is defined as non-Hispanic White borrowers, while "POC" represents Hispanic, Black or African American, Asian, and other minority populations.

TABLE 2

First-Lien Purchase Mortgage Lending by Lender Types and Neighborhood Income, 2019–2023

Year	Lender Type	Percent Denials by Tract Income (%)			Median Applicant Income (\$1k)			Median Application Loan Amount (\$1k)			Share of FHA/VA Originations (%)		
		LMI	Middle	Upper	LMI	Middle	Upper	LMI	Middle	Upper	LMI	Middle	Upper
2019	Small banks	9.3%	8.3%	5.5%	63	76	110	145	165	255	23.4%	13.9%	12.6%
	Credit unions	20.9%	14.5%	9.6%	67	79	111	135	165	265	15.2%	15.4%	12.9%
	Low-income CUs	23.4%	17.2%	11.6%	59	69	102	115	135	235	7.9%	5.1%	2.9%
2020	Small banks	9.3%	8.3%	6.6%	67	77	113	145	165	265	19.1%	10.1%	9.1%
	Credit unions	21.3%	15.4%	10.3%	73	80	115	145	175	275	10.8%	11.8%	9.2%
	Low-income CUs	19.8%	18.8%	11.8%	64.5	70	103	115	145	245	5.4%	4.4%	2.5%
2021	Small banks	8.2%	7.7%	5.1%	69	81	115	165	195	305	17.2%	9.9%	8.8%
	Credit unions	21.2%	15.9%	11.9%	71	82	117	145	185	305	8.5%	10.4%	9.2%
	Low-income CUs	21.9%	18.5%	13.7%	64	75.5	106	135	155	275	4.9%	4.8%	1.7%
2022	Small banks	7.2%	7.2%	5.4%	81	92	131.5	175	205	315	11.1%	7.0%	5.8%
	Credit unions	22.2%	16.6%	12.5%	79	93	137	175	225	355	9.7%	9.6%	5.8%
	Low-income CUs	19.2%	15.9%	10.6%	73	84	137.5	155	195	355	4.3%	2.7%	0.6%
2023	Small banks	8.0%	6.6%	6.0%	87	105	146	175	205	325	14.1%	10.4%	7.2%
	Credit unions	26.6%	19.0%	14.1%	87	102	152	175	225	365	11.0%	11.0%	7.9%
	Low-income CUs	25.1%	19.9%	11.5%	77	90	158	145	185	365	4.6%	2.2%	0.7%

Source

Author's calculations based on Home Mortgage Disclosure Act data.

Note: LMI tracts: median family income (MFI) < 80 percent of area median; middle-income: 80–119 percent; upper-income: 120 percent or higher. Share of originations and percent of denials are based on the number of loans, instead of loan volume. "White" is defined as non-Hispanic White borrowers, while "POC" represents Hispanic, Black or African American, Asian, and other minority populations.

selling them in the secondary market (DiSalvo and Johnston, 2017), which may further elucidate the risk-averse behavior characteristic of credit unions.

Different from the pattern for LMI communities, credit unions originated a slightly larger share of loans in majority-POC neighborhoods or to minority borrowers than small banks (Table 1). About 14.3 percent of purchase mortgages by credit unions were in majority-POC neighborhoods, and 25.2 percent of the credit union originations went to minority borrowers, compared with 11.3 percent and 17.1 percent, respectively, for small banks in 2023. LICUs have issued a similar share of loans in majority-POC

communities but fewer loans to minority borrowers than other credit unions. This, however, likely reflects the demographic makeup of their customer base, instead of a deliberate strategy to increase credit access. The data suggest that credit unions denied mortgage applications from majority-POC neighborhoods at rates two to three times higher than small banks do (e.g., a denial rate of 28.7 percent for credit unions versus 8.2 percent for small banks in majority-POC neighborhoods in 2023), which is consistent with the findings by NCUA (2022) for minority borrowers.

Overall, these trends suggest that credit unions and small banks serve broadly similar borrower segments in the residential

mortgage market, although credit unions were more focused on borrowers with slightly higher incomes, minority borrowers, or borrowers in higher-income neighborhoods. Credit unions also have significantly higher mortgage denial rates, especially in LMI and majority-POC communities. As expected, LICUs serve a higher number of LMI borrowers or borrowers in LMI communities than other credit unions, but their reach among LMI borrowers remains lower than that of small banks. Unlike banks, which serve a broader range of customers, credit unions have specific membership criteria that may limit their reach in lower-income neighborhoods or among LMI borrowers. Consequently, credit unions collectively appear less likely to serve the underserved population in the residential mortgage market within the Third District states.

Summary

This brief highlights recent developments among credit unions in the Third District states. Over the past two decades, the credit union industry has undergone substantial transformation, marked by significant growth in total assets and lending activities, as well as the emergence of larger institutions that provide a more comprehensive range of financial products. Credit unions in the tristate area have expanded their traditional real estate and auto lending markets while broadening their activities with increased commercial lending. Credit unions are playing an increasingly important role in the financial markets by offering essential services that cater to diverse community needs.

The expansion of credit unions presents an opportunity to improve access to credit and financial services for lower-income families. Prior research generally suggests community-focused credit unions can offer more favorable interest rates on deposits and lower rates and fees on loans compared with similarly sized banks. This brief also confirms that credit unions maintain a relatively stronger branch presence in LMI neighborhoods than that of other depository institutions, and nearly half of credit unions in the region are designated as institutions to serve underserved low-income populations (LICUs). In areas with limited bank branch access, credit unions are increasingly viewed as viable institutions for expanding financial inclusion.¹⁵

Certain trends, however, raise concerns about how effectively credit unions are serving underserved communities. These include the fewer mortgage originations in LMI communities, higher mortgage rejection rates — particularly for LMI and majority-POC communities — and a recent fair lending settlement involving redlining allegations.¹⁶ As credit unions continue to grow and evolve beyond their traditional niche, their expanding role in shaping access to credit and financial services warrants closer attention.

¹⁵ Jim Dobbs, "N.C. Credit Unions Seek to Expand into 'Banking Deserts,'" *American Banker*, March 26, 2025.

¹⁶ *Justice Department secures over \$6.5 million from Citadel Federal Credit Union to address redlining in Black and Latino communities*. U.S. Department of Justice, October 2024. Available at: <https://www.justice.gov/archives/opa/pr/justice-department-secures-over-65m-citadel-federal-credit-union-address-redlining-black-and>.

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APPENDIX 1
List of Large Credit Unions (with Assets at least \$1 Billion in 2004 Dollars) in Third District States (2024)

RSSD_ID	Name	State_Name	State_code	County_code	Loans_total (\$1,000)	Assets_total (\$1,000)
945978	Police & Fire FCU	Pennsylvania	42	101	6,005,855	9,485,084
268592	Pennsylvania State Employees' CU	Pennsylvania	42	43	6,601,428	8,721,276
934785	Members 1st FCU	Pennsylvania	42	41	6,626,352	8,050,942
167873	Citadel FCU	Pennsylvania	42	29	5,389,374	6,161,956
801878	American Heritage FCU	Pennsylvania	42	101	3,561,415	5,059,208
755878	Affinity FCU	New Jersey	34	35	3,598,752	4,143,194
766892	TruMark Financial CU	Pennsylvania	42	91	2,506,525	3,353,439
398387	Clearview FCU	Pennsylvania	42	3	1,491,269	2,003,811
253981	Franklin Mint FCU	Pennsylvania	42	45	1,381,275	1,879,555
417774	Merck Employees FCU	New Jersey	34	39	211,006	1,848,086
543084	Philadelphia FCU	Pennsylvania	42	101	1,118,716	1,765,979

Source

Author's calculations based on National Credit Union Administration Call Reports.