Credit Unions' Quiet CRE Loan Growth Outpaces Bank Gains

Is the Higher Appraisal Exemption Threshold a Factor?

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Overview

Banks remain the dominant commercial real estate lenders by a wide margin. At year-end 2025, banks held approximately **$2.49 trillion** in commercial real estate loans outstanding, inclusive of nonfarm/nonresidential and multifamily loans. Credit unions, by comparison, held **$179.0 billion** in commercial loans secured by real estate.

Yet the more interesting story is not size – it's the pace of growth. Since 2019, credit unions have expanded their CRE loan portfolios at a much faster rate than banks, raising an interesting policy and market question: has the credit union sector's higher appraisal exemption threshold influenced that growth?

The regulatory backdrop is straightforward. In 2018, the OCC, Federal Reserve, and FDIC raised the commercial real estate appraisal threshold for banks from **$250,000 to $500,000**; for exempt CRE transactions at or below the threshold, banks must obtain an evaluation consistent with safe and sound banking practices. One year later, the NCUA upped the ante for credit unions, raising the commercial real estate-related appraisal threshold from **$250,000 to $1 million**. Under that rule, for commercial real estate transactions below $1 million, credit unions can use an appraisal, a commercial evaluation, or other written estimate of market value provided the decision is consistent with safe and sound lending practices.

That threshold difference can be a game-changer in the small-balance CRE lending space. For example, a $750,000 CRE-secured loan generally sits above the appraisal threshold for banks but below the credit union maximum. **For credit unions, the ability to use an evaluation rather than a full Title XI appraisal can reduce time, cost, and friction at origination.** Such benefits create a plausible competitive advantage in exactly the loan size range where the burden of full appraisals is likely to matter.

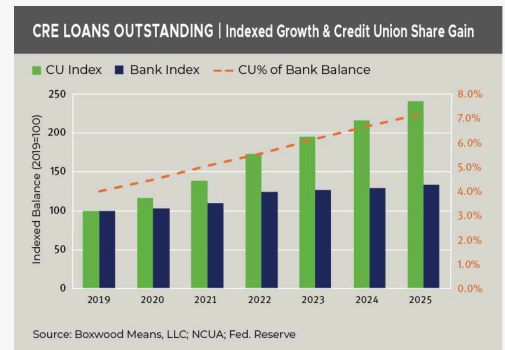
Balance Sheet Facts

The table below shows outstanding real estate-secured commercial loans for credit unions and banks. CRE loans for credit unions increased steadily from $74.5 billion in 2019 to $179.0 billion by 2025. The CRE loan balance sheet for banks rose from 1.9T to $2.5T.[1] Over the six-year period, credit union commercial loans secured by real estate increased by roughly 140%, compared with 33% growth in bank CRE loans. That translates into a **15.7% compound annual growth rate (CAGR) for credit unions – about 3.2x the bank CAGR of 4.9% over this period.**

COMMERCIAL REAL ESTATE LOANS OUTSTANDING

Year	Credit Unions ($B)	Banks ($T)	CU Balance Pct. of Bank Balance
2019	74.5	1,866.1	4.0%
2020	86.6	1,928.8	4.5%
2021	103.2	2,045.0	5.0%
2022	128.6	2,316.3	5.6%
2023	145.5	2,364.9	6.2%
2024	161.2	2,407.3	6.7%
2025	179.0	2,485.4	7.2%

Source: Boxwood Means, LLC; NCUA; Fed. Reserve



As a result, credit union market share (%) relative to bank loan volume increased steadily to 7.2% last year. Put another way, in dollar terms banks held about 14 times as much CRE loan exposure as credit unions at the end of 2025. But that ratio has narrowed substantially – in 2019 it was about 25 times the size of credit union CRE loan portfolios. Granted, the much higher credit union growth rate is largely a function of the sector's smaller base amount, making higher percentage gains easier to achieve. Yet the credit unions' balance sheet expansion was undeniably strong. The outstanding loan trends for credit unions and banks are shown in the adjacent graph where their respective balances are indexed to highlight the comparative growth of each segment.

Fundamental Dynamics at Play

There are a couple of possible reasons for the variance in CRE loan expansion. During the last several years, some credit unions focused heavily on building commercial lending capabilities, hiring bank talent, targeting local owner-user and relationship-driven CRE borrowers, and even acquiring small bank lenders.

On the other hand, many banks were sidelined while managing CRE concentration, asset-quality, liquidity, and regulatory scrutiny, particularly as higher interest rates and lower property valuations pressured their portfolios. It's no surprise then that **bank CRE balance sheet expansion slowed considerably between 2023-2024 with modest gains of 2.1% and 1.8%, respectively**, while credit unions as well as private capital sources filled some of the void.[2]

The Appraisal Threshold: a Reasonable Factor

In light of the disparate rates of CRE lending expansion between the two sectors, the question arises what role, if any, the higher appraisal threshold played in credit union gains. The NCUA itself expected the $1 million threshold to materially expand the number of CRE transactions exempt from the appraisal requirement: indeed, in its final 2019 rule the agency cited an analysis suggesting that raising the threshold from $250,000 to $1 million would more than double the estimated share of exempt commercial properties.

The potential impact of the rule change on small-balance CRE lending simply cannot be ignored. If an institution can close a small-ticket commercial real estate loan with a credible evaluation in lieu of a full appraisal, it will be able to move faster, reduce borrower costs, and compete more effectively for local commercial borrowers. **For credit unions expanding into member business lending and relationship-based commercial real estate lending, that operational advantage is significant.**

Of course, the data doesn't prove causation. In the summary data above, we do not have a loan-level view showing how much of the credit union growth occurred specifically in the $500,000-to-$1 million band where credit unions have that threshold advantage over banks. Nor do outstanding balances tell us exactly what happened after origination; balances will reflect not only

new loans, but paydowns, maturities, charge-offs, renewals, and portfolio seasoning. Still, the timing and magnitude of the credit union growth over the six-year period are consistent with the idea that a less restrictive appraisal threshold could well have been a strong contributing factor.

Takeaways

Banks still dominate CRE lending by an enormous margin. But credit unions have quietly become a faster-growing CRE-secured commercial lending channel and able competitor.

The higher NCUA appraisal exemption threshold is clearly not the sole explanation for credit unions' accelerated growth. It may not even be the largest one. But it is a credible part of the story.

By allowing credit unions to use evaluations for CRE transactions below $1 million, the rule has reduced friction and accelerated loan production in the small-balance CRE market. In a lending business where timing, borrower cost, and local relationship execution matter, this kind of regulatory difference can affect competitive dynamics.

The policy implication is worth watching: if credit unions continue to use alternative valuation tools like evaluations to help expand CRE lending under the appraisal threshold without obvious evidence of systemic collateral risk or credit deterioration, bank regulators may face renewed questions about whether the $500,000 threshold for banks remains properly in tune with market realities.

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[1] Credit union and bank CRE loan holdings are roughly – but not entirely comparable. The credit union data captures total commercial real estate-secured commercial loans including construction/development, farmland, multifamily, and nonfarm/nonresidential collateral. The bank totals include CRE loans secured by nonfarm/nonresidential plus multifamily properties but exclude construction and farmland loans.

[2] Last year, bank lending rebounded with an increase of 3.2% in total holdings on the heels of a boom in refinancings.

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