

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

Jerry: Well, once again, we have the opportunity to talk with SeaComm President and Chief Executive Officer, Scott Wilson. Hi Scott.

Scott: Hi Jerry. I always enjoy these chats we have.

Jerry: As do I. And what it allows us to do is get the word out about SeaComm. And of course we're into the fourth quarter now, hard to believe.

Scott: It is hard to believe, Jerry.

Jerry: This year, I'm not sure what it is about 2022, but it seems like it is just flying by.

Scott: Every year seems to fly by fast.

Jerry: It does. So how was the third quarter?

Scott: Actually Jerry, we've had a great year so far. We ended the quarter with net income at \$5.5 million. Let's compare that to our budgeted forecast of \$6 million. We expect to be at 7 million by the end of the year, which far exceeds our forecast of the 6 million.

Uninvited earnings, that's our capital money that we put away every month, we're at \$104 million. And our assets ended at the end of third quarter, \$755 million.

Jerry: So those are great numbers, numbers to be proud of.

Scott: They are. And I think it's steady as she goes. We don't try to grow too fast, but we try to grow pretty steady and consistently quarter over quarter and SeaComm's been doing that for a number of years.

Jerry: And of course there are a lot of headwinds in the economy, aren't there?

Scott: Yes. I'm going to go over some of the metrics we have, and certainly there's concern. Obviously, prime is at six and a quarter now, the average 30 year fixed mortgage at 6.92 compared to a 3% over a year ago. So there's a big change in the rate environment, obviously.

Jerry: What that does is make it harder for people to buy those houses.

Scott: Yeah, I think one of the concerns is that if you were in the market and you had an expectation of purchasing a certain valued home, you may actually have to reduce the amount of the purchase based on your own budget. That is one of the causes and effects of rising rate environments.

It surprises folks when they get here and they start talking about rate and, "Oh, I didn't realize it was this high now." But if you look at what the Federal Reserve has done, they've raised rates consistently over the last year.

Jerry: Now, what are you expecting as we go forward? Are you expecting them to continue to raise rates?

Scott: Yes. I think that there's expectation that they'll raise by 75 basis points in November and another 50 basis points in December. So obviously that could change. Based on what Federal Reserve and the Secretary of the Treasury has talked about, that they need to slow down the economy significantly to stave off the inflation that we're seeing.

We're concerned for our membership, that as we get into the heating season, that heating oil for example is over \$5, propane is over \$6 per gallon, so it's going to be probably tough. And if you go to the grocery store, which I know you do your grocery shopping Jerry for your family, it is significantly higher than it was a year ago.

Jerry: No question about that. But, as the SeaComm members have come to realize over the years, we've been through this type of situation before and we're there for our members.

Scott: Absolutely, Jerry. So I just wanted to kind of go over some of the metrics we have, we set that through our forecast that the board approves at the beginning of the year. We expected to have a loan growth of 4% for 2022. We're actually at 6.3%. So even though rates have gone up, our lending has also increased. Which is a little bit of a surprise to be honest, because when rates go up generally folks stop borrowing as quickly.

But that hasn't been the case and we ended up at the end of third quarter with 369 million worth of loans on our books. We turn on an average assets, that is a metric that we use to indicate profitability. We're at 0.97% compared to our goal at 0.80%. Net operating expenses, we try to be efficient as possible with our members money. We spend what we need, but we don't try to be excessive.

And we set a goal of 3% or less and we're at 1.74%. Risk based capital, that's a new regulatory requirement that was put in place in 2022. And the NCUA said we have to have 10% of that risk-based capital and we're actually at 25.73%, so we're exceeding what they expect from us. Delinquency on our loan portfolio is a 0.90. It was at 1.01 at the end of August 31. Our resolution folks have done a great job working with our members.

Listen, our members don't come in not to pay us. Things happen to them, it's been a tough year. If we just talked about inflation and maybe there's reduced hours in their workplace, maybe there's job loss. Any of those thing we're willing to work with our member. And again, that's why we call it resolution. We want to resolve these issues for our members.

Jerry: And of course it's important, Scott, for the members to realize they should communicate with us. If they're going to have a problem, let us know.

Scott: That's the number one thing, Jerry, you're absolutely correct, is that we have to know what's going on. We're here to work with each member when they have some challenges in their life.

Jerry: Every member is different, every member has different problems. We want to help. We don't want your car, we don't want your house. We want to help.

Scott: No, we're here to work with you. I mean, that's what members... they own us, and we want to work with every member to make sure that they get to keep those things that are important to them. Including their credit report, FICO score.

If you have a charge off on your credit report, it negatively impacts you. It gets more expensive to borrow and we don't want that, we really want to work with our members.

Jerry: Right.

Scott: The other side is the charge offs. We do have to charge off loans, unfortunately that does happen. And our goal of 0.45 was set at the beginning of the year. We're at 0.14, so we haven't had to charge off a lot of loans. The important piece for this, Jerry, is that we have to set aside reserve amounts every month, and we haven't had to do that this year.

In fact, we did one reversal at the end of second quarter this year of \$35,000, so we're sitting fairly well in terms of provision. If you compare it to years prior where we've had to put in maybe a million or 1,800,000 or maybe greater, we're really in a good place today. And we obviously want to continue to work with our members so we don't have to charge those loans off.

Jerry: When you look at these numbers, and I can think of many financial institutions that would love to have these numbers. So members can rest assured they're in good hands here.

Scott: Yeah. I think the most important thing, if you get nothing else from this podcast is that we're positioned for the future and we continue to do that. And again, we don't spend what we don't need to. We make sure that we're putting our money back into our products and services, obviously better dividends for our members.

Even though the rates are rising, we have been sometimes 150 or 200, 250% higher in our certificate rates with what, Jerry? Our loyalty reward points.

Jerry: That's correct. Because you're a member of SeaComm, you've been with us a while, you use a lot of our services, we're going to reward you for that.

Scott: Absolutely. And we want to make sure that they understand that this is available to you if you've been with us for five years or 10 years and you have a mortgage and auto, all those points add up and they're stackable. Not only on the deposit side, but on the loan side, it takes that off the rate.

Jerry: And the other thing I really, really love is the fact that we are giving an extra dividend to the veterans.

Scott: Absolutely. Those rewards are really extremely important where we really thank them for their service to the country.

Jerry: And we're into the Veterans Day area, so it's pretty exciting to be able to do that.

Scott: Just a quick update on our Watertown market. We are in the midst of the final stages of construction of our new branch over on State Route 3. That's across from the town center in Watertown up where the Target is today.

Jerry: Yes.

Scott: And we're hoping to be in fully operational just after Thanksgiving. And those things are always moving targets, but we're pretty confident that we'll be able to do that.

And we'll be able to serve our members in Watertown in really an enhanced location, where they have drive-thru access and ATM access and all the other services we offer, including obviously the advisor services and mortgages, et cetera.

Jerry: It's going to be very convenient for Watertown members to access in person, and of course they can always access us online and via their cell phone.

Scott: If you remember Jerry, we had a merger with United Neighbors back in the second quarter of last year. And so we've had those folks on with us. And we did assure their board when they came and merged in with us that we would make sure we built a new branch, we give them access to these new services and we're as good as our word. And we're really excited to be part of the greater Jefferson County community.

Jerry: Yes, indeed. It's a beautiful new branch and it's coming up quickly.

Scott: It is.

Jerry: Anything else, Scott?

Scott: No. I just wanted to thank our more than 52,000 members for the continued trust they have in us. And be assured, SeaComm will be your partner in improving your financial life and doing anything you need in order to make sure that you're getting through these difficult times.

Jerry: Thank you, Scott.

Scott: Thank you. Jerry.

Jerry: Scott Wilson, President and Chief Executive Officer of SeaComm.

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