UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 10, 2020

SACHEM CAPITAL CORP.
(Exact name of Registrant as specified in its charter)

New York	001-37997	81-3467779
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

698 Main Street, Branford, Connecticut	06405
(Address of Principal Executive Office)	(Zip Code)

Registrant's telephone number, including area code (203) 433-4736

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Ticker symbol(s)	Name of each exchange on which registered
Common Shares, par value $.001 per share	SACH	NYSE American LLC
7.125% Notes due 2024	SCCB	NYSE American LLC
6.875% Notes due 2024	SACC	NYSE American LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter)

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On August 10, 2020, Sachem Capital Corp. (the "Company") issued a press release, a copy of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference, announcing its financial results for the three and six month periods ended June 30, 2020.

Item 7.01. Regulation FD Disclosure.

On August 11, 2020, the Company hosted a conference call for investors to discuss its financial condition and operating results for the three and six months ended June 30, 2020 as well as other relevant matters. A transcript of the call is attached hereto as Exhibit 99.2.

The information furnished pursuant to this Item 7.01 shall not be deemed to constitute an admission that such information is required to be furnished pursuant to Regulation FD or that such information or exhibits contain material information that is not otherwise publicly available. In addition, the Company does not assume any obligation to update such information in the future.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press release, dated August 10, 2020, announcing financial results for the three and six months ended June 30, 2020.
99.2	Transcript of investor conference call held on August 11, 2020.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

In accordance with General Instruction B.2 of Form 8-K, the information in this Current Report on Form 8-K, furnished pursuant to Items 2.02 and 7.01, including Exhibits 99.1 and 99.2, respectively, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

* * * * *

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Sachem Capital Corp.

Dated: August 13, 2020

By: /s/ John L. Villano
John L. Villano, CPA
Chief Executive Officer and Chief Financial Officer

Exhibit Index

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Exhibit 99.1

FOR IMMEDIATE RELEASE

**Sachem Capital Reports Revenue Increase of 41%
and Net Income Increase of 98% for Q2 2020**

Conference Call and Webcast to be held at 8:00 AM EDT on Tuesday, August 11, 2020

Branford, Connecticut, August 10, 2020 -- Sachem Capital Corp. (NYSE American: SACH) announces its financial results for the second quarter ended June 30, 2020. The company will host a conference call on Tuesday, August 11 th, 2020 at 8:00 a.m. Eastern Daylight Saving Time to discuss in greater detail its financial condition and operating results for the second quarter of 2020.

Results of operations – three months ended June 30, 2020

Total revenue for the three months ended June 30, 2020, was approximately $4.3 million compared to approximately $3.1 million for the three months ended June 30, 2019, an increase of approximately 41%. For the second quarter of 2020, interest income and net origination fees were approximately $3.3 million and $647,000, respectively. In comparison, for the three months ended June 30, 2019, interest income and net origination fees were approximately $2.3 million and $341,000, respectively.

Total operating costs and expenses for the three months ended June 30, 2020, were approximately $2.0 million compared to $1.9 million for the three months ended June 30, 2019, an increase of approximately 6%. Compared to the 2019 period, in the 2020 period interest expense and amortization of deferred financing costs increased approximately $700,000 due to the increase in the company's overall indebtedness, which was $59.0 million at June 30, 2020, compared to $23.8 million at June 30, 2019.

In light of the COVID-19 pandemic, in the second quarter of 2020 the company made a strategic and purposeful decision to restrict lending and conserve cash. These prudent actions temporarily slowed the growth of our loan portfolio and associated revenue growth. This also accounted for the increase in investment income of approximately $33,000.

Net income for the three months ended June 30, 2020 was approximately $2.3 million, or $0.10 per share, compared to $1.1 million, or $0.06 per share per share for the three months ended June 30, 2019.

Results of operations – six months ended June 30, 2020

Total revenue for the six months ended June 30, 2020 was approximately $8.6 million compared to approximately $6.4 million for the six months ended June 30, 2019, an increase of approximately 34%. Revenue growth for the six months ended June 30, 2020, is directly related to the increase in loans funded during the first quarter of 2020. For the six months ended June 30, 2020, interest income was approximately $6.2 million and net origination fees were approximately $1.2 million, respectively.

Total operating costs and expenses for the six months ended June 30, 2020, were approximately $4.1 million compared to $3.2 million for the six months ended June 30, 2019, an increase of approximately 28%. The increase in operating costs and expenses is primarily attributable to the increase in the company's lending operations.

Net income for the six months ended June 30, 2020, was approximately $4.5 million, or $0.20 per share, compared to $3.2 million, or $0.19 per share for the six months ended June 30, 2019.

Financial Condition

Overall, total assets increased by approximately $2.2 million as of June 30, 2020, compared to December 31, 2019, and total liabilities increased approximately $350,000 during the same period.

On July 21, 2020, the Company authorized and declared a quarterly dividend of $0.12 per share to be paid to shareholders of record as of the close of trading on the NYSE American on July 31, 2020. The dividend was paid on August 7, 2020.

John Villano, CPA, the company's Chief Executive and Chief Financial Officer stated: "We continue to generate strong financial performance despite the COVID-19 pandemic, as evidenced by a 41% increase in revenue and 98% increase in net income. In response to COVID-19 and the potential impact on the overall business environment, in early March we took immediate action- by temporarily putting our growth strategy on hold and focusing on preservation of capital and careful maintenance of our existing portfolio. Since that time, it is important to note that forbearance requests dropped from 42 at the end of the first quarter 2020 to just 23 at the end of the second quarter, which we believe illustrates an overall improvement in the market and validation of our strategy. Looking ahead, we will continue to prudently deploy capital and we are pursuing opportunistic expansion and diversification of our loan portfolio. Our loan pipeline is robust and we are cautiously optimistic heading into the second half of the year."

Investor Conference Call

The company will host a conference call on Tuesday, August 11th, 2020 at 8:00 a.m., Eastern Daylight Saving Time, to discuss in greater detail its financial results for the second quarter ending June 30, 2020, as well as its outlook for the balance of 2020 and strategy for dealing with the impact of the COVID-19 pandemic. Interested parties can access the conference call by calling 844-407-9500 for U.S. callers, or 862-298-0850 for international callers. The call will be available on the company's website via webcast at https://www.sachemcapitalcorp.com. John Villano, the company's Chief Executive and Chief Financial Officer will lead the conference call.

The webcast will also be archived on the company's website and a telephone replay of the call will be available approximately one hour following the call, through August 25, 2020, and can be accessed by calling: 877-481-4010 for U.S. callers or 919-882-2331 for international callers and entering conference ID: 36572.

About Sachem Capital Corp.

Sachem Capital Corp. specializes in originating, underwriting, funding, servicing, and managing a portfolio of first mortgage loans. It offers short term (*i.e.,* three years or less) secured, non-banking loans (sometimes referred to as "hard money" loans) to real estate investors to fund their acquisition, renovation, development, rehabilitation or improvement of properties located primarily in Connecticut. The company does not lend to owner occupants. The company's primary underwriting criteria is a conservative loan to value ratio. The properties securing the company's loans are generally classified as residential or commercial real estate and, typically, are held for resale or investment. Each loan is secured by a first mortgage lien on real estate. Each loan is also personally guaranteed by the principal(s) of the borrower, which guaranty may be collaterally secured by a pledge of the guarantor's interest in the borrower. The company also makes opportunistic real estate purchases apart from its lending activities. The company believes that it qualifies as a real estate investment trust (REIT) for federal income tax purposes and has elected to be taxed as a REIT beginning with its 2017 tax year.

Forward Looking Statements

This press release may contain forward-looking statements. All statements other than statements of historical facts contained in this press release, including statements regarding our future results of operations and financial position, strategy and plans, and our expectations for future operations, are forward-looking statements. The words "anticipate," "estimate," "expect," "project," "plan," "seek," "intend," "believe," "may," "might," "will," "should," "could," "likely," "continue," "design," and the negative of such terms and other words and terms of similar expressions are intended to identify forward- looking statements.

We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to several risks, uncertainties and assumptions as described in our Annual Report on Form 10-K for 2019 filed with the U.S. Securities and Exchange Commission on March 30, 2020. Because of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this press release may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. In addition, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. We disclaim any duty to update any of these forward-looking statements.

All forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements as well as others made in this press release. You should evaluate all forward-looking statements made by us in the context of these risks and uncertainties.

Investor & Media Contact:
Crescendo Communications, LLC
Email: sach@crescendo-ir.com
Tel: (212) 671-1021

SACHEM CAPITAL CORP.
BALANCE SHEETS

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Assets		
Assets:		
Cash and cash equivalents	$ 4,647,973	$ 18,841,937
Investments	15,961,433	15,949,802
Mortgages receivable	111,430,500	94,348,689
Interest and fees receivable	1,557,092	1,370,998
Other receivables	116,397	141,397
Due from borrowers	1,243,580	840,930
Prepaid expenses	73,175	24,734
Property and equipment, net	1,377,992	1,346,396
Deposits on property and equipment	—	71,680
Real estate owned	7,023,382	8,258,082
Deferred financing costs	16,258	16,600
Total assets	$ 143,447,782	$ 141,211,245
Liabilities and Shareholders' Equity		
Liabilities:		
Notes payable (net of deferred financing costs of $2,451,618 and $2,687,190)	$ 55,711,382	$ 55,475,810
Mortgage payable	775,901	784,081
Accounts payable and accrued expenses	301,715	249,879
Other loans	257,845	—
Security deposits held	13,416	7,800
Advances from borrowers	1,012,201	848,268
Deferred revenue	858,885	1,205,740
Notes payable	65,402	75,433
Accrued interest	3,272	3,416
Total liabilities	59,000,019	58,650,427
Commitments and Contingencies		
Shareholders' equity:		
Preferred shares - $.001 par value; 5,000,000 shares authorized; no shares issued	—	—
Common stock - $.001 par value;100,000,000 shares authorized; 22,117,301 issued and outstanding	22,117	22,117
Paid-in capital	83,806,169	83,856,308
Accumulated other comprehensive income (loss)	35,189	(50,878)
Retained earnings (accumulated deficit)	584,288	(1,266,729)
Total shareholders' equity	84,447,763	82,560,818
Total liabilities and shareholders' equity	$ 143,447,782	$ 141,211,245

SACHEM CAPITAL CORP.
STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Revenue:				
Interest income from loans	$ 3,265,677	$ 2,315,325	$ 6,167,083	$ 5,066,405
Interest income on investments	33,162	—	130,678	—
Loss (gain) on sale of investment securities	(8,925)	—	437,159	—
Origination fees, net	647,499	340,823	1,158,555	705,540
Late and other fees	21,099	140,537	35,880	187,033
Processing fees	39,665	41,805	86,123	76,600
Rental income, net	29,456	47,255	40,184	72,904
Other income	283,009	179,391	567,283	296,531
Net gain on sale of real estate	—		—	7,149
Total revenue	4,310,642	3,065,136	8,622,945	6,412,162
Operating costs and expenses:				
Interest and amortization of deferred financing costs	1,152,302	452,406	2,302,255	1,073,454
Compensation, fees and taxes	383,968	465,193	724,355	849,420
Stock based compensation	4,107	4,107	8,214	8,214
Professional fees	110,104	70,215	242,413	154,222
Other expenses and taxes	6,534	17,139	35,238	31,332
Exchange fees	—	11,219	7,272	21,507
Expense in connection with termination of LOC	—	779,641	—	779,641
Impairment	245,000	—	495,000	—
Net loss on sale of real estate	—	—	4,460	—
Depreciation	14,688	18,164	30,971	25,667
General and administrative expenses	127,460	103,909	267,674	269,358
Total operating costs and expenses	2,044,163	1,921,993	4,117,852	3,212,815
Net income	2,266,479	1,143,143	4,505,093	3,199,347
Other comprehensive income				
Unrealized gain on investment securities	221,449	—	86,067	—
Comprehensive income	$ 2,487,928	$ 1,143,143	$ 4,591,160	$ 3,199,347
Basic and diluted net income per common share outstanding:				
Basic	$ 0.10	$ 0.06	$ 0.20	$ 0.19
Diluted	$ 0.10	$ 0.06	$ 0.20	$ 0.19
Weighted average number of common shares outstanding:				
Basic	22,117,301	18,499,531	22,117,301	17,144,104
Diluted	22,117,301	18,499,531	22,117,301	17,144,104

SACHEM CAPITAL CORP.
STATEMENTS OF CASH FLOW
(unaudited)

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 4,505,093	$ 3,199,347
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred financing costs	235,913	94,323
Depreciation expense	30,971	25,667
Stock based compensation	8,214	8,214
Impairment loss	495,000	—
Loss(gain) on sale of real estate	4,460	(7,149)
Abandonment of office furniture	—	12,000
Costs in connection with termination of line of credit		439,446
Realized gain on investments	(437,159)	—
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Escrow deposits	—	12,817
Interest and fees receivable	(186,094)	(449,809)
Other receivables	25,000	25,000
Due from borrowers	(597,776)	780,320
Prepaid expenses	(48,441)	(48,013)
Deposits on property and equipment	71,680	(177,481)
(Decrease) increase in:		
Due to note purchaser	—	(176,619)
Accrued interest	(144)	—
Accounts payable and accrued expenses	51,836	(5,706)
Deferred revenue	(346,855)	50,088
Advances from borrowers	163,933	(54,560)
Total adjustments	(529,462)	528,538
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,975,631	3,727,885
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(17,428,603)	—
Proceeds from the sale of investments	17,940,198	—
Proceeds from sale of real estate owned	1,762,775	264,809
Acquisitions of and improvements to real estate owned	(1,027,533)	(342,598)
Purchase of property and equipment	(62,567)	(165,263)
Security deposits held	5,616	—
Principal disbursements for mortgages receivable	(42,303,747)	(28,516,128)
Principal collections on mortgages receivable	25,417,062	21,098,466
NET CASH USED FOR INVESTING ACTIVITIES	(15,696,799)	(7,660,714)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	—	42,720,829
Repayment of line of credit	—	(69,939,952)
Proceeds from notes sold to shareholder	—	1,017,000
Principal payments on mortgage payable	(8,181)	(2,947)
Principal payments on notes payable	(10,031)	—
Dividends paid	(2,654,076)	(4,679,293)
Financing costs incurred	(58,353)	(12,113)
Proceeds from other loans	257,845	—
Proceeds from mortgage payable	—	795,000
Repayment of mortgage payable	—	(290,984)
Proceeds from notes payable, net	—	71,820
Issuance of common stock ATM, net	—	15,460,427
Gross proceeds from issuance of fixed rate notes	—	23,000,000
Financing costs incurred in connection with fixed rate notes	—	(1,270,000)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(2,472,796)	6,869,787
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(14,193,964)	2,936,958
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	18,841,937	158,860
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 4,647,973	$ 3,095,818

SACHEM CAPITAL CORP.
STATEMENTS OF CASH FLOW (Continued)
(unaudited)

	Six months Ended June 30,	
	2020	**2019**
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Taxes paid	$ —	$ —
Interest paid	$ 2,066,341	$ 979,131

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES

Real estate acquired in connection with the foreclosure of certain mortgages, inclusive of interest and other fees receivable, during the period ended June 30, 2019 amounted to $1,962,669.

Exhibit 99.2

ISSUERDIRECT

Trading Under the Symbol: ISDR

Transcript of

Sachem Capital

Second Quarter 2020 Conference Call

August 11, 2020

Participants

David Waldman - IR, Crescendo Communications
John Villano - CEO and CFO

Analysts

Rommel Dionisio - Aegis Capital
Jim Altschul - Aviation Advisors

Presentation

Operator

Good day, ladies and gentlemen, and welcome to the Sachem Capital Second Quarter 2020 Conference Call. All lines have been placed in a listen-only mode and the floor will be open for your questions and comments following the presentation.

At this time, it is my pleasure to turn the floor over to your host, Mr. David Waldman of Investor Relations. Sir, the floor is yours.

David Waldman - IR, Crescendo Communications

Good morning, everyone, and thank you for joining Sachem Capital Corp's Second Quarter 2020 Conference Call. On the call with us today is John Villano, CPA, Chief Executive Officer and Chief Financial Officer of Sachem Capital.

Yesterday, August 10th, the company announced its operating results for the quarter ended June 30, 2020 and its financial condition as of that date. The press release is posted on the company's website, www.sachemcapitalcorp.com.

In addition, the company filed its Form 10-Q with the U.S. Securities and Exchange Commission on August 10th, which can also be accessed on the company's website as well as the SEC's website at www.sec.gov. If you have any questions after the call or would like any additional information about the company, please contact Crescendo Communications at 212-671-1021.

Before Mr. Villano reviews the company's operating results for the second quarter of 2020 and the company's financial condition at June 30, 2020, we would like to remind everyone that this conference call may contain forward-looking statements. All statements other than statements of historical facts contained in this conference call, including statements regarding our future results of operations and financial position, strategy, and plans and our expectations for future operations are forward-looking statements. The words anticipate, estimate, expect, project, plan, seek, intend, believe, may, might, will, should, could, likely, continue, design, and the negative of such terms and other words in terms of similar expressions are intended to identify forward-looking statements.

These forward-looking statements are based largely on the company's current expectations and projections about future events and trends that it believes may affect its financial condition, results of operations, strategy, short- term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to several risks and uncertainties and assumptions, as described in the company's quarterly report on Form 10-Q for the second quarter of 2020 filed with the U.S. Securities and Exchange Commission on August 10, 2020 as well as its annual report on Form 10-K filed on March 30, 2020.

Because of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this conference call may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Although the company believes the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, level of activity, performance or achievements.

In addition, neither the company nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. The company disclaims any duty to update any of these forward-looking statements. All forward-looking statements attributable to the company are expressly qualified in their entirety by these cautionary statements as well as others made in this conference call. You should evaluate all forward-looking statements made by the company in the context of these risks and uncertainties.

With that, I'll now turn the call over to John Villano. Please go ahead, John.

John Villano - CEO and CFO

Thank you, David, and thanks to everyone for joining us today. I'm very pleased to report Sachem achieved another strong quarterly performance despite the impact of COVID-19 pandemic. Specifically, revenue increased 41% to $4.3 million and net income was $2.3 million or $0.10 per share, compared to $1.1 million or $0.06 per share for the same period of 2019.

As discussed on our last call, we started the year strong, deploying capital and increasing our mortgage loan portfolio. However, once COVID took hold, and we realized its potential impact on the overall business environment, we took immediate action. Specifically, we implemented new underwriting guidelines to reduce our lending risk by focusing on preservation of capital, and careful maintenance of our existing portfolio. Our guidelines include (1) limiting new loan activity to the amount of income and cash received by loan payoffs; (2) reducing the LTV on new loans not to exceed 50%, down from 70%; (3) loans greater than $1 million required Board review; and finally requiring interest fees reserve on large loans.

We believe these steps were justified and necessary given the pervasive uncertainty in the marketplace. In hindsight, this was the right decision. And, although it temporary limited our growth aspirations, we believe we have substantially mitigated the financial impact of COVID-19 on our business. Despite these steps, we continue to generate strong financial performance, as evidenced by a 41% increase in Q2 revenue and a 98% increase in net income.

I am also pleased to report that since the end of the first quarter, forbearance requests dropped from 42 at the end of the first quarter of 2020 to just 23 at the end of the second quarter. Loans with forbearance provisions dropped from an initially reported $9.2 million at March 31, 2020 to a current $6.5 million. We attribute this to an overall improvement in the market environment and a validation of our conservative lending strategy.

Effective July 1, 2020, we relaxed some of our more restrictive underwriting guidelines by increasing our loan-to-value ratio back to 70% and removing the cash in, lend out restriction. We still remain cautious. However, we have begun to prudently and more actively deploy capital. We're also pursuing opportunistic expansion and diversification of our loan portfolio. We are expanding both our geographic footprint as well as diversifying into additional asset classes, such as larger multifamily and higher-end "fix and flip" properties, where we believe we can effectively deploy larger amounts of capital with potentially higher returns, better sponsorship and lower risk.

I am pleased to report our loan pipeline is very robust, and we are cautiously optimistic heading into the second half of the year.

I would now like to touch on some key financial highlights and talk more about our strategy moving forward. If you need any additional insight into the financial details, please review our recently filed 10-Q and press release.

First, total revenue for the second quarter of 2020 increased 41% to approximately $4.3 million, compared to approximately $3.1 million for the same period last year. Interest income, net origination fees and interest on investment all increased during the period. Late fees and processing fees decreased during the period reflecting tighter lending standards and less funding volume, along with a reduction in rental income as rental properties were sold. For the six months ended June 30, 2020, revenue and net income increased 35% and 44% respectively, representing stable performance year-over-year.

Total operating costs and expenses for the quarter ended June 30, 2020 was approximately $2 million, compared to $1.9 million for the same period last year. The increase in operating costs and expenses was primarily attributable to an increase in interest and amortization of deferred financing costs of approximately $700,000, reduced by one-time expense relating to the termination and payoff or our line of credit in June of 2019. The increase in interest income reflects loan growth from the utilization of the cash raised last year from our note sale in November of 2019. However, the liquidity protection afforded by our cash balances comes with a cost and pressure on earnings. We look forward to further deploying this capital as we identify attractive opportunities in the market.

Finally, net income for the three months ended June 30, 2020 was approximately $2.3 million or $0.10 per share, compared to $1.1 million or $0.06 per share for the three months ended June 30, 2019.

Overall, we believe our financial results are a good sign that things are slowly improving in the real estate markets where we operate. However, we realize there are still market risks, and we must be able to quickly adapt our strategy as market conditions evolve.

In terms of Sachem's overall financial condition, little changed from December 31, 2019. Total assets at June 30, 2020 increased by $2 million to $143 million, liabilities increased approximately $350,000 to $59 million, and shareholders' equity increased by approximately $1.9 million to $84.4 million. During the six months ended June 30, 2020, our loan portfolio increased by approximately $17 million, and our balance sheet remains solid with over $143 million of assets backing $56 million in notes.

As a mortgage REIT, our debt levels are extraordinarily low versus our peers thereby providing stability during these difficult times. Let's remember, Sachem is not a note seller. We portfolio all our paper believing it is the best risk adjusted return we can find for our shareholders. In addition, we do not over-lever our portfolio to garner higher leveraged returns. As of June 30, 2020, of the 477 mortgage loans in our portfolio, just 13, or approximately 2.7%, were in the process of foreclosure. As you would expect, loans in foreclosure are actively managed with the goal of unlocking our invested capital in a timely manner. Currently foreclosure and eviction proceedings are stalled as all state courts are closed.

We expect to see progress in this area starting in October 2020 as courts begin to work through their large backlog. As I mentioned earlier, included in our 477 loans are 23 COVID-19 forbearance requests, representing $6.5 million of mortgages receivable down from 42 or $9.2 million at the end of the first quarter of 2020. As of June 30, 2020, real estate owned decreased by $1.3 million to $7 million, compared to $8.3 million at year-end. Net cash providing by operating activities for the three months ended June 30, 2020 was approximately $4 million, compared to approximately $3.7 million for the same period last year.

In terms of our dividend, on July 21, 2020, the Board authorized and declared a quarterly dividend of $0.12. This was paid on August 7, 2020. As most of you are aware, as a REIT, Sachem is required to distribute a minimum of 90% of its taxable income each year to shareholders and we intend to satisfy this requirement for 2020.

Let me take a moment now to discuss liquidity and capital resources. We ended the June quarter with approximately $20.6 million of cash, cash equivalents and short-term investment securities. These funds are the balance remaining from the $31.4 million in equity capital and $58.2 million of debt capital we raised last year. The net proceeds from these financing transactions we used to pay off our entire outstanding balance on our $35 million credit facility and excess proceeds were intended to grow our loan portfolio and for working capital.

Our decision last year to refinance and strengthen our balance sheet and its timing has worked to our advantage, as we believe we are better capitalized than our competitors. Currently, we have three term sheets in hand as we pursue a financing transaction to bolster our balance sheet prior to the election and for second half loan growth.

From a macro perspective, Sachem is effectively competing with well-capitalized market participants, aggressive pricing and generally less stringent lending criteria. Moving forward, we will continue to monitor COVID, the markets we fund and economic conditions as a non-bank lender with a strong balance sheet and less than 1% of our assets secured by creditors. We believe we are well-positioned to expand our lending area, capitalizing on cash-starved lenders and banks' continued unwillingness to lend. Most of Sachem's competition is funded by banks and large mortgage REITs, and with these entities going through their own challenges, almost no money is being deployed to compete with us. The fact that we are able to lend off our own balance sheet is a major differentiator and competitive advantage for Sachem.

In terms of the direct impact of COVID-19 to our personnel, I am pleased to report that all our employees remain safe and healthy. We have not furloughed anyone, nor have we implemented pay cuts. I'd like to thank all of our team members for their hard work during this difficult period. It was truly an all-hands-on-deck moment for the company. Despite these challenges, we have continued to grow the business in a prudent and sustainable manner.

So to summarize, given the current market conditions and the uncertainty that still exists around COVID-19, we believe we are uniquely positioned as the go-to non-bank real estate lender, while our competitors tighten their lending criteria to shore up weak balance sheets or squeeze borrowers to comply with strict credit requirements. The demand for our products and services remains strong and we have seen this in our results. That said, we are approaching the market cautiously and with prudence. We intend to seize the opportunities we see ahead. We are diversifying our portfolio to include more projects such as larger multifamily, where we can effectively deploy capital with creditworthy borrowers. We are also expanding our geographic focus to include markets such as Florida and Texas, where we see opportunities to invest capital with attractive risk adjusted returns.

To this end, I'm pleased to welcome Dr. Pete Cuozzo as our company's Executive Vice President and Chief Operating Officer, effective July 1, 2020. Pete's responsibilities will include oversight of the company's entire operations, expanding Sachem's business in Florida and Texas, and developing new markets. In addition to his extensive work and assistance growing Sachem in our early pre-IPO days, he brings over three decades of senior executive experience at well-known companies such as GE, Syngenta, HP, Stanley Black and Decker and Hess. In the short time since joining, Pete's contributions have created value within our organization, and we look forward to his continued guidance as we execute on our strategy to accelerate profitable growth and drive operational excellence.

As I have stated in the past, we have built a highly scalable business model to drive increased revenue and cash flow, which we believe will continue to grow profits and dividends in the years ahead. I am pleased with our operating results for the quarter, and I believe we have taken the necessary steps to navigate the current market. I am confident we will emerge from the ongoing pandemic in a very strong competitive position.

I would like to thank you all for joining the call today. At this point, we would like to open the call for questions.

Operator

[Operator instructions]. We'll go first to Rommel Dionisio at Aegis Capital.

Q: Thanks and good morning. John, a couple of quick questions for you. First, I wonder, there's a lot of moving parts, obviously in the real estate market, low interest rates, perhaps people moving out of the cities into Connecticut, but also some economic headwinds. Could you just maybe break all that down and maybe share the overall kind of property value trends that you're seeing these last few weeks? Obviously, a lot of moving parts there. Thanks.

John Villano - CEO and CFO

Hi. So, the real estate trends in Connecticut, where we have 90% of our business, they have changed dramatically. Real estate has now become popular. Real estate listings are moving quickly and this is quite different from what we were seeing in December and January of 2020.

Yes, we are seeing a migration from the cities. We are seeing people take advantage of the low interest rates. Once again, housing is becoming affordable. We are also seeing lower-priced homes get snapped up quickly. This is a market that we really spend a lot of time in this, and our average loan balance is somewhere in the vicinity of $250,000. So, we are a direct beneficiary of the move with lower interest rates and people, first-time homebuyers, buying property. Renters are now buying property.

And as you've heard in our call, REO was down 1.3 million in the six months ended June 30. It's kind of a nice trend and I expect there will be some headwinds at some point where prices become unreachable. As all real estate markets change, we're on the lookout. But for right now, we're enjoying the fact that our borrowers have a lot of liquidity when it comes to selling their investments.

Q: Okay. Just a quick follow-up if I may. You mentioned in your recent press releases a potential expansion into Florida, especially with new executive COO that you're bringing on. Could you maybe just give us a roadmap for what that might look like? Obviously, that's a region that's been pretty hard hit by COVID. Yes, just maybe in terms of timing, I mean, could we see some of that in the second half of the year or is it really more of a long-term goal? Thanks.

John Villano - CEO and CFO

We have started a move into the area and the Florida real estate market is quite robust with quite a few northern families, Midwestern and Canadian families, heading south, some in search of warmer climates, some in search of tax benefits.

What we're doing in Florida is a slow and systematic expansion. We are marketing in Southern Florida. We have web advertising running. We are unbelievably selective in any loans that we accept in that area. We do have boots on the ground to review properties. We have law firms. We're beginning to build a structure there.

Again, it is slow and steady. Our capital at the moment doesn't allow us to become a significant player in the Florida market just yet, and the same is true for Texas. We have boots on the ground. We have an operator in that area that we trust explicitly. And, we have some loans from him in our portfolio, and we look to expand those ones to diversify our portfolio. And just again, we're looking for better sponsorship of our invested dollars. That's all.

Q: Okay. Very good. Thanks so much, John.

Operator

[Operator instructions]. We'll go next to Jim Altschul at Aviation Advisors.

Q: Good morning. A couple of questions. First of all, with regard to the forbearance request, how are you reflecting among the P&L and balance sheet? I mean, are you recording the full revenue according to the amounts receivable or are you doing something? What are you doing?

John Villano - CEO and CFO

Okay. So, I do think, we treat our forbearance requests somewhat different than others. Because we are a commercial lender, we are not specifically required to grant 30-, 60-, 90-day extensions. We did however provide relief to some of our borrowers when they could demonstrate the damage that they or their family or their property has incurred.

The first thing we look for is the borrower must be current. In order to get a forbearance request, you can't be 90 days late and then ask for help. So first and foremost, our borrower has to be paying as agreed.

The next thing we did was value the property to make sure that we had the proper LTV so that we could extend credit to the borrower. And so, now if the borrower is current and we have availability to lend, what we did is we modified the borrower's note. So in effect, if a borrower had requested a 90-day forbearance, we actually funded 90 days of interest. They signed legal documents. We had a formal closing. We took the 90 days of interest and we have escrowed that on our balance sheet and for each 30-day period, we took that portion of the interest and we took it in as revenue.

So, the final important fact here is that our borrowers look to move these properties at some point and we all know how banks operate. If there is a payment deficiency or late pay, some of our borrowers will not be able to be refinanced so we made sure we did not further complicate the COVID situation. Now when a bank calls us for a payment history, with an open heart, we could say, yes, these payments have been made.

Okay? So we're not just granting a 90-day freebie and it's open. It's not like an open chamber of air with no money. These are not bad loans to be perfectly clear. These are people working through issues; they've clearly demonstrated to us the need for assistance.

Q: I mean I didn't say they were bad. I wanted to understand how you were accounting for them, which you explained in great detail which I appreciate.

Next question. You have a significant amount of investments on the asset side of the ledger, I guess, some of the proceeds from the notes that you have now get deployed in loans. I mean what type of securities or instruments are you investing?

John Villano - CEO and CFO

I'll say this, because I don't have the statement in front of me, these are investments that are bombproof. So, we're earning somewhere in the range of 3.5% on our investments. These are not individual stocks. These are not any investment that would have high risk. There's some corporate bonds; there's a few CDs in there, but again, it's nothing with—there's no margin. We're not striving for yield.

Right now our cash balance is somewhere in the vicinity of $15 million or $16 million, down from $20 million, at June 30th. So, we're starting to work our way through it. But again, we put the investment in a bombproof position and it is managed well, as you can see by our investment income and gains that we've incurred on the money. But again, it's bombproof. We want to sleep at night and we're not gambling the money.

Q: Good. And just one other thing, I don't want to take too much of your time, but in the quarter there was an impairment charge. Could you tell us a little about that, please?

John Villano - CEO and CFO

Sure. We actively monitor loans that are in foreclosure that we try to get a feel for market value compared to our carrying cost in the assets. And we go through this; we will make an impairment. That impairment may be larger or smaller than what we anticipate, but we're trying to be proactive. We try to have a crystal ball but it's not that easy. The trick in this environment is—we don't know how a property is going to come back to us. That's really the trick and we do inspect properties in trouble, foreclosure properties, fairly consistently in an effort to see and damage, is garbage on the lawn and things like that.

And, let me speak honestly, nobody gives us the property in good shape, in as good a shape as when they bought it. So, we sometimes take impairment charges to really in effect smooth earnings to anticipate potential losses. But again, we don't have a crystal ball; we try to be as accurate as we can.

Q: Thank you very much for your detailed answers to my questions.

Operator

With no other questions holding, Mr. Villano, I'll turn the conference back to you for any additional or closing comments.

John Villano - CEO and CFO

First and foremost, I'd like to thank our shareholders. We're doing what we can. We have challenging times. We are good stewards of your invested dollars. We think the best is yet to come. Thank you.

Operator

Ladies and gentlemen that will conclude today's conference. We appreciate your participation today. You may disconnect at this time and have a great day.