

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. Hi, Scott.

Scott Wilson: Hi, Jerry. You know I always enjoy these chats.

Jerry: As do I, and, you know, even though I work here, it seems like I always learn something when we have a chance to talk like this.

Scott Wilson: Well, today you may learn something, Jerry, a little trivia.

Jerry: Okay.

Scott Wilson: We are in the midst of our 60th anniversary, as you know. We started celebrating on June 6th this year, and I have some kind of facts that I want to throw out.

Jerry: Okay.

Scott Wilson: Interesting enough, it took us 10 years to get to \$640,000 worth of assets. It took us 13 years to get to \$2 million of assets. It took us 22 years to get to \$40 million and as you know, 38 years later we're 800 million. So the first few years, a little slower, but with 1977, the credit union moved to a community charter and that opened it up to those who live, work, or worship in our field of membership, which made more opportunity for us long term.

Jerry: Well, I think it's pretty fortunate because before it was employees of General Motors and even though there are some retired employees left, not too many employees in this area.

Scott Wilson: Yeah. And I think that's why I mentioned the 1977 move to a community charter. They recognize that in order to get a little bit larger to serve those members that we're going to have to bring new members in.

Jerry: Why is growth important?

Scott Wilson: Well, obviously Jerry, that in order to put resources into things like technology, you have to have growth in order to make a profit. The profit isn't what we focus in on, but we do have to have it. And if you don't have growth, and as time goes on, obviously we have population that may shift out of the north country. People do pass away and eventually if you don't have growth, you continue to constrict and obviously then you'll have a very limited opportunity going forward.

Jerry: And that's what our strategy is to grow in order to serve our members.

Scott Wilson: Yeah. Interesting enough, we're coming off a September meeting with our board of directors, myself, and the senior leadership team, and talking about going forward. I'd remiss not to mention the vote on the St. Lawrence and SeaComm merger. It wasn't favorable. However, the way I look at everything, it's an opportunity. We had an opportunity to get to know those folks. They're really good people. We'll continue to have a good relationship with St. Lawrence, but SeaComm will continue its strategy of moving forward and looking to obviously work the markets in Vermont and on the western side in Watertown and obviously focus on our core markets here in Massena, Malone, Potsdam, Canton, Ogdensburg, and Plattsburgh.

Jerry: I cannot believe it, but we are into the fourth quarter.

Scott Wilson: I know, and this is a good opportunity to kind of talk about third quarter. So I thought I'd go through some numbers. I wanted to mention we have seen a 550 basis point increase in rates since last year, which is favorable for those who want to earn a little more on their deposits. But conversely, it also affects the loan rates and we try to be reasonable, but you understand that we have to raise our rates as we raise the rates on deposits.

Jerry: Right.

Scott Wilson: But fortunately we have these things called loyalty rewards for our members, and so they're able to get up to an additional 1.95 on a certificate or get a 1% decrease in their best loan rate on a loan. So that is very helpful for our membership to be able to enjoy those special features that we offer through our loyalty rewards.

Jerry: And all they have to do is use our services.

Scott Wilson: Absolutely. And by the way, tenure, length of tenure at the organization counts as part of that as well.

Jerry: So it's good for old guys like me.

Scott Wilson: I'm not going to touch that. I think that it's good for all.

Jerry: I have been with SeaComm for a long time before I worked here.

Scott Wilson: Yeah. That's interesting, Jerry. I thought back to my tenure here. So I remember when I was in high school, my parents brought me down. I was able to get a car loan, a small car. It was \$1,500. And I got my first student loan at SeaComm. So the relationship with the credit union was well before I was the CEO and it has been a very important part of my family and now my own family, making sure that we're improving our financial lives with the use of SeaComm. So I want to just go through some numbers. Obviously we have a budget. We have metrics that we have to work towards. The board sets those for January of each year. I

wanted to mention that our interest expense on our deposits for our members is above budget expense wise by 1.3 million. That means that we're paying higher on our deposits.

Obviously we're using a lot of CD specials to obviously reward our members who are looking for that better yield. We have had to borrow some money. Institutions, it's not uncommon to borrow money. We borrow from the federal home loan bank and those expenses are up over a million dollars as well as of third quarter. Our interest income on our loans is up. We've earned 17 million or 1.2 million year to date on that. And also on the investment side, we're up over \$200,000 in investment income. So overall, you know, you want a positive on the income side and you also have the expense side which is up, so you want that to balance. And year to date, our net income is \$5,957,586 or \$1.3 million above budget. And I think that's important because the money that we do earn goes into those things we talked about, technology. I think that's really important.

I don't think there is anyone who probably doesn't know or hasn't experienced fraud on their debit or credit card as you are well aware, Jerry, that we take care of that fraud expense. Last year was over \$400,000 worth of fraud that SeaComm didn't cause, our members didn't cause. There's a lot of bad actors out there looking to get your data. They get their hands on it. And so when they do, you'll maybe see a fraudulent charge on your debit card. You know it's not yours. You call the credit union. We ask you to put a dispute in. You do that and then we give you provisional credit.

Then we go after that money. And unfortunately sometimes we don't get it either. We also have to ensure that our data is protected, so we put money into that. Our federal regulator, the National Credit Union Administration has very specific guidelines on what we have to do. And so the dollars that we earn go back into those infrastructure costs. Things like ATMs and ECRs, those electronic recyclers you may see at a teller line, all that technology costs money. So we put those dollars back to work for our members.

Jerry: But every expenditure, there's a decision made. Will this help the members? Is this something the members want or need?

Scott Wilson: Yeah. It's always return on investment. And I think that the important part of that equation is that we want to make sure that we're giving the right products and services to our members that they want or need. And one of the comments I had once is that you say we have options to put a paper statement in my hand or an electronic copy, it's your choice. We don't say you have to only have electronic statements or you only have to have paper statements. So we really make sure that we're thinking about our members long-term and that return in investment.

Jerry: Probably the most positive comments I get is on the mobile app.

Scott Wilson: Well, I'm glad you brought that up, Jerry, because we now have a new feature on our mobile app. Once you log in, there is a number of options and on the bottom is now a new feature called eDocs. You'll be able to view your statements and your tax documents. So you get those end of year tax documents. Those will be available. So you'll be able to see those. By the way, if you get e-statements, you get that a little earlier than you do in the mail. So those are available almost immediately. So if you're looking for something in the past, you want to go back six months and find a statement, you're able to do that. So that is something that just launched this week. It's hot off the press, but I think that those are things we're always looking to enhance our technology and make sure it's ever more easy for our members to access their information.

Jerry: You know, it was interesting. I was doing a financial literacy at senior citizen housing recent and I asked how many people use the app who were SeaComm members. Most were SeaComm members. Almost all of them use the app. So it's not just young people who use technology.

Scott Wilson: Oh. That's great to hear.

Jerry: Yeah.

Scott Wilson: I think we want to give access for our members any way they want to do it, whether it's traditional, walking into one of our locations, using the drive-through, call the call center, or use our electronic delivery, whether it's an ATM or the mobile app or NetTeller. So all those delivery channels are available and it's their choice how they want to utilize them.

Jerry: But it does cost money.

Scott Wilson: It does. We're doing a major upgrade of our ATM network. Diebold, who is our vendor, has what they call end of service life. So in 2024, we're upgrading a number of our ATMs and they are costly, but we want to make sure they're secure and that they're reliable. And I think that's the other thing on technology. We have to put money into those technology infrastructures to make sure it's reliable. Think about this. Your technology's working 24/7. You have access to your accounts 24/7. And now with our Enhanced SmartLine on the phone, you are able to transfer money and do things. If you don't use the mobile app, but you want to use the phone system, you're able to do that as well. So where we are today, Jerry, is we have a metric called return on average asset. Where are we in terms of profitability?

I just talked about year-end income. We're at 102 to our 80% goal metric. Net operating expenses are below our 3% goal at 194. The important piece is our capital. I think that our members and consumers in general have become very well aware of banks and credit unions having to keep a certain percentage of their assets in capital so that when there's any adverse economic anomaly that might come along, will they be able to withstand that from a solvency

perspective. And I want to tell you SeaComm is in a really good capital position. So we measure capital two ways. We call it tier one or core capital, that NCUA says that you have to have 7% of your assets in capital. So 7% is what's considered well capitalized. And today we're at 14.41% or twice as much.

We also have a metric called risk-based capital, amount of risk you take on in your balance sheet. And NCUA says you have to have 10% of your assets in what's called RBC, and we are at 24.83%. So what does that mean in terms of dollars? It's \$110 million worth of retained earnings. And I think that's important for our members to know that we are really solid in terms of the things we need to do in the future like when we grow our footprint, when we went to Vermont or to Watertown. We're able to do that and not have a negative impact on our capital position. Delinquency is a bit up for the year, but not nearly anywhere near our goal. Our resolution folks that work with our members do a fantastic job and sometimes it's just as simple as a reminder call. By the way, you know, within five days you have a payment due.

We just want to make sure to remind you of that there is a 10 day grace period. So people get into that grace period without any penalty. And I think the other part is that our loan growth is way above our goal and that means that our members are getting the services that they need. So if you come in and you say I need a new car loan, or I need just maybe a bridge signature loan, I need a home equity, even with these high rates, folks are still coming getting home equities because they need access to their equity in their homes to do varying things, whether it's to make improvements or whatever, they're able to do that. Year to date, we've dispersed over \$111 million worth of new loans just year to date.

Jerry: It doesn't seem like the raising interest rates have affected people's willingness to borrow.

Scott Wilson: Yeah. I think we were on a very flat rate, low rate environment since 2008 and we're probably going into a more normal cycle. And I don't want to think it's going to be at this rate. I think you will see the Federal Reserve reduce rates over time. They did say higher, longer, but I think that we'll somewhat normalize, but I don't think we'll get back to the real rates of two and 3% that we've seen over the last decade. But who knows? So I think that one thing that is important is that when you do need to get money and borrow money, we want to make sure that you get that opportunity from us.

I just want to let you know we are well positioned for future opportunities and growth. I mentioned our excellent capital position, well above our peers actually, and we have solid earnings and continue to do that without impacting the members being able to give them a good rate on their money. And we have, what I think is more important is realistic strategic goals, nothing that's really pie in the sky, nothing that's extraordinary. I truly believe that SeaComm long-term, it's steady as she goes. We're not looking to get larger to get larger. We're doing it strategically.

Jerry: And that's really important because it allows us, as I said earlier, to continue to serve our members to the best of our ability.

Scott Wilson: That's absolutely true, Jerry.

Jerry: And we continue also to support the communities we do business in.

Scott Wilson: Yeah. It's interesting. The amount of money that we've been able to give out in the communities really comes from the ability to make a profit. We do put people over profit, but the reality is profits do get returned to the communities in which we do business. So we were able to give some larger dollars to a number of organizations, not just in our core market, but throughout the north country. And I think that's important because that impacts everyone, not just a SeaComm member, but everyone in the communities in which we do business. And I think that's really an important part of the Credit Union mission.

Jerry: Indeed. What's coming up?

Scott Wilson: Well, I think the more important thing, Jerry, is we will continue to look at how we enhance our delivery channels.

Jerry: Okay.

Scott Wilson: Obviously we're going to be paying attention to rates and make sure that we continue to be competitive and we will continue to look at our loyalty rewards and make enhancements to that as necessary. And the end of the day, we just want to make sure that our doors are open, our delivery channels like ATMs and our mobile applications are reliable so when our members come up to use that ATM or to log in, they're able to do what they need to do.

Jerry: Perfect. Scott, I appreciate your time. Anything further?

Scott Wilson: No. I just want to thank our 54,000 members for their continued trust in the service we provide to them.

Jerry: And can I say Happy 60th?

Scott Wilson: Absolutely.

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

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