

E55 Special Discussion About Silicon Valley Bank | CEO Scott...

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SPEAKERS

Introduction, Scott, AD, Liz, Terri

- T** Terri 00:00

The closure of Silicon Valley Bank of California and Signature Bank in New York started a firestorm of speculation, which has led to many questions about safety and soundness of financial institutions around the country. Today, we're talking with Triangle Credit Union CEO and president Scott MacKnight about the recent bank closures and how that impacts those who bank there, and the banking industry in general.
- I** Introduction 00:28

You're listening to Triangle's Making Money Personal podcast, where we engage in real talk about financial matters that affect our community. Today's episode is sponsored by Triangle Credit Union recently voted best credit union in New Hampshire.
- T** Terri 00:44

Good afternoon, Scott, thank you so much for joining us today to talk about what has just developed over early last week with Silicon Valley Bank and Signature Bank. So we appreciate you being here.
- S** Scott 00:55

Glad to be here. I think this is a very important subject to talk about, so that people understand what's going on, really get to the truth of the difference between that particular bank and other banks, and also credit unions so glad that we could do this to help out our membership.

L

Liz 01:16

Yeah, absolutely. Yeah, I think the first thing that we've kind of wanted to bring up to you Scott was just kind of to go over a little bit about what what was really going on with Silicon Valley Bank and you know, what, what's the story there? Because there's all kinds of information flying around here and there. So maybe just to help people understand, initially, like, what what's happened? Do you mind giving a little bit of an explanation as far as you know?

S

Scott 01:41

Yeah, absolutely. Silicon Valley Bank was definitely very different than most banks. They really focused in, their niche was on tech, high tech, industries, startups. And they were capital venturers. And so that was a big part of what their makeup was, if you go to most community banks, they're not into that they are or credit unions, it's all focused on, you know, helping the community obtain cars, mortgages, HELOCs, credit cards, going down that avenue. Silicon Valley Bank, they were focused, again, like I said, was looking at startup companies what they could they could do the tech industry, or they were on the west coast, but they were also they had multiple branches here in the Massachusetts area as well. And that probably makes sense, if you think about, like some of the colleges that we have in Massachusetts. So I think it's really important that we distinguish between their business model versus our model here a Triangle Credit Union. And what we do is, uh, you know, as our, all our members know, is we go ahead and we lend out for cars, automobiles, for mortgages, for personal loans, HELOCs, like I had mentioned, and so our model, we actually end up by getting more, I guess, cash flow is the best way if people have listened to what the news in the media has been talking about, a lot of it had to do with liquidity and problems they ran into with liquidity. And I won't get too much into the details on it. I think most people can do their own research on it. Most of my information I use from Bloomberg. I like Bloomberg basically in the morning with surveillance. And so that's where I get a lot of my information. And so what happened with Silicon Valley Bank is they ran into a liquidity problem. And that's because their loans that they lent out, had longer term maturities. And so therefore, they weren't getting a lot of the money, what is amortizing the principal, they weren't getting that a lot, a lot of that back. And then also on top of that, they had loaned, they had invested, which most financial institutions have, they invested into long term bonds as well. And so they went ahead and they they did that. So the amount of cash they were coming in, for the liquidity resources wasn't there. So they did try to generate more liquidity. And again, I'm not going to get too much into that. But that's really where the problem they ran into their problem. problems from that standpoint. The credit unions, they're much different our models, whether it's Triangle or other credit unions, their model is much different. And when we look at the consumer loans, typically those there's a lot that the principle is being paid. And the average, I would say probably the average maturity of those loans are anywhere between three years and, and three and a half years, mortgages are longer. But again, there's a steady flow of cash coming back in and then it gets sent back out there. And so that is the difference between Silicon Valley Bank and Triangle Credit Union and other credit unions and community banks as well. So I think that's really important to distinguish between the two, just because the models are very, very different

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Terri 05:43

From my perspective, Scott, from what you just said, it sounds like when you are a community credit union or bank. and you are lending out for automobiles. you're lending out for

mortgages, you're lending out for personal loans, you have more diversification than what SVB had for their portfolio.

S Scott 06:06

You're absolutely correct. Yeah. It definitely. The diverse, whether it's the loan or the investment portfolio, the maturities, Yeah, definitely. That is typically typical with most credit unions and community banks and other banks as well.

T Terri 06:25

And it sounds to me also, like, you know, if you are, you know, if you're concerned with safety and soundness, then you would want diversification in your loan portfolio. Right? I mean, that makes just good banking sense.

S Scott 06:38

Yeah. And that has always been our models. Here at the credit union. I mean, we've been around since 1939. And we've seen a lot of interesting events. Over that time. I haven't been here that long. But I've been here since 93. And so we've definitely seen a lot of different scenarios that have taken place in the economy. And because of our diverse portfolio, whether it's the products or the maturity, and the same maturity dates, and also with our investments, we have investments, and it's short term, we did not put things longer term, that's just part of our model. So that has really enabled us to be able to have that liquidity we need just to keep on running. Although, you know, for most of the community, banks and credit unions, and again, I'll speak for Triangle Credit Union regulators are in here quite often. And they're doing their job, right. And they will go ahead and they'll look for systemic risks. And so we don't, you know, we're in good shape, we're very solid, with our practices, and there's no concerns on that. So but going back to your, your question, Terri, on, you know, having the diversification in what we either invest in, or we lend out. Yeah, absolutely. That is critical. And we've always done that in that has really helped us get through difficult times, we're not really having a lot of disruption to our operation.

L Liz 08:20

That's phenomenal, too. Were you here around the time of 2008 when that whole thing happened?

S Scott 08:26

Yeah. Yeah, absolutely 2008. But also, I'll go back to 99 with the dot com bust. Yeah. So you know, again, we've stayed true to our business model of really being there for the community, helping out the community as much as possible and and we really did not struggle during those times. And, again, it's because what we do is we we continue to lend out to our, our communities, Southern New Hampshire and northern MA, we, we continue to give them the

products they need, whether it's adjustable or fixed, they're straightforward products. And that has really helped us not get into complex lending, and keeping things very simple, simple. And the same thing with our business members as well. Our business members, we, that portfolio is very diverse, whether it's for a real estate, whether it's for equipment, whatever the case is. We are very conservative in our underwriting and making sure that we're serving the community. And we're also making sure that there is no concerns or credit risk associated with our loan products.

T Terri 09:48

Is there any direct impact to Triangle Credit Union and our members from the results of last week?

S Scott 09:58

No, absolutely not. Again, we look at the different business models, the credit union will continue to do what it's been doing through all these different crisis. And this isn't really even a crisis, I think this is, there's a lot of attention that's being done, you know, that is being focused on the situation, it makes sense. But for us, the NCUA we're insured, just like the FDIC for banks, NCUA also has the same insurance policy for our depositors. And so again, there's no problems or concerns with that. And so, as it was last week, last month, 10 years ago, 20 years ago, the deposits are still safe and sound here at the credit union. I just one of the things I would like to add to is, there has been a lot of communication that has been given out, it's something I personally feel is important for the membership as stewards of the credit union. And I've said that before in other podcasts. I feel an obligation and a responsibility to the membership, making sure that you have the information. And some places, some financial institutions aren't doing that, I feel transparency is really important. And so there has been a lot of communications going out so that you understand what's important, because it really leads into is there's a lot of different media resources that people can obtain information. And what I have found and I said this before, is I found that I trust the economists and the special guests with Bloomberg. I've found them to be very reliable. And so really trying to get to the really a good understanding of the whole situation is really important. When you're going to other avenues, maybe it's YouTube or Twitter. You know, there's been some comments on that. There's been a lot of misinformation, whether it's intentional or not, I don't know, I don't, I don't really pay attention to those avenues. But I think it's really important that our members really know what's, you know, what's going on. And so that's why there's been a lot of communication. And we're going to continue to do that. Because, again, that is our job here is to make sure that we're giving you the information you need.

L Liz 12:33

Well, that's one of the reasons why we wanted to have you on Scott is to just have another conversation about this. Triangle's been great with we've released a blog about it, we've been sending emails about it. So this is just another way to get this information out. So again, thank you for, you know, taking time out of your day, to talk about this to just help reassure members

who might be a little concerned for, you know, who knows what reasons maybe they're getting their information from the sources that, you know, aren't as reliable. So it's definitely a good thing to have these conversations.

S Scott 13:05

Yeah, and I appreciate you guys pulling this together. So nice job. Thank you.

T Terri 13:09

Before we before we sign off, I do want to give some resources that Scott you just alluded to. The blog is actually on triangleuniversity.org. And if you open it up the blog is titled Important Information For Our Members. It talks about some of the points that Scott brought up today, as well as the NCUA depository insurance of \$250,000 per per depositor. There's more resources on the blog, there's NCUA Share Insurance brochure. There's another brochure about how the accounts are federally insured, both in English and Spanish. And then also there's more information about your insured funds, again, both in English and Spanish. So I'm sure that Liz, you'll probably be having you'll have these links available in the podcast in the show notes. Excellent. Right. Yeah. All right. Again, thank you so much, Scott. We really appreciate your time and, and your sincere interest and, you know, genuine concern about how our members are responding to this. So we really appreciate that.

S Scott 14:27

Glad to do it. Thank you.

L Liz 14:29

Thank you, Scott.

A AD 14:31

That wraps up this episode of The Making Money Personal podcast. If you've enjoyed today's show, we would love to hear from you. Email your thoughts about this show or any other ideas at tcupodcast@trianglecu.org. Thank you to all of our subscribers and if you haven't yet, please hit that subscribe button wherever you listen to podcasts so you don't miss out on any new episodes or money tips. Thank you for listening and have a great day.