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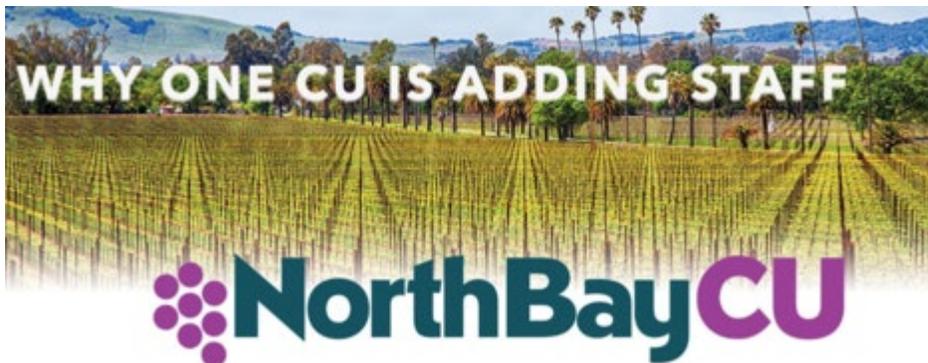
Serving Legal Pot Biz Driving Growth

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By Ray Birch

SANTA ROSA, Calif.—North Bay Credit Union is adding staff, not thinking about cutting positions, as the pandemic wears on.



The \$95-million CU has added seven positions since the health crisis began.

CEO Chris Call told CUToday.info the expansion is due to the credit union's focus on serving the legal pot business in this state.

“Our experience, right now, is perhaps different from most credit unions,” said Call.

Call's comments are included here as part of a series in CUToday.info examining how credit unions are responding to the pandemic and economic slowdown.

“The cannabis banking aspect is certainly a big part of what is happening here at North Bay,” said Call.

As CUToday.info [reported](#), North Bay is also seeing a strong influx of new members—a 10 percentage point boost in new enrollments—during the pandemic.

Call termed serving cannabis companies almost recession-proof.

“During the pandemic the use of cannabis has increased across the board in our society,” he observed. “In a pandemic people turn to comfort and substances, whether they be alcohol or cannabis, and it’s really helped the cannabis industry. As a result that filters down to what we’re doing here at the credit union.”

Rapid Growth

The growth of North Bay continues to be rapid. The credit union has \$95 million in assets today, largely due to its focus on pot banking. NBCU is projecting that figure will grow to more than \$500 million in the next five to 10 years. It closed out 2019 with \$58 million in assets.

“Yes, we are adding staff. We’ve added seven positions during the pandemic,” said Call. “We’ve got a lot of different initiatives going with our cannabis banking program. We’re expanding so rapidly in that area that we simply need more people to handle the volume.”

Call said North Bay has added staff in the areas of electronic processing, compliance and member services.

“We now have 40 people total working for the credit union,” said Call.

North Bay has posted a bottom line in the black during the pandemic. In the last three quarters, the credit union has made \$1.1 million (Q1), \$1.3 million (Q2) and \$1.45 million (Q3) in net income.

“Our growth here is trending quite a bit above last year,” Call said.

In 2019, North Bay made \$732,290 in net income.

Cuts to Be Considered

Should the credit union’s fortunes change, Call said North Bay will look at areas to reduce expenses.

“I think we would have to at some point look at cuts,” said Call. “We’ve always looked at this current health crisis saying we want to retain everyone for as long as we possibly could. But depending on the severity and extent of the pandemic, and how that affected our local community—if things got severe we would have to consider cutting somewhere. I think we would try to trim as much fat first around the operational expenses before we started considering jobs.”

As North Bay weathers the pandemic well, one area of concern, especially when banking a high-cash business in marijuana shops, is mounting deposits, said Call, a situation facing many credit unions but exacerbated in the cash-intensive cannabis business.

“We are getting so many deposits now,” the CEO explained. “This is a concern for our net worth ratio. When you’re taking in so many deposits you have to carefully manage that relative to the income that we’re producing. We’ve had to put a cap on the total deposits a cannabis operation can put in the credit union. Otherwise it would drive our net worth ratio into the ground.”



Chris Call

North Bay CU closed the third quarter with a net worth ratio of 8.83%, according to its 5300.

The Other Challenge

All that liquidity is compounded by the challenge presented by the Fed’s announcement rates will remain low for several years to come, challenging CU investment portfolios.

“It’s challenging situation for us, as our investment portfolio is earning just pennies on the dollar compared to what it used to earn,” explained Call. “Because we’re taking money in so fast from these cannabis operations, that money generally sits in low interest investment accounts until we eventually push it out into loans. We’re certainly not making as much on

the asset side as we previously did, and it makes it challenging to cover your operational costs.”