

## Federal Credit Union in St. Lawrence, Franklin and Clinton Counties New York is helping their Members Achieve their Loans by Considering their Entire Financial Picture



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CEOCFO Magazine

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**CEOCFO:** *Mr. Wilson, every organization, particularly something like a credit union, has their own philosophy. Would you tell us the approach at SeaComm Federal Credit Union?*

**Mr. Wilson:** One of the things that I think is always important, even though we are in the financial business; we are really in the people business. Our philosophy is that if we do the right thing for someone, whether it is our member or employee, the success of the organization follows. We never stray from that. We try to really figure out what we can do to help someone who really needs us. People come to the credit union, obviously when they need a loan. It is not because they do not have a need; it is because they have something that they may want. That is whether it is getting a new auto, maybe an upgrade to their kitchen, or even maybe they need new tires for their vehicle. Therefore, our philosophy has always been, since inception, doing the right thing by our members and our employees and make sure we stand behind that. This is driven down from the Board of Directors to myself, to the senior level team and it permeates through the whole entire organization.

**CEOCFO:** *What might be different when someone is turning to you as you mentioned, for example, for a loan? How do you handle it in a way that is over and above what another institution might do?*

**Mr. Wilson:** First of all, as I have always said, we do not put someone’s financial life into a one-size-fits-all box. Everyone has uniqueness to their own financial picture. If someone came to us and they had some medical collections, for example; although that does impact their credit score, their FICO, that does not mean that we are not going to assist them in a loan for a new auto. Obviously, FICO dictates our rate, but we look at the entire character of an individual and make a decision based on a number of factors. If you did have some challenged credit, we think it is important that we look to assist an individual. For example, a number of years ago we changed our policy that prior bankrupts who caused a loss to the credit union no longer could get credit from us. When looking at that we said, “That does not fit into our philosophy.” If someone has unfortunate financial situations, such as something health related or maybe it was a loss of employment, which caused all of this financial turmoil. It may be necessary for them to get a car loan, and they may also need a credit card; the minimal financial tools that people need in their lives. If they do not get it from us they are going to turn to, say maybe a subprime lender and that is really not what credit unions are about. Therefore, we make sure we take all of that into account when we make a lending decision. Therefore, we changed that policy. We made sure that prior bankrupts had an ability to come to us and say, “I need a auto loan. I am looking at it from someone else’s perspective. They are going to charge me twenty five percent finance charges. What can you do for me?” We really think that is important. That separates us from other financial institutions. As another example, a number of years ago, during the height of the economic recession there were long lines for banks in terms of trying to talk to your lender when there were foreclosure

actions happening all over the country. We had an individual who came to us and they were having some collection issues. They talked about their mortgage. Unfortunately, their mortgage was held at another financial institution went into foreclosure and when we delved into it, we found out that the couple was a retired police officer and she was a retired nurse and moved to the North Country in our market and had built their dream home. When they built it, the idea was that they were going to live there the remainder of their lives. Unfortunately, he had to go back to work and he did get a job with a social service agency. During that time, he felt there was some impropriety, he was a whistle blower, and he was duly fired for that. As a result of the job loss they fell behind in their mortgage payment. Subsequently, this individual that blew the whistle was terminated, but ultimately several years later the CEO and all of the impropriety was discovered and that agency has since been dissolved. Therefore, they were on the right side of things, unfortunately, they felt the negativity of not being able to pay their mortgage because they did not have the money to take care of all of that. Therefore, when they came to us they said, "Look, this is where we are." Instead of saying to them, "I am not willing to take this risk on my balance sheet," we decided that we are going to take a chance on these individuals. These are good people that something bad happened to them that caused this. We took that home out of foreclosure and brought it onto our own balance sheet! Those are the things that we feel separate us and make us different. It is those kinds of decisions.

**CEOCFO: *Would you tell me a little bit about the geographic area that you cover?***

**Mr. Wilson:** St. Lawrence, Franklin and Clinton County. St. Lawrence in particular is the largest county geographically east of the Mississippi, with a very small population of one hundred and forty-six thousand people. I do not want to say that it is completely economically challenged, but there are many challenges for the economy in St. Lawrence, and Franklin Counties, in particular, where we do most of our business. At one time, we had a General Motors plant, a Reynolds Metals plant and of course we still have Alcoa. Alcoa has since acquired Reynolds Metals and they have since closed that and reduced their workforce from about fourteen hundred to about six hundred in the workforce here, which are good paying jobs. General Motors closed their operations and that plant has now been disassembled. There are a lot of hospital, healthcare and higher education jobs and public jobs, but when we talk about those jobs, such as which Alcoa provided, they are less and less. It is happening all over the rust belt, but here in the North Country it has a significant impact. That is because when those jobs leave, with the other jobs, there is a trickle down affect which affects many of the smaller businesses which employ people. Unemployment in the North Country, with St. Lawrence County in particular and Franklin are the highest in the state of New York.

**CEOCFO: *What is the competitive landscape? Are there many community, other banks or credit unions in the area that you cover?***

**Mr. Wilson:** Yes. We have a couple of community banks. One is Community Bank NA. They are headquartered in Dewitt, New York. They are just a little over ten billion. They are a good-sized community bank. Then there is NBT out of Norwich, Connecticut. They are a large community bank. Those are our primary competitors in the North Country. There are some credit unions which are much smaller and some smaller banks than us, but we primarily compete with those. There are no Bank of Americas or Wells Fargo or anything along that scale here in the North Country.

**CEOCFO: *Are people turning to you because they are looking specifically for a credit union and then have decided you are also a good place to be? Do people care or understand the credit union concept these days?***

**Mr. Wilson:** Interestingly enough, I think that during the downturn recession there was bank transfer day that heightened people's awareness of credit unions and what cooperatives mean. However ultimately, I think people still see us as just another bank in town. The thing that differentiates us, and I have always believed in this, is how we take care of our current members. If we can show them that we are different in terms of how you get serviced, that will be permeated throughout the North Country. Your friends, families and neighbors will know about it. We have seen a significant growth. I have been here ten years and in the ten years we have grown significantly in terms of our market share. It is not all rate driven. We are not the lowest, we are not the highest. However, we do believe that we differentiate ourselves in how we take care of people. Going back to that original question about philosophy; if we make sure that the people who walk in our doors or call our call center or log into any of our electronic delivery channels are taken care of, that is what people want. They are not all looking for the lowest and best rate or the best looking or more branches. They want to be able to say, "Look, when I have a problem I can talk to someone in person. I want to make sure that I, as a person, matter." We have stood on that and we do not shy away from that. We really think that is a key differentiator in our marketplace. You can get a checking account or a certificate of deposit anywhere in any financial institution. However, what you do not see all the time is that those things that I talked about in terms of our philosophy; if I am a prior bankrupt or if I have had some challenged credit. Let's face it, the unsecured credit card debt just went over one trillion dollars. Many people have credit card debt, but that does not limit them to needing a financial institution for their borrowing needs or deposit needs. Therefore, we want to make sure that we continue to show that we are here for our members, whether you are a brand-

new member or you have been with us for twenty years or if you have five dollars on deposit of five hundred thousand; it does not matter. We are going to treat them all the same.

**CEOCFO: *How do you breakdown between business and consumer? Do you see the mix change or would you like to see the mix change?***

**Mr. Wilson:** Twenty percent commercial and eighty percent consumer. Some are both. There are many small businesses in our marketplace. For example, when General Motors closed, we had a number of people who got these buyout dollars and they came to us and said, "I am interested in being a lock-smith," for example or "I am interested in being a landscaper." They were already doing business with us personally, so they understood our philosophy. Therefore, we were able to work with them on a commercial loan and get them started in their businesses, using those dollars as capital. What I do not want to show is that we only focus on one or the other. We really think that it comes down to the individual's needs. We do not seek out large shopping plazas to underwrite. What we are looking for is the Main Street, American small business that has a need from two hundred and fifty thousand dollars or even less, to a couple of million dollars.

We feel that that is a good mix for us, because we do not want to take our eye off the fact that we are very focused on people. Businesses are people and they supply jobs, so if we can help them in getting to that point where they employ one or two or five people, we feel that we are fulfilling our mission of what the 1934 Credit Union Act wanted and that was to make sure that credit was available to those who needed it and could not get it somewhere else.

**CEOCFO: *Would you tell us about community involvement for SeaComm? Where do you focus? Why do you focus on those areas?***

**Mr. Wilson:** First of all, I think that you cannot be in business today without being integrated into your communities. We are just a bunch of people that live in an area and have a commonality in terms of geographic location. However, let us face it. When we go back to our philosophy of taking care of people, we are also talking about people in our communities. That means that we feel that anything that is worthy of our support gets looked at. Last year we gave one hundred and fifty thousand dollars away in direct community support. Some of it was for scholarships, some of it was for hospitals, little leagues, a traveling robotics team for an elementary school; anything that needs financial attention. Let us face it, today municipalities like school districts are continuing to struggle with getting state funding for their core requirements. Therefore, when they have extracurricular events that gets put out to the side and gets unfunded, we, at SeaComm, feel that it is our responsibility as a business community member to make sure that we are looking at those and assisting them, because most of those people are doing business with us. We have a thirty percent market share in our market. That means that the people that walk in our door are not only doing business, they own us! This is a cooperative and we have a responsibility back to the communities in which we do business. We believe that hospitals and educational facilities like schools are the cornerstones of our community and we have a responsibility to make sure that we are taking care of them.

**CEOCFO: *Are there services you would like to add to the mix that you are not currently offering?***

**Mr. Wilson:** We have a plethora of delivery channels and services. In fact, we do a strategic review on an annual basis of things that we should be looking at or including. I like to look at all our products and services to decide what strategically we should have. We feel that we are offering a gambit of everything someone would need, from electronic services to the right loan products. Last year we did add a couple of tax savings plans for our mortgage holders that they could put money aside and get a higher interest rate. For first time home buyers, we partnered up with the Federal Home Loan Bank of New York so that if a member was interested in a new home for the first time they could put money in this account and it gets matched; to our personal advisor and financial advisor services, and that if a member was thinking of retirement you can talk to an advisor and they will help you scope that out. We offer pretty much everything in terms of that and in terms of electronic delivery; whether it is mobile deposit, using your smart-phone to access your accounts and make check deposits, to check in balances as well as having people obviously available. Today, I do not think there is a whole lot that we do not offer. We are always looking to enhance things and that is an ongoing process.

**CEOCFO: *Would you tell us about being named one of the best companies in New York?***

**Mr. Wilson:** It goes back to the philosophy. My personal philosophy is that if we take care of my employees and then we have an engaged work force, they are in turn going to take care of our members who are then in turn going to come back and do business with us. Then the financial success comes from that. I am not the most important person at the company my employees are. This is our seventh consecutive year to be named the Best Companies to work in New York. I was only in my third year as CEO and wanted to know what our employees thought about us and we did extremely well. Then we did it the second year. I get together with my staff the first quarter and give them a copy of the results. Here are the results of a survey. There are eighty-two questions; eighty that are agree or disagree, and then two that are open ended.

What I said to our staff is that this is a dialog between you and the company. That dialog is extremely important, because we can always make improvements. The biggest asset we have is our people. That is so important to the success of an organization. SeaComm recognizes it and we are completely committed to it. It is nice to be named a Best Company as far as recruitment and all of that. However, at the end of the day it is about making sure that our employees feel valued and ultimately engaged in what they are doing and how they fit in to the success of the organization, which ultimately is extremely important to us.

**CEOCFO: Are you optimistic that some of the regulatory issues will be going away? Are there more or less issues with a credit union compared to a bank?**

**Mr. Wilson:** With the discussion around CFPB (Consumer Financial Protection Bureau), I think that there could be some changes that are made. Obviously, at under ten billion they say we are not part of that regulatory body. However, through a trickle-down effect, you obviously do. Mortgage rules in particular have been very difficult for credit unions, because of that philosophy we have. We certainly believe that people deserve a place to live. However, under new regulations through CFPB, there are very particular things on how you qualify someone for a mortgage. That does not mean that you let them state their income and that they are not able to pay for it. However, sometimes people's lives do not fit into that "one size fits all" box. Do I think that is going to change? I do not think that those rules are going to change. I think they are here to stay for a while. What I do think is that because credit unions like SeaComm or a smaller community bank; we did not cause all of those issues and you have heard that. However, we are all painted with the same brush, that we all have to be watched and all have to make sure that we are all following all of the same rules. Some of that is true, however unfortunately it is the consumer that is the one that really gets affected by this, in that when I go back to that mortgage rule, if you do not fall into this very specific box, "well we cannot qualify you for a mortgage". Someone who we could have qualified and paid for thirty years on time may not be able to get that mortgage today. I think that is a little bit of sadness that comes with regulation. I certainly understand why it had to happen. If you look at the full post-financial recession, obviously, there were things that were not solid, but it was not because of the credit union, it was not because of the small community banks. It was because of the mortgage brokers and the large Wall Street banks that bought all of those securities and sold them off and were obviously not good loans. We stand by good underwriting standards. When I look at the new administration, obviously, there is a focus to offset some of those changes. I more or less, would like to see the CFPB no longer just have one director that has all the power. I think there should be a governing board to make that there are checks and balances at that level.

**CEOCFO: What is next for SeaComm Federal Credit Union?**

**Mr. Wilson:** Obviously, we are a financial institution and we have to be able to grow in order to stay competitive today. Technology is extremely expensive. We have always said this. Members dictate to us what they want. We have to be relevant all the time, so technology is very expensive, so we have to grow ourselves. How we grow ourselves is by strategically making certain that we are doing those things that I focus on – the core philosophy. We are opening a new branch at the end of this month. We are opening a new market and we go right in there with the same philosophy. We take care of the members of the community. We let people know we are there and when they walk into the door they are going to be taken care of differently than somewhere else. However, what we have to focus on is doing it right. We want to make sure that when we open a branch or open a new product of service, it is for the right reason. We do not chase yield. We did not offer the very lowest auto rates at 1.49 during the time when other competitors were. We still underwrite our loans in a very specific way. Ultimately, we make sure that we are taking care of the people who have entrusted their assets with us. When you are a member of a cooperative, you are an owner. Your dollars as a member are invested in this and we want to make sure we are doing the right thing for those individuals. Therefore, it comes down to, what is in the future? The future is to continue to grow ourselves strategically, making sure we are doing it for the right reasons and putting ourselves in the right places and not taking undue risk in order to do that.

