



APG Branch has HELOC staff available

or



Book time with Curtis

1:00 PM

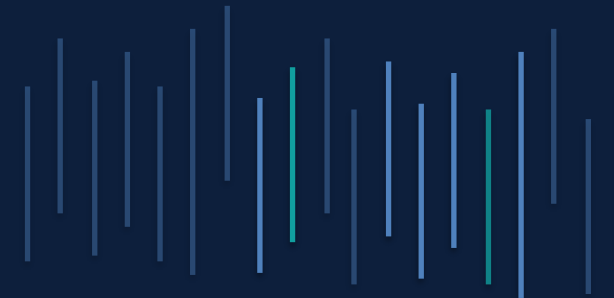
3:00 PM

4:30 PM

# State of the Industry Report

## Credit Unions & Community Banks | 2026

*An analysis of the forces reshaping community financial institutions— and what the next 12 months demand from the leaders running them.*



**8,200+**  
Community FIs in the U.S.

**\$2.4T**  
Credit Union Total Assets

**31.5%**  
CU Net Income Growth YoY

**200+**  
Projected CU Mergers in 2026

01

# EXECUTIVE SUMMARY

Credit unions closed 2025 with \$2.4 trillion in total assets, 144.7 million members, and net income of \$18.8 billion—a 31.5% surge over the prior year. Community banks posted \$29.9 billion in full-year net income, up 22.5% from 2024.

But the denominator keeps shrinking. Federally insured credit unions fell to 4,287 by year-end. Community banks numbered 3,909. Combined, roughly 8,200 institutions now serve the U.S.—down from over 14,000 a decade ago. Six forces are reshaping the sector simultaneously: consolidation, branch transformation, talent shortages, digital expectations, AI adoption, and regulatory change.

**4,287**Federally Insured Credit Unions  
(Year-End 2025)**3,909**

FDIC Community Banks (Q4 2025)

**\$2.4T**

Credit Union Total Assets

**31.5%**

CU Net Income Growth YoY

Sources: NCUA Q4 2025 Credit Union System Performance Data; FDIC Quarterly Banking Profile Q4 2025

02

# THE INDUSTRY AT A GLANCE

*A snapshot of where credit unions and community banks stand entering 2026.*

## Credit Union Sector

The industry closed 2025 with 4,287 federally insured credit unions serving 144.7 million members—the highest membership count on record. Total assets rose to \$2.4 trillion. The system's net worth ratio climbed to 11.24%. Growth is concentrating at the top—credit unions above \$500M in assets grew to 739.

**144.7M**

CU Members (Record High)

**11.24%**

CU Net Worth Ratio

## Community Bank Sector

FDIC-insured community banks numbered 3,909 at year-end 2025—90% of all insured institutions. Net income hit \$29.9 billion, a 22.5% jump from 2024. Community banks retain competitive advantages in relationship lending but face growing pressure to modernize digital capabilities.

**\$18.8B**

CU Net Income (2025)

**22.5%**

Community Bank Income Growth

*Sources: NCUA Q4 2025; FDIC Quarterly Banking Profile Q4 2025; Tyfone, "Credit Unions Grow Assets and Lending as Consolidation Continues"*

03

# THE CONSOLIDATION EQUATION

*Mergers are no longer just for struggling institutions—healthy credit unions are choosing to consolidate.*

In 2025, the NCUA approved 121 credit union mergers through the first nine months alone. Q3 alone saw \$34 billion in combined assets move through mergers—more than 2022–2024 combined. Full-year 2025 projected at 160–170 transactions. 82% of bankers expect 11+ CU acquisitions of banks in 2026.

**\$34B**

in Q3 2025 mergers alone—  
more than 2022–2024 combined

**200+**

projected CU mergers in 2026  
if current momentum holds

What this means for your institution: Consolidation creates both risk and opportunity. Institutions that operate efficiently—with data-driven staffing, branch performance analytics, and consistent member experiences—are better positioned as acquirers rather than acquisition targets.

*Sources: NCUA Q3 & Q2 2025 Credit Union System Performance Data; American Banker, "5 Trends That Shaped the Credit Union Industry in 2025"*

04

# THE BRANCH DILEMMA

*The question is no longer 'how many branches?' but 'what should each branch accomplish?'*

U.S. bank branches peaked at nearly 83,000 in 2012. By Q2 2025, that number fell below 65,000—a net loss of ~18,000 branches in 13 years. But the headline obscures a nuanced shift: JPMorgan Chase added 100+ net branches in 2025. Among credit unions, 66% plan to open new branches while 55% plan to repurpose existing locations.

## 83K → 65K

Branch Count Decline (2012–2025)

## 66%

of CUs Plan to Open New Branches

## 55%

Plan to Repurpose Existing Locations

### What the branch of 2026 looks like:

- Smaller footprints designed for advisory conversations and relationship deepening
- Appointment scheduling so staff are prepared and members aren't waiting
- Lobby management that converts walk-in traffic into productive interactions
- Performance analytics benchmarking each branch against the network

## 71%

of leaders would keep a branch open even with zero transactions.

*Sources: PYMNTS, "The Omnichannel Imperative"; The Financial Brand, "The Six-Point Plan to Re-ignite CU Growth in 2026"; FMSI Future Branches Survey, Austin 2025*

05

# THE TALENT SQUEEZE

*Staffing shortages are no longer a temporary disruption—they are a structural challenge.*

## The Industry Response

60% of financial institution leaders say talent shortages could impede strategic priorities in 2026. Teller positions remain hardest to fill. Onboarding costs run 20–40% higher than pre-2020 levels. 70% of leaders have increased use of contract and flexible staffing. Institutions deploying scheduling optimization, traffic analytics, and workload balancing will outperform those simply posting requisitions into a shrinking candidate pool.

**60%**

of FI Leaders Say Talent Shortages Could Impede Strategy

**20–40%**

Higher Onboarding Costs vs. Pre-2020 Levels

**70%**

of Leaders Increased Use of Flexible Staffing

Sources: CSI, "2026 Industry Outlook: Community Banks"; The Financial Brand, "The Six-Point Plan to Re-ignite CU Growth in 2026"

06

# THE DIGITAL IMPERATIVE

*Digital is no longer a channel—it is the baseline expectation for every interaction.*

78% of credit union members prefer digital banking as their primary channel. Among Gen Z and millennials, that figure is 80%. The expectation extends far beyond access—members want digital onboarding, mobile card issuance, real-time payments, and personalized guidance. For the first time, fraud & cyberattacks ranked as the #1 concern among community FI leaders (38%).

**78%**

Prefer Digital as Primary Channel

**76%**

Plan to Increase Tech Budgets in 2026

**94%**Plan to Embed Fintech in  
Digital Banking**38%**

Cite Fraud as #1 Concern (First Time)

The digital imperative doesn't eliminate branches—it redefines them. When digital channels handle routine transactions, the branch becomes the destination for complex, high-value conversations. Institutions that align branch operations with digital journeys capture more of both.

*Sources: CSI, "2026 Banking Priorities: AI as Top Opportunity and Threat"; Tyfone; PYMNTS, "The Omnichannel Imperative"*

07

# AI: FROM BUZZWORD TO BUSINESS CASE

For the third consecutive year, AI ranked as the most significant technology trend—up 17 points from 2025.

## Where AI delivers today:

- **Loan processing:** 70% faster decisions at early adopters (FORUM CU case study)
- **Fraud detection:** Real-time anomaly identification across transaction datasets
- **Customer service:** 24/7 chatbots handling routine inquiries, freeing staff for complex needs
- **Back-office:** Automated reconciliation, reporting, and compliance processing
- **Branch operations:** Traffic prediction, staffing optimization, appointment conversion analytics

The 2026 frontier is predictive: anticipating member needs, flagging fraud before completion, and surfacing recommendations based on life-event signals.

# 83%

of FIs Increasing AI Budgets in 2026

# 66%

of CUs Plan AI for Credit Decisioning

# 65%

of CU Institutions Plan to Increase AI Investment Next 2 Years

Sources: CSI, "2026 Banking Priorities"; America's Credit Unions, "Exceptional Member Experiences Through Intelligent AI"; CUInsight

## 08

# THE COMPETITIVE LANDSCAPE

*Community FIs face pressure from both directions—megabanks above and fintechs below.*

### Neobanks & Fintechs

The neobank market reached \$317.7B in 2026. Customer acquisition cost: ~\$20 vs. ~\$925 at traditional banks. Mobile-first UX attracts younger consumers who have never set foot in a branch.

### Megabank Squeeze

JPMorgan Chase added 100+ net branches in 2025 while most competitors contracted. The largest banks outspend on digital while occupying vacated physical footprint in key markets.

### Where CFIs Win

Relationship depth, local decision-making, and advisory trust—but only when paired with technology that meets baseline member expectations for speed, convenience, and personalization.

**The institutions that will thrive combine their inherent relationship advantage with operational technology that delivers consistent, data-informed experiences across every touchpoint—branch, mobile, online, and phone.**

*Sources: The Financial Brand, "AI Gives Credit Unions the Edge Banks Can't Buy"; CIO, "How Community Banks and Credit Unions Can Benefit from AI"*

09

# MEMBER & CUSTOMER EXPECTATIONS

*Member expectations are now set by Amazon, Uber, and every app that trained consumers to expect instant, frictionless service.*

## Omnichannel as Baseline

Unified experiences across mobile, web, branch, ATM, and call center—with consistent data and no need for members to repeat themselves.

## Branch as Advisory Hub

When members visit, they expect the branch to know they're coming, manage their wait, and have context ready—appointments and walk-ins alike.

## Predictive Personalization

Beyond 'know my name' to 'know what I need next.' Anticipate needs, surface relevant products, deliver guidance timed to life events.

## Speed as Competitive Weapon

Loan decisions in hours. Account opening in minutes. Card issuance at approval. Speed has become a proxy for competence.

*Sources: PYMNTS, "The Omnichannel Imperative"; America's Credit Unions, "Exceptional Member Experiences Through Intelligent AI"*

10

# WHAT 2026 DEMANDS

*Community FIs are financially healthy but operationally underprepared for the pace of change ahead.*

## Branch Model Transformation

Closing branches saves money. Redesigning them creates value. Invest in smaller, smarter locations with appointment scheduling, lobby management, traffic analytics, and staffing optimization.

## Data-Driven Operations

Branch performance analytics, traffic patterns, staffing utilization, appointment conversion data. Benchmarking against peers is the starting point; acting on insights separates leaders from laggards.

## Workforce Strategy

Treat staffing as a technology-enabled discipline—scheduling optimization, workload forecasting, and cross-training frameworks to maximize output and reduce dependence on unfillable roles.

## Strategic Technology Investment

Platforms that connect branch operations, digital channels, and member data into a coherent system—not point solutions that create data silos. The 2020 stack is already insufficient.

***The institutions that act on these priorities will not just survive the consolidation wave—they will be the ones doing the acquiring.***



# Ready to learn more about FMSI?

*Connect with our team to see a live demo, and learn how 140+ Financial Institutions are leveraging FMSI today.*



**Scan to schedule your demo.**

APG Branch has HELOC staff available

or



Book time with Curtis

1:00 PM

3:00 PM

4:30 PM

## Appointments

Planning Layer

## Lobby

Real-Time Layer

About



## Staff Scheduler

Operational Layer

## Analytics

Staffing Layer





# Experiences branch visitors will love

Don't worry, your operations team will love them too.



What your staff sees

Today's Service Summary - APG Branch

 **6** Visitors Waiting    **00:07:12** Average Wait Time    **1** Staff Signed In    **8** Visitors Served


## WaitSmarter

What consumers see


APG Branch  
9:00 AM - 5:00 PM

Current wait time **3** mins

Wednesday ▾



6485 Operations Avenue, APG, MD 21005

Reserve Your Spot 

What you see

# Build strong staff relationships

Make life easier for everyone with better scheduling.



**NEXT SHIFT**  
No scheduled shifts

**NEXT ABSENCE** 1  
Friday, April 19  
PTO

**NEXT HOLIDAY**  
Monday, May 27  
Memorial Day

My Schedule Branch Schedule

< Apr 7 – Apr 13, 2024 > 40:00 hrs

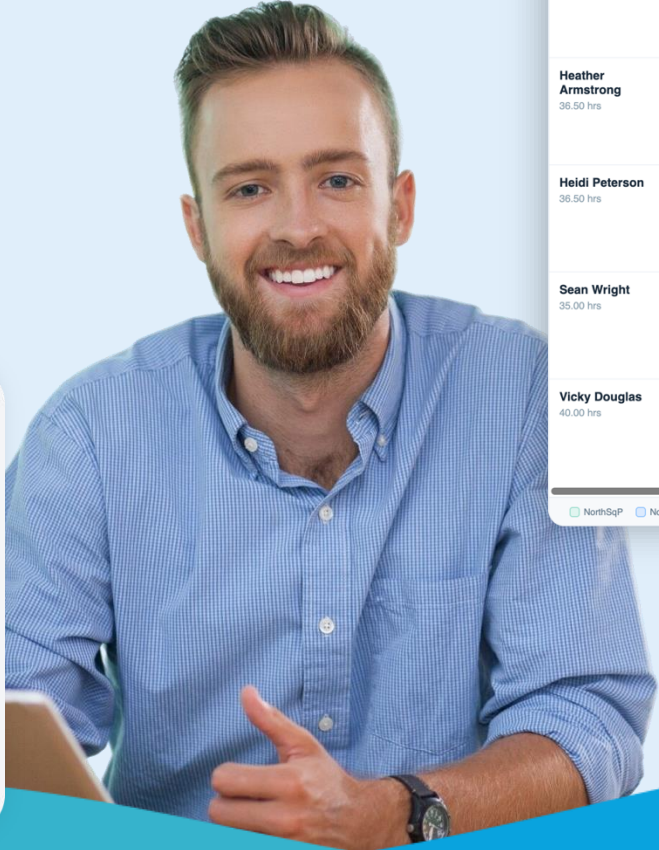
- Mon 8 9:00 AM – 5:55 PM  
North Sq · North Sq · Drive Thru
- Tue 9 8:45 AM – 5:00 PM  
North Sq · North Sq · Drive Thru
- Wed 10 9:00 AM – 5:00 PM  
North Sq · North Sq · Drive Thru
- Thu 11 8:40 AM – 5:00 PM  
North Sq · North Sq · Teller

Branch · North Square Weekly Compact Schedule · Feb 12 – Feb 18

EMPLOYEE	SUN FEB 12	MON FEB 13	TUE FEB 14	WED FEB 15	THU FEB 16	FRI FEB 17
<b>Anne Pearson</b> 38.50 hrs		9A-11A NorthSqD	9A-12:30P NorthSqD	9A-1:15P NorthSqD		9A-1:15P NorthSqD
<b>Barry Davis</b> 38.75 hrs		10A-2P NorthSqP	9:15A-2:30P NorthSqP	9:15A-3:30P NorthSqP	9A-11:45A NorthSqP	9:45A-1:15P NorthSqP
<b>Heather Armstrong</b> 36.50 hrs		9A-3:30P NorthSqP		9A-1:30P NorthSqP	9A-2:30P NorthSqP	9A-1:15P NorthSqP
<b>Heidi Peterson</b> 36.50 hrs		9A-12:30P NorthSqP	9A-12:30P NorthSqP	9A-11:15A NorthSqP		9A-11:15A NorthSqP
<b>Sean Wright</b> 35.00 hrs		9A-1:15P NorthSqL		9A-11:30A NorthSqL	PTO	PTO
<b>Vicky Douglas</b> 40.00 hrs		9:30A-2P NorthSqL	9A-2:15P NorthSqL	9:15A-12:45P NorthSqL	9A-2P NorthSqL	9A-1:15P NorthSqL

Legend: NorthSqP (green), NorthSqD (blue), NorthSqL (yellow), PTO (pink)

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# SOURCES

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