

Intro: Welcome to the SeaComm Federal Credit Union podcast, your guide to financial information and what's going on at your credit union.

Jerry: Once again we have the opportunity to chat with SeaComm President and CEO, Scott Wilson. Scott, first of all, welcome to the podcast.

Scott Wilson: Yeah, good morning, Jerry. I always enjoy these chats.

Jerry: And it's exciting to hear about our third quarter results, and despite COVID, I think our results are pretty good.

Scott Wilson: Well, I think that's a good point to make that back in March, the economy was put on pause, and obviously, there was a lot of concern about where the economy was moving forward. And SeaComm has a responsibility to serve its membership and the best way it can, and so we did make some adjustments along the way, but we always have to follow what the Federal Reserve is doing and they reduced rates to near zero, Jerry, which has an impact on our balance sheet.

But despite that, we've made some adjustments, as I had mentioned along the way, and our financial forecast is right where we expected it to be despite some of the things that we had seen in earlier parts of the year.

Jerry: Well, you mentioned the Federal Reserve. Credit union walks a tight rope, doesn't it? I mean, you have to serve the members, but you also in order to serve the members, have to keep the bottom line healthy.

Scott Wilson: Absolutely. There is no way we could do it without taking care of the balance sheet and making sure there's plenty of income in order to serve the membership and meeting our mission of taking care of people.

One of the things that I always look at is year-to-date income at the end of third quarter, and we're at 4.7 million. We expect by the end of the year to have between \$5.9 and \$6.2 million in net income, which all that goes back to retained earnings into our capital position. And today, we are at \$98 million with unrealized gains in our capital. So well above the 7% of wealth capitalized by a regulator, the National Credit Union Administration, at over 14%.

Jerry: And you've mentioned this before, but the capital is what has allowed us to be in such a good position.

Scott Wilson: Yeah. It's one of those things that is the rainy day fund. If you have some severe economic condition that you have to withstand for long periods of time, do you have the capital in reserve to meet the needs of the membership? And today, absolutely, Jerry.

I think one of the things that attribute to that are our net operating expenses. We are very efficient in how we operate our organization. We have a board approved budget of expenses at 2.97%. And at the end of third quarter, we have 1.91%. We did make a 7% reduction in our budget because of COVID. Non-interest income was down, Jerry, to around 835,000 this year, but we've made it up with extraordinary things like selling some investments, and taking bond profits, and being efficient on the other side of it. So that is why we're where we are today.

Jerry: Well, it's kind of interesting. It all goes back to 2008, doesn't it?

Scott Wilson: It does. I've probably mentioned in a previous podcast, the membership that we had been planning for these types of events since 2008 in terms of stressing our capital, and our liquidity, and making sure that our earnings are keeping pace based on the economy, we're just ahead of that. And planning is really part of that, ensuring that we're going to be prepared to move forward into 2021.

Jerry: So the membership can be assured that things are in very fine shape with the credit union.

Scott Wilson: Yeah, I think one of the indicators is our Weiss Rating. That's an independent rating agency for credit unions, banks, thrifts, insurance companies. And we have A-, which is an excellent rating by Weiss. I want to make sure everyone understands what that means. It means that this institution, SeaComm offers excellent financial security. We have maintained a conservative stance in our business operations and underwriting practices as evidenced by our strong capital position, our high asset quality, steady earnings, and high liquidity.

They always say that even though the financial position of any company is subject to change, that they believe that SeaComm has the resources necessary to deal with severe economic conditions. Obviously, we're going through that today.

Jerry: Yeah.

Scott Wilson: And an A- sign is an indication that SeaComm is in the upper or lower third of the letter grade, and the A- places us on a Weiss' recommended list of institutions or an elite group of only 447 credit unions representing the top 8.5% of our industry in the United States.

Jerry: Well, I think that just underscores what our members pretty much know. They can depend on us.

Scott Wilson: Absolutely. It goes back to those early days of the toolbox.

Jerry: Yes.

Scott Wilson: Our members depend on us to be open, they depend on us to make loans, and they depend on us to make sure that those services are available. And even with COVID, we still enhanced things, and we're looking for ways to improve our service experience to our members offering new services that otherwise they may not get if we weren't making some money. So we're making enough money in order to do those things.

Jerry: And we are making loans.

Scott Wilson: Yeah. Actually, Jerry, lending has been fairly steady for most of the time that we were through COVID, and it's not just on the consumer side, on the individual member, but on business loans. We were here when PPP loans were being ... We did that for our members. And we're still making good quality commercial loans for our businesses, which drives the local economy, Jerry.

Jerry: It's a different economy than when SeaComm started. Back then, big companies, I'll call it Reynolds, General Motors. Now, it's the little companies that are making our economy go, and we have to support them.

Scott Wilson: Yeah, it's the restaurants. It's the locksmith. It's the landscaper. It's all of those things. Commercial, rental apartments. All of those things depend on us being in business to ensure that we can be there for them as they need us. And frankly, I think we've done a darn good job, Jerry.

Jerry: It's gratifying to see the membership when they come in and they say, "Thank you" when they do.

Scott Wilson: Yeah. One of the things that I'm most proud of is our response during COVID, that we did limit our transactional volume to the drive-through for check cashing, and deposits, etcetera. But we kept our lobbies open by appointment-

Jerry: Right.

Scott Wilson: ... and ensuring that our members were able to come in and still get the service they expected from us. And even curbside. Even our members could come up and say, "I want to come curbside. I don't want to come in the building. Can you come out and maybe notarize something?" or, "I'd like to get a new debit card." We took care of all of that stuff during COVID. I'm really proud of our team. I couldn't do it on my own. These are the most important people of the organization are those people in the retail branches and the behind the scenes were making sure that our members are being taken care of every day.

And interesting enough, I always look at quality loop. That's our surveys we do based on our membership and what they think about our service experience. And our quality loop for the end of third quarter was 6.73 at a seven. Frankly, that's high.

Jerry: That's very high.

Scott Wilson: And it was maintained that way through COVID, through the height of COVID when we did restrict the transactional volume to the drive-through. And I want to thank our membership for being patient with us. We were all trying to figure things out and we did it fairly quickly, but we didn't miss a beat. We ensured our members were taken care of.

Jerry: It's all about working together. And that's what a credit union is all about actually, is working together.

Scott Wilson: Yeah. When I talked about the early days of the toolbox when we started in 1963, as a cooperative, working together for the common good. People helping people. Jerry, I just want to mention even with all this, we are still continuing our Vermont expansion and our Essex branch is under construction. We did delay it a bit. We were supposed to start early spring. We delayed it to the end of August, early September, but we'll be open probably around the first week or two of April and being able to serve that new market.

Another thing that's important is that we're still here making donations and supporting local organizations as we always have done, and we'll continue to do that whether it's a direct contribution to a fire department, or a food pantry, or through our Pay-It-Forward Program. We're going to be participating in a coat drive soon in Ogdensburg or other items that we've given away through the course of the year, that is going to continue.

Jerry: The community is gotten used to SeaComm being a partner and that is going to continue.

Scott Wilson: And our employees, as I indicated, I'm so proud of the work they did. They have done a fantastic job of making sure that our members are being taken care of. I will tell you that it's going to be a challenge going over the next few years where the Fed Funds being a near zero. It's great for members who are borrowing.

Jerry: You expect to see that continue for a while then?

Scott Wilson: The projections by the Federal Reserve Board is through 2023. If you put in perspective where we were an interest rate environment last year, it'll take us about five years to get back to that.

Jerry: So you have some work ahead of you?

Scott Wilson: I think we all do, Jerry.

Jerry: Scott, anything else to add?

Scott Wilson: No, I just again, I think it's important to know that SeaComm will be here for our membership, and we thank every one of our 49,580 members for their continued trust in us.

Jerry: When COVID hit, I wasn't so sure we'd be having such an upbeat third quarter wrap up, but this has been pretty upbeat, Scott. So thank you very much.

Scott Wilson: Thank you, Jerry. Always my pleasure.

Jerry: SeaComm CEO and President, Scott Wilson.

Speaker 1: That's it for this edition of the SeaComm Federal Credit Union podcast. Thanks for joining us.