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, it's my pleasure to speak with SeaComm President and Chief Executive Officer, Scott Wilson. Scott, welcome and let's talk about last year.

Scott Wilson: Well, first of all, Jerry, I always say this, I love these chats.

Jerry: And I appreciate that and I like them as well. It's a great opportunity to sit down and talk about what's going on here at SeaComm and what the future holds for SeaComm, but let's start with the past.

Scott Wilson: Sure, Jerry. We had a fairly good year, one that really has put a lot of pressure on credit unions and community banks. Obviously, the rate environment has a lot to do with that, but lending for us remained relatively flat as did our shares, but we did prove and disperse $105 million worth of new loans, which is good. That means there's a lot of members who got autos and mortgages and maybe personal loans and use their credit cards. Overall liquidity. And this was a topic we had going into '24 in terms of when rates go up, money moves around a lot faster. And our overall liquidity has improved year-over-year, enabling us to pay down on our borrows of the Federal Home Loan Bank of New York by $20 million.

So that's been helpful in terms of the savings, on terms of the expense, on the interest side of that. I have to talk about the overall rate environment. It remained pretty consistent with expectations for much of the year. Remember we saw 11 hikes by the FOMC from around early '22, right through '23, and then only in the last half of this past year did we start to see the fed reduce rates. They made three cuts of 1%. It looks like they're going to be a little more hawkish and they're going to stay where we are probably for a bit and we'll see how that plays out over the next couple of quarters. What that means is that things are still really doing well in the economy. The inflation I think came out at 2.9% at the end of December.

When that rate is above that two to 2.5% range, they're concerned if they reduce the rate that there'll be more spending, which would drive up inflation even further.

Jerry: So inflation is a problem, but then it's something that they've made changes, they sort of got a handle on it and it's almost where it needs to be, right?

Scott Wilson: That's right. I think you can't overcorrect, so they're going to take a little more time in order to get to maybe a new normal for us. But the reason I bring that up is that the rate environment at the Federal Reserve level has an effect on us locally and all of those things that I just talked about equate to what am I paying for a dividend to our members and what are we charging for an interest rate on loans?

Jerry: Is there any ideal? In other words, if you could pick the rate environment, what would it be?

Scott Wilson: I think once we settle into where it's going to be, we probably will not see in the near future next several years, the rates of 2.5 to 3%. It probably will settle between four and 4.5% over the next couple of years, and that would be really a new normal and that would be good for all of us.

Jerry: So that's something we can deal with.

Scott Wilson: Yes, I believe so. One of the things that was beneficial for our members, and we wanted to make sure everybody understands this, is that we paid out nearly $9 million of dividends to our members, which is great, and that exceeded our budget forecast of what we thought we'd pay out by $2.9 million. So let's compare it to '22. We paid about $4 million in dividends on about the same amount of shares, and then we started seeing that ramp up in '23 to $6.7 million and it got close to $9 million this year. And what does that mean as rates come down? Those expenses will come down as well. Maybe not at the highest level that we saw, but it will start to come down and ramp down over the next year or so.

Jerry: But considering the rate environment we dealt with, we're in pretty good shape.

Scott Wilson: Actually we've done very well, Jerry. We've kept our operating expenses reasonable. We try to. Listen, this is not our money to spend, it's our member's money, so we make sure we spend it prudently. So we put a goal in place of 2.75 for net expenses. We ended the year at 204. Now remember, we also had to pay more in interest expense for borrowing to the federal home loan bank and obviously dividend expense. So where do you make it up? Obviously loan interest income and investment interest income and non-interest income like debit interchange, credit card insurance, etc.

So with that, net income came in at $7.4 million this past year or 0.94 return on average asset, which is a measurable that we use in the credit union bank side. And that compared to a goal of 0.80. It really comes down to prudent expense control. We really follow that. As you know Jerry, someone who works here, we really focus on keeping expenses down.

Jerry: Well, of course that's the way it works in business. Bottom line, we are a business and because if you want to be successful, you have to control your expenses.

Scott Wilson: Of course. We have to make money in order to put it away for what we call retained earnings. Our federal regulator, the National Credit Union Administration, just like on the bank side, FDIC says you have to make so much money and have it in capital reserves. Our net worth end of the year with a core tier one, we call that the basic level of capital. We ended up at 15.80%. Now you got to compare that to what NCUA said is really well capitalized and it's 7%, so we're twice as much. Which means we've had some good years and we're able to put that money away and then our risk base ended at 27.41% and that compares to the NCUA's regulatory requirement of 10% or greater.

So all of that is in line, so our income is where it needs to be, our expenses are where they need to be and ultimately our capital is better than we would see probably with our peers, and that means that we're really prepared for anything that could happen down the road. We've been through some tumultuous times, Jerry. Since 2008, they've dealt with Covid and now you're dealing with a rising rate environment. A 525 basis points increase in a short window of time is a real stress on financial institutions, and so that means that we did really well during that period.

Jerry: Wow. We are doing fairly well despite all these challenges.

Scott Wilson: Yes, and when we put those capital dollars into numbers, we're really talking about $119 million on divided earnings, which is a good nest egg or we'd say rainy day fund. Also, I want to mention the asset quality, so when we end to write loans, obviously those loans go out the door. There is going to be a percentage of them that don't pay or they're delinquent. Maybe something happened in their life and they're not able to pay us like they said they could, but delinquency was at 0.77% compared to our goal of 1.10%. Our resolution specialists do a great job working with our members to try to get those things resolved. And our net charge-offs, that's the money we actually have to write off.

Our goal was 0.55. We ended up at 0.34, so we had a pretty good year in terms of what we didn't have to write down. On the member side, satisfaction is one of those key metrics we follow and we pay a lot of attention to, Jerry. And our quality loop, those are the surveys that go out monthly to our members for those who perhaps do business with us at some point during the month and they have a contact. We measure on a number of items and the top score is seven and we ended up at 6.82 out of seven, which is 101% of the goal that we set for ourselves, which means we're doing a really good job taking care of our members on the satisfaction side.

Jerry: We go the extra mile there's no doubt about it to try to make our members happy. It all starts with the employees, doesn't it?

Scott Wilson: It does. Listen, we have the best of the best in employees, but they know on day one that our focus is taking care of our membership. Without the membership, we don't have jobs, and that means that we will go the extra mile, as you say, to ensure that we're meeting their expectation. Listen, it could be as simple as just a smile and how are you today to I'm going to resolve this issue. I may have to circle back and find out something. It may be refunding some fees. Whatever it is that we really try hard to make sure we're exceeding and our members know that our staff is key to that, Jerry.

Jerry: They are indeed, and our staff pretty much loves their job.

Scott Wilson: For a fourth consecutive year, we were a great place to work. Certified at 90% engagement. Overall, SeaComm is a great place to work. That's pretty impressive.

Jerry: It really is, and I can tell when I walk in everyday just talking to the people, they're happy.

Scott Wilson: They are, and it really does matter that we focus on our employees to make sure that they're getting what they need and ultimately that they can take care of our membership.

Jerry: And that goes on to take care of the communities we live in too.

Scott Wilson: Yes, last year we gave $324,000 back in community support. We gave back to food pantries and fire departments. Massena Hospital had an emergency department renovation, has a lot of impact in the community. We gave them money. St. Lawrence Health built a new hospital wing with a new ED and we gave money to that. The downtown Massena Theater. We also gave money to the YMCA in Watertown, and the list is endless. And one of the things I will say is that generally we don't say no. Every golf tournament that has a charitable giving piece of it, gets something from us. At the end of the day, it's part of the DNA of credit unions to give back to the communities in which they do business, and we take that mission very seriously, Jerry.

Jerry: I talk to people, as I mentioned before, they really notice the fact that we do take part in just about everything.

Scott Wilson: Yes, I'll just say this real quick and we don't just focus on one particular market. We give all over. I'm mentioning just a few things off the top of my head. The Massena Arena needed a new scoreboard. Read it in the newspaper. We contacted the recreation director and the next thing you know, they have a new scoreboard for the arena. We pay attention to those types of things. I just had somebody reach out to us for a new recreation facility over in Keeseville and we're going to be giving them money for that, so it doesn't matter. We really think anything that has impact on the youth and the community is critical and needs support of organizations like SeaComm.

Jerry: Absolutely true. And we also have some activities where we get involved with people and do some fun things.

Scott Wilson: Beyond the Branch, which was the Pay It Forward program as launched, and I love the new title Beyond the Branch because we're more than just coming into a branch. We actually go out in the community and do things for the good of whoever we're focusing on. And it might be as simple as maybe paying for lunch or sliding down Titus Mountain, whatever the activity is, the branch and marketing staff get out and do that. And really I think the more important thing is the people touch… to show that it's not just about what we're getting, but we're also giving back in those tangible ways.

Jerry: Let's face it, at our essence, we are a people business.

Scott Wilson: The mantra for all credit unions in this country are people helping people. I really think that one of the things, and I mentioned the DNA of credit unions, is that we really are part of the fabric of communities and everyday life and we have an awesome responsibility to make sure that's happening.

Jerry: Indeed.

Scott Wilson: I just want to mention that we also have our personal financial advisor services, so those people who are maybe thinking about, "I like to retire, I like to get a better rate on something for future needs, maybe college or whatever it is."

We ended up with assets of $84 million at the end of 2024, and one of the things that I like about that Jerry, it's an additional service we offer. It's free of charge for our members to have a sit down and plan out what they need, and I think that's another important part of our business.

Jerry: Another free of charge service that I absolutely love is GreenPath Financial.

Scott Wilson: That is one of the things that we think is important. Sometimes people get themselves into situations that they need some additional help. We pay for that service. It's free of charge. You can call up and they can work through some of the issues you might have beyond what we may be able to do. It's one thing, if you have something with us, we can manage that, but if you have maybe some outstanding credit card debt that's beyond SeaComm, you can work with GreenPath and they'll work with you and come up with a management plan that really fits your budget.

Jerry: They're very good at what they do. Very good. I've referred many people to them through my presentations in the community and 100% glowing reviews.

Scott Wilson: By the way, if you haven't sat in one of Jerry's trainings or seminars, they're worth the time, whether it's reading a credit report or fraud for seniors, whatever those topics might be, they're obviously advertised or around in your communities. Make sure somebody takes time to do that.

Jerry: I appreciate that, Scott. I really do.

Scott Wilson: I just want to mention that yesterday, which was January 21st, we launched our Access Digital online and mobile platform. I wanted to mention, we talked about this last time we met Jerry, that we had to move in a new direction because our online platform, Neteller was sunsetting beyond our control and we had to come up with something that would be more robust but also fit into what we had for need, and we already had Access Digital, Access Softek was a company who already did our mobile, so we just moved our online platform and just had a newer, robust platform all the way around. So as of today, we've had a good number of our members that have converted myself and yourself included.

Jerry: I did.

Scott Wilson: And if you are having issues, please call the credit union, stop by one of the branches, and they'll certainly assist you in getting that taken care of.

Jerry: It's not that complicated, and it's interesting. It's a different look, but it looks pretty much the same. I mean, you might click on a different spot to see what's available, but it still works about the same.

Scott Wilson: It's interesting. Jerry and I were talking about this just before the podcast, and one of the things that I saw on social media was that it's slick, it's modern, and it's easy to use, and truly that is the case, and with everything new, you become familiar with it, but at the end of the day, I think because it's so much more robust than we had that our members are really going to love it.

Jerry: I don't doubt it. I love it already,

Scott Wilson: And the next thing that I get this more often than I thought I would get is, "Hey Scott, when are you going to go to tap and pay?" And the answer is very soon. We're in the last part of the planning and implementation phase and starting in March that will start to roll out as cards are expiring and you'll be able to tap and pay and go on your way. So we wanted to get through the Access Digital migration and then go to the tap and pay, and that's on its way as well.

Jerry: I'm looking forward to that. Now I don't mind sliding my card into a slot. That's going to be easier.

Scott Wilson: I love to watch some folks go and they try to tap that card and they're not tap and pay ready.

Jerry: Well, that's the other thing. Even if we have tap and pay, not every place will be ready for it.

Scott Wilson: That's correct. There's a number of places that aren't. But again, I think because we are always looking to enhance the delivery channels and services that we offer, such as the Access Digital migration, but also the tap and pay or anything we do is always in the mind of the member. How can we make their life better?

Jerry: Tap and pay. That's the thing to look forward to in 2025. What else?

Scott Wilson: Well, Jerry, the reality is that you'll come to expect the same eye level, high touch service in our branches, and there's always something in the horizon, but we're going to get through these two major projects and we'll see what happens next.

Jerry: So next time we'll be talking about that.

Scott Wilson: Sounds great.

Jerry: Scott, it's been a pleasure as always, we appreciate your time and your insight and information. We've been talking with SeaComm President and CEO Scott Wilson.

Scott Wilson: Thank you, Jerry.

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