WSFS Financial Corporation [WSFS]
3Q 2021 Earnings Conference Call
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Company Participants:
Rodger Levenson; Chairman, President and Chief Executive Officer
Dominic Canuso; Executive Vice President, Chief Financial Officer
Art Bacci; Executive Vice President, Chief Wealth Officer
Steve Clark; Executive Vice President, Chief Commercial Banking Officer
Rick Wright; Executive Vice President, Chief Retail Banking Officer

Analysts:
Michael Perito; Keefe, Bruyette & Woods
Erik Zwick; Boenning & Scattergood
Brody Preston; Stephens, Inc.
Russell Gunther; D.A. Davidson & Co.
David Bishop; Seaport Research Partners

Presentation:

Operator: Good day and thank you for standing by. Welcome to the WSFS Financial Corporation Third Quarter 2021 Earnings Call. (Operator Instructions) As a reminder, this conference call is being recorded. I would now like to turn the call over to Dominic Canuso, Chief Financial Officer. Please go ahead.

Dominic Canuso: Thank you, Charlie, and thanks to all of you for taking the time to participate on our call today. With me on this call are Rodger Levenson, Chairman, President and CEO; Art Bacci, Chief Wealth Officer; Steve Clark, Chief Commercial Banking Officer; and Rick Wright, Chief Retail Banking Officer.

Before I begin with remarks on the quarter, I would like to read our safe harbor statement. Our discussion today will include information about our management's view of our future expectations, plans and prospects that constitute forward-looking statements. Actual results may differ materially from historical results or those indicated by these forward-looking statements due to risks and uncertainties, including, but not limited to, the risk factors included in our annual report on Form 10-K and our most recent quarterly reports on Form 10-Q as well as other documents we periodically file with the Securities and Exchange Commission. All comments made during today's call are subject to the safe harbor statement.

Good afternoon, everyone, and thank you for joining us on the call. Our earnings release and investor presentation, which we will refer to on today's call, can be found in the Investor Relations section of our company's website. We had another solid quarter consistent with the first half of the year driven by our diversified business model and the strength of our strategic position in our marketplace. Local economic activity continued to rebound throughout the summer and into the fall across our footprint, bolstered by very positive sentiments from our customers, growth in our commercial loan pipeline, continued strength across our fee-based businesses and positive credit trends.

Highlighted on Slide 4 of our investor presentation, third quarter core net income was $56.7 million a $1.19 earnings per share and a 1.48% return on assets. Reported net income was $2.3 million lower than core results, primarily driven from corporate development costs related to the BMT combination and in line with original deal model expectations.

Excess liquidity continues to have a significant influence on our near-term performance, including impacts on our net loan growth, deposit levels, growth in our treasury investment portfolio and diluting NIM, PPNR as a percentage of assets and ROA.

As seen on Slide 5, net growth in loans in the quarter when excluding PPP and purposeful runoff portfolios was down $80 million. We had another strong quarter of new commercial loan growth originations near $400 million, as seen on Slide 6. This is relatively consistent with 2Q, continuing our recovery nicely from prior year lows and almost fully back to prepandemic levels. And our loan generation should grow from those levels that we were before the full opportunities of Beneficial, the benefits from our investment in Delivery Transformation and additional strategic RM hires. However, existing commercial loan payoffs remain elevated in this environment with heightened payoffs in construction and commercial mortgages, along with a reduction in our held-for-sale resi portfolio in the quarter.

Consumer loans grew 5% annualized in the quarter as we launched our new digital consumer lending product powered by Upstart. Our lending partnerships, including Spring EQ, LendKey, Credit AI and upstart now account for almost $500 million in total consumer loans.

Customer deposits grew another $64 million in the quarter from seasonal growth in municipal and public funded accounts. Customer deposits are now up 14% or $1.6 billion year-over-year and up 35% or $3.3 billion from March 2020 at the onset of the pandemic. This excess liquidity is the positive outcome from our strong response to our customers' PPP needs, our relationship-based business model and the diversity of our deposit base with over 50% of deposits coming from commercial, small business and wealth management. Total deposit costs are now at a very low 10 basis points, and our loan-to-deposit ratio is at 63%, providing significant capacity for future low-cost loan growth.

We have put this excess liquidity to good use by paying down over 90% of our wholesale funding over the past 6 quarters and over doubling our treasury investment portfolio from $2.1 billion at the beginning of 2020 or 17% of assets at the time to $4.3 billion currently, which is 28% of assets. These additional investments are comprised of high-quality, marketable investment-grade securities consistent with our overall investment portfolio strategy. In the quarter, excess liquidity, including the impacts of these incremental investments, reduces ROA by 23 basis points and net interest margin by 61 basis points.

We expect some additional treasury purchases in 4Q to bring the investment portfolio asset mix into the low 30s as a percentage of assets, which will blend down to the mid-20% post BMT. We anticipate the impact on net interest margin from excess liquidity come down to approximately 50 basis points by the beginning of 2022, and down from there as excess liquidity runs down and the cash flows from the investment portfolio is consumed by net loan growth that we anticipate and are well positioned for.

Net interest margin in the quarter, detailed on Slide 6, is 3.05%, which includes 18 basis points of purchase accounting accretion and 5 basis points of PPP income, both more than offset by the 61 basis points of negative impact from excess liquidity. Excluding PAA, PPP and excess liquidity, underlying NIM increased 2 basis points over prior quarter.

Third quarter Fee Revenue again demonstrated the strength and diversity of our fee products and services, especially in this lower interest rate environment. Core Fee Revenue was a healthy 30% of total revenue, when excluding PPP, and supported by 16% year-over-year growth in Wealth Management and 10% year-over-year growth from Cash Connect. These were offset by lower mortgage banking fees as the consumer refi market slowed from record highs in 2020.

As seen on Slide 9 and 29, overall credit quality continued to trend favorably following the peaks in late 2020. Criticized assets were down in the quarter to $532 million, and down $233 million or 30% from the peak. And delinquencies were down to 0.57% of assets from the peak of 0.88% in late 2020. Combined with the continued positive economic outlook, the ACL declined $27.5 million to $104.9 million or 1.30% of assets, which is a 1.58% when including estimated remaining credit marks from acquired portfolios.

We continue to generate significant capital through earnings and have a strong capital position heading into the combination with BMT with a TCE of 9.17% and bank CET1 ratio of 14.59%. Our Board of Directors approved a quarterly cash dividend of $0.13 per share of common stock and no shares were purchased in the quarter as we have paused repurchases until the close of the BMT transaction. We are optimistic and excited about our future prospects given our unique competitive and strategic position in our markets, the strength of our national fee-based businesses, along with the upcoming combination with BMT.

Regarding BMT, on July 21st, the OCC, our primary regulator, approved the transaction. As we await final regulatory approval from the Federal Reserve in Washington, our highly engaged teams at BMT and WSFS continue to work together diligently, preparing for a quick close of the transaction and the Bank conversion and integration planned for early 2022.

Thank you, and we will be happy to take your questions.

Questions & Answers:
Operator: [Operator Instructions] And our first question coming from the line of Michael Perito with KBW.

Michael Perito: A few things I wanted to hit. First, just on loan growth. I realize the environment and with the paydowns is a little uncertain, but you do have pretty good line of sight on kind of the plan runoffs and when that should run its course. And I guess just the simple question is, I mean, when do you think it's going to start to get realistic to assume you guys can return to a net growth posture. I mean I realize the origination side of that might be a little bit more complicated. Are we thinking like middle of next year? Or do you think post close, the runoff could push it out further than that? Just curious if you will offer any color around that.

Steve Clark: Michael, this is Steve Clark speaking. So actually, the production side of our business, we feel really -- we're very pleased with the production side. As Dominic mentioned, the fundings in the third quarter following a really strong second quarter. And we definitely are seeing increased activity since September, more opportunities coming our way. So we feel good about our pipeline and production forecast. The commercial 90-day weighted pipeline is about $250 million. We have a small business fourth quarter pipeline of another $30 million. And when you look at the combination of that, along with our strategic partnerships on the consumer side and what NewLane Finance is generating, we feel that the production will be there. What we cannot control really is the payoff side. So your question is really hard to answer, but we think we're really positioned well to take advantage of our current market position here in the Greater Philly area.

Dominic Canuso: And Michael, this is Dominic. Just to add to that, pertaining to your question around the runoff portfolios. And we had mentioned this as of last quarter that, really, all of the commercial lending that we acquired from Beneficial that was nonrelationship-based has pretty much run its course at this point. So we don't anticipate really a net impact further from that. What's really remaining is the residential mortgage, which will run off based on its average 10-year life and impacts from the resi mortgage.

On the net loan growth side, as Steve mentioned, lots of opportunities on commercial, as we discussed, both from the Beneficial integration that we really never took full opportunity of because of COVID, the upcoming BMT opportunity, investments in Delivery Transformation and successful hires over the last few years. But round that out with continued additions of strategic partnerships and products on the consumer side, including the Upstart product we just launched in the third quarter, along with opportunities we see in our NewLane leasing business. So across all of our platforms, we see a lot of positivity and activity from our customers and anticipate that to lead to net growth in the future.

Michael Perito: Helpful. And as the reason -- to phrase the question like that and maybe my second question is just around deployment post Bryn Mawr, right? I mean, obviously, I think the expectation that you guys are guiding to is that the core portfolio can grow. And with all the contributors that you guys just named, I think that seems very reasonable. But assuming that the net isn't overly robust for the next 1, 2 or 3 quarters, I mean is it fair to assume that the buyback authorization will be used, as it has been historically, to deploy capital until there's growth that requires the excess capital?

Dominic Canuso: Yes. Great question. As we've said, we have paused our share repurchase program, and we are generating significant capital. We're pleased with the amount of capital that we have going into the combination. As we have done historically when we look at excess liquidity, we look at the economic environment, our organic opportunities, and inorganic opportunities. And we believe that we'll be in a very strong position to reengage with share repurchases after the close and still have capital remaining for the investment on the organic side of the loan book.

Michael Perito: Helpful. And then just last one for me. I mean we saw a [bank] merger. I think they had pushed back their closing date, waiting for the Florida government or the Fed to give them the final [sign off]. Are you guys still committed -- sorry, you still indicated the Q4 close was expected. But just curious if there's any kind of insights or color or concern that, that's on track as you wait for that final approval.

Rodger Levenson: Michael, it's Rodger. And the short answer to your question is no. We said early fourth quarter. And as we outlined in Dominic's comments, we are pleased that we received the OCC approval in mid-July. As it relates to our Fed approval, we understand that we provided all the information that they need to vote on the application at some point. But as I'm sure you've seen, there are others that the Fed is in the process of evaluating. So they're just going through their process. We're respectful of that. And I think the important thing is, once we receive that, we're ready to close immediately. And most importantly, the integration is going really, really well. The teams have come together well. We are moving full speed ahead and planning for that -- the conversion to happen in early '22 and continue to move in that direction.

Operator: Your next question comes from the line of Erik Zwick with Boenning and Scattergood.

Erik Zwick: Just to stick on the loan growth theme for a second. Dominic, in your comments, you mentioned seeing some good growth in the commercial pipeline. I think, Steve, you added some commentary there. I wonder if you could add maybe just a little bit more color in terms of the -- maybe types of industries that are supporting the growth and strength there as well as kind of the average yields that you're seeing in the pipeline that you expect to bring on to the balance sheet at some point.

Steve Clark: Yes. So, of our existing pipeline on the commercial side, about $174 million of that is C&I., so we're really pleased to see that, versus about $77 million in CRE. So, as you know, our strategic focus continues to be C&I. And that's where we're seeing, really, across a broad spectrum, no specific industry. On the CRE side, we still are seeing many opportunities in the multifamily space and in the kind of residential development, sold units, some A&D work but really all underwritten around takedown agreements with national builders. So they're kind of the 2 sectors that we're seeing.

On the yield side for the quarter, new loans originated and funded during the quarter had a yield of about 3.79% versus kind of payoffs in the quarter of 3.58%, I think as important to me, year-to-date, those new fundings yields have been about 3.65%. So, we're targeting mid-3s versus payoffs that year-to-date actually have been higher, as you would expect, of a 3.93%.

Rodger Levenson: Yes. So, Erik, this is Rodger. And just to add in just some additional color and maybe reinforce a couple of the points on the loan growth outlook. So, as you heard from both Dominic and Steve that we're very fortunate that while staying consistent with our relationship-based strategy focus on this region, we have multiple levers to pull on the loan growth side and that we're very optimistic about the combination with BMT. Offers were made to all of their lending team to come over with us.

There's -- I think, as I mentioned, there's a lot of good and positive momentum on the integration planning with those teams. And having a bigger balance sheet and more robust product set, I think, bodes well for growth from those folks. And then just as a reminder, the 11 lenders that we have brought over, many of them were just crossing their 1-year anniversary in this quarter. And so, their business is building and growing. And so, I think all of that will help to contribute to the loan growth going forward.

Erik Zwick: That's great. And with regard to the new Upstart partnership, any color you can provide in terms of what you expect for average loan size, credit risk profile and just kind of the growth outlook going forward?

Dominic Canuso: Yes. Sure. So obviously, it's in the early stages. This is a primarily unsecured product. And as we've seen it's more of a debt consolidation. The yields are in the low single -- low double digits, so 12% to 14% average. Average loan is about $15,000. All of this is within our footprint, utilizing our underwriting approach and strategy, applying Upstarts AI proprietary scoring system and all with the opportunity to build into further relationships beyond the loan into deposits, mortgage and deepening the relationship across WSFS.

Erik Zwick: And just one last one for me, maybe for you again. Do you have the remaining -- for the PPP loans, the remaining fees as well as maybe your expectation for forgiveness timing?

Dominic Canuso: Yes. So, we anticipate almost all of the remaining PPP loans, the $67 million, at quarter end to be forgiven or in process of forgiving. At this point in time, they will begin to accrue interest, but there could be maybe $5 million to $10 million that ultimately doesn't get forgiven and stays as loans. The impact going forward from the unaccreted fees would be nominal, around 1 basis point, beginning in the fourth quarter and going forward.

Operator: Your next question comes from the line of Russell Gunther with D.A. Davidson.

Russell Gunther: I wanted to ask -- I always appreciate the Slide 5 that tracks the loan growth, the moving pieces. Could you remind us, as the Beneficial commercial runoff is almost done, will there be any adds to either commercial or resi runoff portfolios once the Bryn Mawr transaction is closed?

Dominic Canuso: Sure. Yes, there will be some additional resi mortgage added to this runoff population as BMT continues to originate and hold assets versus our originate and sell. There is very small pockets, nominal amounts of C&I that we believe would be nonrelationship-based or not on strategy, so probably $50 million to $100 million in that range.

Russell Gunther: Okay. Got it. And then you guys commented about strategic RM hires. I think Rodger mentioned that 11 just crossed the 1-year anniversary. Could you talk to any additional adds in the quarter, where these guys are kind of coming from in terms of contributions across the loan portfolio and geographies, and any planned additions?

Rodger Levenson: So Russell, it's Rodger again. I just want to make clear. We hired 11, but many of those 11 were just crossing their 1-year anniversary. Some have been here a little bit longer. But I think the broader point, and what's really positive about this, is we're seeing this impact at all of our businesses, so -- and all of our geographies. So we've added people in C&I in the city of Philadelphia, in the western suburbs, in South Jersey, and we continue to receive a lot of -- and we've also hired folks in our private banking group. And we continue to receive a lot of inbound inquiries, particularly from RMs that are working at larger banks that either are going through some of their own changes or, for some reason, they feel like they don't have the ability to serve their customers in a way that they used to have served.

But I would tell you, our bar is pretty high. We clearly are only going to bring over people that we feel are consistent with our business model, relationship-driven, and that can bring a book of business because of the significant investment we already have. So we continue to have those conversations. We added another one this recent quarter, and we will continue to talk to folks moving forward.

But I would tell you, and there's a slide in there that outlines the commercial business that we have, we have just significant people on the street in this region right now. And I wouldn't expect that you would see significant adds to that going forward, unless some very unique opportunity came about. Post BMT, we just feel really good about the team that we have and the opportunity we have to grow the loan book.

Russell Gunther: And then just a final loan growth question. You guys mentioned total consumer loans, about $500 million from your digital partnerships. Can you kind of frame up what you think the aggregate growth rate could be from those partnerships going forward?

Dominic Canuso: Yes. We do anticipate the opportunity to continue to grow those. We haven't necessarily communicated our 2022 plan and assumptions yet, which we will, along with fourth quarter results in January. But we see tremendous opportunity to build relationships through those partners. Obviously, the Spring EQ product is a function of the mortgage market, LendKey -- or function of the student lending, but we do see the opportunity with Upstart to see some incremental net growth to that population and then to continue to build those relationships from there.

Russell Gunther: Okay. Great. And then just final question. Rodger, you mentioned expectations to kind of stick with the early next year conversion of Bryn Mawr. So I just want to make sure you guys are still comfortable with the timing and magnitude of cost savings there. And then as a follow-up, any color you can provide in terms of framing up where that expense run rate could shake out as cost saves are realized and franchise investment continues?

Dominic Canuso: Sure. This is Dominic. I'll start on the cost saves. As part of the combinations, modeling and expectations, really, the bank conversion and integration starts off the phasing of the cost primarily with the branch closures and consolidations, followed by some staff savings and, ultimately, technology saves. And those will occur throughout the year with the expectation by the end of the year, we're hitting close to 100% of the anticipated cost saves that we've communicated as part of that combination such that in 2023, we would have really the full impact of those saves.

Rodger Levenson: And Russell, I would just add to that, that the confidence we have on the timing, in addition to what's going on with the regulatory approval, is because we have a playbook, and that playbook has gotten better as we've gone through these combinations, including with Beneficial, which is actually a little bit larger in terms of size than Bryn Mawr is. And as I said, the teams have been working together really, really well now for over 8 months on planning for this. So sitting here today, we feel good about that time line.

Operator: Your next question comes from the line of Brody Preston with Stephens, Inc.

Brody Preston: Dominic, I just wanted to ask on the provision guidance, the negative $90 million, the negative $100 million on the year. So year-to-date, you all are at negative $109 million on the loan loss provision. And so the guidance would seem to imply that excluding Bryn Mawr, you think you'd return to a positive provision from here, which is given that you're still 30 bps or so on an ex PPP basis above your day 1 kind of CECL-adjusted reserve. Why is the guidance kind of indicating that you'd see a positive provision in the fourth quarter here?

Dominic Canuso: Sure. And thanks for that question. The full year 2021 core outlook that we've laid out on Slide 10 really is just communicating what we had presented as part of our midyear update. And we didn't want to take that out of the deck so that we're transparent around the full year expectations that we had communicated. Clearly, we're running ahead of that on the provision and favorably given the release in the third quarter. I think we're at the 130 basis point mark. It's unlikely that we'd ever get back to the day 1 CECL just as the way the model works, incorporating most recent behaviors and trends. But we would expect, given where criticized and classified loans are, that if there's continued reduction in that, there could be opportunity to release additional reserves, but ultimately anticipate with loan growth that we would build reserves in the future that correspond with the net growth rate.

Brody Preston: Got it. Okay. And just on the criticized loans, just down in the deeper parts of the deck, you have -- you kind of outlined select portfolios. I just want to ask on the hotel and the food services, I understand that those are challenged kind of areas over the last 18 months or so. But as I think about a normalization of that criticized percentage, what do we need to see before those kind of normalize over the next couple of years?

Steve Clark: So this is Steve again, Brody. On the hotel side, I just think we need to see continued improvement in occupancy and ADR. Our criticized in the hotel book, I think, peaked at around 50% of that book. It's down to 33% now. And we continue to see really, really strong performance on the leisure side of that business. About 35% of that book is leisure. And in fact, at the Jersey Shore and the Delaware beaches, the performance of those properties has exceeded 2019, in many cases, significantly.

I think what we need to see is continued improvement in the -- kind of in the business sect, primarily the Philadelphia market. We do see improvements coming out of market data and out of our own customer data in occupancy and ADR, certainly improved from 2020, but not back to 2019 or '18. So we're just waiting to see if that continues.

On the food service side, I think we need to see, there's so much stimulus in those businesses, and many of those businesses are still sitting on significant stimulus money. I really think we need to see that spent and then how do these companies perform. So a little bit of wait and see, but as you can see by our credit stats, looking at delinquency and such, all these businesses continue to perform and pay.

Rodger Levenson: Yes. The other thing I would add on the hotel sectors, I'm sure you saw in the release, we are very actively monitoring all of these portfolios, especially the hotel. And you might have seen that we did sell 2 loans related to 1 relationship in the hotel space, because we felt that, that particular borrower, which was -- had been a classified asset for a while now, was very -- had relatively weak global cash flow and concentrated in business travel. And we felt that, that had a significant likelihood of going to NPA in the future if there was a situation where the recovery didn't continue. And just based on the nature of the relationship with the borrower, we decided to sell those 2 loans. I would say, we sold them for north of $0.90 on the dollar, and we will continue to monitor that portfolio very actively.

Brody Preston: I did see that, Rodger, and you answered my question on what those note sales garnered. On -- I also noted in the Cash Connect, you all called out some investments you made in personnel and armored carrier services. Given the growth -- given the successful growth of that business, were those investments done for growth purposes? Or was it for any other reason?

Rodger Levenson: Yes. No, it's primarily timing consistent with our strategy with the business. We continue to look for positive operating leverage and invest in technology consistent with the overall delivery transformation strategy of the business to create back-office efficiencies along with revenue opportunities. And at the end of the day, it's just somewhat of a timing play in the third quarter, but continue to anticipate strong ROAs and top and bottom line growth from that business going forward.

Brody Preston: Got it. I just had a couple more. I'm a pretty simple guy in my thought process. And so I looked at the channel strategy and digital adoption slide, and I see that you all are consistently on the branch transactions are hovering around 2/3 of what you had been doing. And so I guess the simple question would be, why couldn't you just close 1/3 of your branches if transactions are down 1/3? Or should we expect some kind of larger kind of branch rationalization coming down the pike as you evaluate the 2022 plan here at the end of the year?

Rodger Levenson: So Brody, I would just harken back to the announcement when we made Bryn Mawr. Bryn Mawr gave us the opportunity to take a look at the combined retail footprint that we had of the 2 organizations coming together. And as you know, we announced a very significant reduction in locations as part of that, which really incorporated not just geographic overlap but foot traffic and all of the metrics of performance of those locations. But we did say at that point that we were going to continue to evaluate, and it's likely we will do more. It will just be in smaller pieces. And that process continues as we speak.

So net-net, just as a starting point, we said we would be back to legacy WSFS totals once we got through the first phase of that. So we were 89 locations before the combination. Bryn Mawr brought over just over 40. We said we'd get back to around 89, and then we would go from there, but likely in pieces, the smaller pieces. But it's something we constantly evaluate. And it's also something that we look at the rollout of some of our investments in Delivery Transformation to make sure that we have the products that we feel can help those customers impacted by those closures to have a richer digital interaction with us.

Dominic Canuso: If I just could add.

Rodger Levenson: Yes. Go ahead.

Dominic Canuso: Since we evaluate the branch count, clearly, transactions is part of it as that has been the primary expectation and performance of a branch. But as the model shifts, not only through the adoption of technology, these branches are as much sales centers. Our wealth business have folks there. Our small business utilize these offices for sales. So they are as much a sales center as they are a transaction center, and that's part of the view in which we take when we evaluate the consolidations.

Brody Preston: Great. And my last one would be one of the real success stories for you all. You all -- and for Bryn Mawr, for that matter, has been the growth of the wealth platform. And so I guess I wanted to ask, what is driving the market share gains that you all are seeing on the trust and then the bankruptcy side of the business. Is there anything specific to what you all are doing that is enabling you to take greater market share there every quarter?

Art Bacci: Brody, this is Art. I appreciate the comment. Yes, we've seen very strong growth on the corporate trust side, probably less on the bankruptcy. Clearly, there's not much activity going on there, but I'd attribute it to just we've brought on some new people in the business development side that have opened up some doors we didn't have before. So there's new relationships being formed. We've also formed some partnerships with firms like Portford and Intain, where we're able to do some really interesting -- implement some really interesting technology that automates some of the reporting the trust company has to do.

And I think when we package that up, all the services that we're putting together and going to the marketplace is resonating well. And as you noted, the market share growth, I think we went from 6% about a year ago to about 8% in the structured product market this year, and we just continue to see a good inflow. And we're living in an environment right now where the securitization market still remains very strong.

Operator: Your next question comes from the line of David Bishop with Seaport Research.

David Bishop: Most of my questions have been asked and answered, but I was wondering, I don't think I heard this earlier, but commercial line usage, just curious where that stood this quarter versus last quarter or maybe the same time last year?

Steve Clark: Yes. So David, it's Steve again. So actually, in the quarter, the utilization rate for commercial lines went down to 33.3%. So that was down from 35.4% the prior quarter. And that's about $35 million of outstanding balances being paid back. I don't have quarter -- year-over-year, quarter-to-quarter, but I can tell you, from year-end 2019, the utilization rate on commercial lines was 43.5%. And compared to this quarter, that represents about $219 million of balances paid back.

Rodger Levenson: Yes. I think -- David, it's Rodger. I think if we look historically, kind of mid-40s is where we were operating, 40% utilization prepandemic, pretty consistently throughout various cycles. So moving back towards that would be an indication of, I think, where things stand in the economy.

David Bishop: Got it. That's good color. And maybe another way to ask in terms of the consumer lending segments, maybe not so much the growth, but as you looked, I think you said it was like $500 million of loans, how big -- or I don't know if you saw it this way, but as a percentage of loans, just curious of how big you might see the partnership's getting?

Rodger Levenson: So I would just -- I think, broadly around consumer loans, we would like to have a nice mix on the balance sheet of around 20% consumer loans, 80% commercial loans over time, and it's going to take a little while for us to get there, particularly with the Bryn Mawr coming over, they add significant commercial loans and just, as Dominic said, a modest resi mortgage portfolio.

So that would be the sort of if you wanted to think about how we think about things over time, kind of where we would want to get to. But we are also entering a new phase here with some of these partnerships that we think has great promise, as Dominic said, not just from loan totals but from a customer and relationship acquisition strategy. And so I think this will be something we'll have to watch as we grow.

Operator: Your next question comes from the line of Erik Zwick with Boenning and Scattergood.

Erik Zwick: Just a quick follow-up for me, and apologies if I missed the discussion earlier. Looking at the core net interest margin at 2.82% today, and Dominic, your comments about making -- putting some of the liquidity to work in 4Q into the investment securities portfolio, is it right to infer then that, that 2.82% may be a bottom for the core margin and we could see some expansion going forward?

Dominic Canuso: Yes. I think that's fair to expect. We do anticipate the drag from excess liquidity, as I mentioned in my comments, they continue to come back down closer to 50 basis points by the beginning of next year. That will remain in that area until really the excess liquidity runs off or net loan growth consumes the cash flowing from that portfolio. And then at this point, it really comes down to the mix and the growth of the portfolio. We think between NewLane and Upstart and some of those products, which have really nice yields relative to commercial, along with just where the pipeline is looking from a yield perspective, that NIM should -- the core NIM there should expand from here.

Operator: And that concludes the question-and-answer session for today. I'll now turn the call over back to Dominic Canuso for final comments.

Dominic Canuso: Thank you all again for attending today. Rodger and I will be attending investor conferences and events during the fourth quarter and look forward to meeting with many of you then. Have a good weekend.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect.