

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 speak with SeaComm President and CEO Scott Wilson. We're at the end of the third quarter.

Scott Wilson: First of all, Jerry, I always love these chats and it is really hard to believe that we're going into the home stretch of the year.

Jerry: I know. 2024 started, seems like, yesterday, and here we are into the fourth quarter. And I guess my question is how are we doing?

Scott Wilson: Well, first of all, we had a great first and second and third quarter, Jerry, so we're doing really good financially. We exceeded our budget forecast with a \$5.3 million net income year to date. That exceeds our net income budget by \$824,973, garnering us a ROA of .89%. What does that mean? It's a metric for profitability. We budgeted for .80 and we're at .89, so we're exceeding what we expected. Delinquency remains well below our goal at .63 and net charge-offs remain consistent with our overall quarter at .35 and again below goal. That profitability, I wanted to mention that because it's ... as a credit union, we're to return some of those dollars back to our members. When we pay a dividend back to our member, those come right off the bottom line.

Year to date, we've spent \$6.7 million in dividend expense to the members, which is 2.2 million over what we budgeted. What accounts for that? Obviously when rates stay higher, we offered more CD specials and our members are taking advantage of it, which we want them to, and obviously a number of those CD specials you could use your member loyalty rewards and really boost that up to get that additional dividend. So I'm really pleased that we're able to return those dollars because of the profitability of the organization and give it back to our membership.

Jerry: Some might ask, "Well, you're a not-for-profit. Why are you worried about profits?"

Scott Wilson: Well, first, our regulator, the National Credit Union Administration, requires us to make a profit. What they're always concerned is how much capital do you have? The only way we can build capital in our business is through retained earnings, profitability, and our risk-based capital, which is required at 10% of the NCUA, is at 26.6%. So we're well above that regulatory requirement. The main one we look at is our Tier 1 core, and that's got to be at least 7% of our assets in capital, and when we look at that compared to where we are, we're twice as much, but that really is intended for those rainy days or maybe some economic anomaly. We've been through that. The Great Recession in 2008. We had the Global Pandemic in 2020.

So there were some times that we relied on making sure that we had ample capital to be able to be here, provide the services to our members that they expect from us. I think that one of the other sides of that comes down to lending. Rates obviously have gone up over the last two and a half years, and it still remains a little soft this year, and we're actually below goal. However, we still booked \$81 million with the new loans year

to date, and we're going to continue to try to push that forward by the end of the year and try to at least make closer to goal than we are today.

Jerry: Well, it's certainly important to lend money. It's also important to be able to provide a safe place for members to put their money.

Scott Wilson: Yeah. The NCUA's requirement of having well-capitalized credit unions is really about the Share Insurance Fund. You would expect as a member when you put dollars in your credit union that they're safe, and that is true. So it's not just about the insurance limit of the \$250,000, but what will the credit union be able to sustain if something drastic happened in the economy. Today, we have enough capital that will manage us through a very, very tumultuous time if we had to, and still make sure that our members' deposits are safe.

Jerry: So the members can rest assured that when you invest in SeaComm, you're very safe.

Scott Wilson: Absolutely. Jerry, the other side of it is that we have to invest in our buildings we have, but the security of the information security systems. We handle all the fraud expense that we deal with, well over 400,000 last year. All of that stuff comes off the bottom line, and we're able to do that and make sure that our members are taken care of by making sure that we're doing well financially.

Jerry: Yeah, the members have fraud, they come in, we take care of it.

Scott Wilson: Yeah. It's as simple as, look, I come in and tell an FSR that I've had a transaction on my account that isn't mine. We ask you to sign an affidavit that it isn't and we give you your money back and make you whole. Then we have to go after the money, and by the way, most often we do not get it back, so we have to absorb those losses, but that's part of our business model. We have a zero loss policy on our Visa products, debit and credit, and we ensure we stand behind that.

Jerry: I know many of the members have had that happen to them, I've had it happen to me, and what peace of mind to know that I can come in and not because I'm an employee, but because I'm a member and say, "Listen, this happened to me. I have these transactions on my Visa credit card", and they take care of it.

Scott Wilson: That is part of our expectation from our membership that they come in and make sure that everything is of ease for them. They don't have to worry about maybe there was some airline tickets that were charged to their debit card and taken out, and all of a sudden you're down \$1,800. What do I do? You come into the credit union, you tell us what the situation is, sign that affidavit, and we'll give a provisional credit right back to make you whole and we'll go after whatever we need to do on our back end.

Jerry: That's pretty fantastic. Gives you the peace of mind and you can say, "Okay, I know it's a terrible situation, but they take care of me at SeaComm."

Scott Wilson: Absolutely. And speaking of taken care of, I think one of the other metrics we really pay attention to is our quality loop. The member satisfaction surveys that we do, we ended the quarter at 6.81 out of 7, which is fantastic. I'd like it to be perfect and seven. That's really resonated that we have a very specific expectation of our staff to ensure that we're taking care of our members the way they should be taken care of and expect to, and we make no excuses for having high expectations of that level of service, Jerry.

Jerry: It's important to do that and keep track of it because it helps all our employees be better.

Scott Wilson: Absolutely. I do want to mention that as we get nearer the end of the year, obviously that we're going to transition to a new online platform and mobile platform. Our current platform is sunsetting and we're going to a more robust one. So yes, in January there will be some transition. We will make it as seamless as possible. We've sent a lot of communications out, direct letter. It's been in our Advisor. We're talking about it in the branches. We also are going to be rolling out first quarter tap-and-pay for a debit platform. So if you've been into a retailer and you notice somebody's hitting those machines, like just tapping it, we're going to be able to offer that as well, Jerry.

Jerry: Hey, we stay up to date with the latest technology.

Scott Wilson: Absolutely, and we could not do it without the support of our staff and obviously the trust from the membership and what we do for them every day.

Jerry: Well, that's something that I think the members should know. We need them to participate. In other words, use our services.

Scott Wilson: Absolutely.

Jerry: If you use our services, take out a loan, do your business with SeaComm, that allows us to serve the rest of the members, and that's the basis of the credit union idea.

Scott Wilson: Yeah, that's the cooperative type of organization that we have.

Jerry: So basically we're all working together here.

Scott Wilson: Absolutely. Jerry.

Jerry: Anything else you can see in the near future for SeaComm?

Scott Wilson: I think we're trying to settle down our branches in our Vermont market. We have a new branch, obviously new location in Watertown. They're doing extremely well. Our growth is built upon making sure we're doing what's right every day for our members, improving their financial lives, and that's just happening. We're going to continue to focus on that and ensuring that we're really, really relying on the fact is is that our members trust us and that we don't let them down.

Jerry: Okay, and I wanted you to get your crystal ball out, which I usually ask you to do. Rates. What do you think?

Scott Wilson: Well, obviously there's no surprise that the Fed did reduce rates. We were a little bit surprised. It was at 50 basis points. The economic data that's coming in, the employment numbers are a little stronger, and there's discussion with the Fed governors, whether they reduce 25 or nothing at all the next meeting. I'm kind of leaning on the fact is is they may have another 25 this year, depending on how those employment numbers go out. Certainly we'll have some reductions next year with the expectation that we'll probably sell around three and a half at the Fed by 2026.

Jerry: I hope you're right.

Scott Wilson: We'll see.

Jerry: Yeah. One more thing. I just want you to mention our partnership with the Federal Home Loan Bank and what we've been able to do with them, because it's pretty exciting.

Scott Wilson: Yeah. There's a couple of things at play. First of all, we had the Small Business Recovery Grant Program that we get to participate in. They give us \$50,000 that we can give away to non-for-profits, for example, which we did this past year and did in 2023, plus our Homebuyer Dream Program that gives dollars to first-time home buyers to help them with that down payment, and that's really a significant piece of our partnership. Obviously, we do business with the Federal Home Loan Bank. Like any cooperative, they have to return dollars back to their members, and they're doing that every day.

Jerry: Pretty exciting. Those are great programs.

Scott Wilson: It is. Thank you.

Jerry: Anything else?

Scott Wilson: No, Jerry. I'm just looking forward to the end of the year and looking forward to ensuring that we continue to make sure our members are being taken care of every day.

Jerry: But maybe not looking forward to the cold weather?

Scott Wilson: Absolutely not.

Jerry: Thank you, Scott.

Scott Wilson: Thank you, Jerry. Have a great day.

Jerry: Scott Wilson, President and CEO at SeaComm.

Outro:

That's it for this edition of the SeaComm Federal Credit Union Podcast. Thanks for joining us.