

Tomson Testimony to NYS Senate/Assembly

Wednesday, May 13, 2020

Good afternoon. My name is Anders Tomson, President and CEO of Chemung Canal Trust Company. Thank you for allowing me to be here to represent our bank and the Independent Bankers Association of New York (IBANYS), as well as other community banks throughout New York State.

Originally chartered in 1833, Chemung Canal Trust Company is New York State's oldest locally-owned and managed community bank. We operate 32 offices within 13 counties, twelve in New York and one county in Pennsylvania. Seven of our offices are located in the Capital District of New York and operate under the name, Capital Bank, a division of Chemung Canal Trust Company. We are headquartered in Elmira, NY, and also operate through a regional headquarters just down the block, on State St., here in Albany. We provide banking services to 49,000 households and 5,500 businesses; employ 362 full time equivalents and are supervised by the New York State Department of Financial Services and the Federal Reserve Bank.

In addition to traditional banking, we offer a full range of trust and investment management services, utilizing full trust powers first authorized in 1903. As of March 31, 2020 the assets under management and administration of our wealth management group totaled \$1.7 billion. We service approximately 1,100 wealth management clients through offices located in Elmira, Binghamton and Albany.

We are the principal subsidiary of Chemung Financial Corporation, a publically traded company, listed on the Nasdaq Stock Market, with assets totaling \$1.8 billion, as of March 31, 2020.

It's an understatement to say that the foundation of our local, state and national economies hit a wall in early to mid-March, as national and state emergencies were declared by government officials, in an effort to slow the spread of the Coronavirus pandemic. The immediate result of these governmental decisions was the temporary closure of non-essential businesses, which prompted employee furloughs, layoffs or possible terminations. Many of these businesses and their employees are clients of our bank.

Throughout March we have worked diligently to achieve two primary goals: provide essential banking services to our clients and the communities we serve, which our communities have come to rely on, and creating a safe banking environment for our clients and staff. We are accomplishing this by supporting our employees, applying sound banking practices and providing transparent communications to our staff, customers and the public.

To assist our clients and the communities we serve, our bank has continued to support the financial needs of our customers and community residents. For those affected by the COVID-19

pandemic, either through medical consequences of the virus or the economic impact of the emergency declarations, we have:

- Waived: ATM transaction fees, overdraft and NSF fees, early withdrawal penalties on CDs
 - More than \$15,300 in fees have been waived, as of April 30, 2020
- Modified and/or deferred payments on 806 residential mortgages and consumer loans
 - Representing \$1.7 million in principal & interest payments and \$36.3 million in loan balances, as of April 30, 2020
- Modified and/or deferred payments on 107 commercial loans
 - Representing \$5.5 million in principal & interest payments and \$281.3 million in loan balances, as of April 30, 2020
- Eased requirements to allow non-customers or unbanked residents to cash their Economic Impact Payment (stimulus) checks at any of our branches
- Managed nearly 19,000 direct deposit credits for current and former clients of their Economic Impact Payments
 - Many hundreds of these transactions were sent to closed accounts or had incorrect account numbers. Despite this, our staff carefully researched and tracked down the correct contact information so that these funds were able to be received by the appropriate consumers. Only approximately 1% of all direct deposits needed to be returned to the IRS, most of whom were sent to taxpayers who had died.

In support of the business community throughout our 13 county footprint, and as a Certified SBA Lender, we were an active participant in the SBA administered Payroll Protection Plan (PPP) loan program, created as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The program was enacted by Congress and signed by President Trump on March 27th and was widely discussed in the news media, but the original loan and operational criteria was not announced (although not yet finalized) until the evening of April 2, 2020, with applications scheduled to be completed and submitted the following day. Unfortunately, due to technical issues within the SBA system, applications were not accepted by the SBA Portals (E Tran) until the following Monday, April 6th. The PPP Phase 1 funding totaled \$349 billion and was depleted in 9 days. Phase 2 off the PPP loan program (\$310 billion in funding) was authorized on April 23rd and the SBA began accepting applications on April 27th. As of today, there are still funds available for applicants. Despite the operational and procedural glitches in the SBA's application process, and the lack of final details on many of the key provisions of the loan and service agreements, we believe that this funding mechanism has provided an important stream of capital to commercial borrowers in the markets we serve.

Chemung Canal Trust Company and our Capital Bank division has been completely engaged in the PPP loan program. Our bank's management team "rallied the troops," updated loan officers on the details of the PPP product, redeployed other bank staff to supplement members of our support team (data input and closers, etc.). Our commercial lending team, comprised of 14 bankers, doubled in size (through the support of other bank employees) and began working nearly 24/7 to meet the Phase 1 demand. At the time the initial funds were depleted, we had

processed 405 PPP loans, totaling \$145.4 million. We duplicated our employee efforts for Phase 2 of PPP and as of April 30, 2020 we had submitted an additional 590 loans, totaling \$36.0 million. Applications continue to be received during May, although at a more tempered pace.

The total dollar volume of PPP loans that we have processed (995 loans, totaling \$181.4 million) represent nearly a normal year's worth of commercial loan originations, and the number of loans totals almost three years' worth of closed loans. We experienced several days during this process when we were closing 90 – 100 loans each day. Our PPP loans were made to clients and non-borrowers alike. We did establish new credit relationships with small businesses who, prior to PPP, had only used our bank for deposit services. Our commercial loan team estimates that more than 50% of our PPP borrowers did not have an existing credit relationship with our bank. And while our average loan during Phase 1 was \$359,000, in Phase 2 the average loan total equaled \$61,000. The median size of our approved PPP loans equaled \$45,500. In analyzing our applications: 14% (138) requested \$10,000 or less and 54% (541) requested less than \$50,000. The size of loan amounts approved ranged from less than \$1,000 to more than \$8.5 million. The \$181.4 million total for all 995 loans is estimated to impact more than 22,000 employees.

I hope these details help establish a glimpse how proud I am of all of our employees who have worked long hours, including many nights and weekends, helping our bank provide essential financial services throughout our 13 county footprint. The impact of our facilities crew, the empathy of our collections staff, the encouragement of our lenders, the availability of our tellers and branch staff and all the rest of our 362 employees have truly defined what a community banker is to our clients and our communities.

Our actions have been greatly supported by our trade associations: ICBA and NYBA, as well as our Regulators at DFS and the Fed. We are appreciative of the open lines of communication between our bank and our state and national government officials. I specifically want to thank Chairman Sanders, Congressman Meeks, Congressman Reed, and members of the NYS Senate and Assembly, who represent us throughout our footprint, for their eagerness to explore and understand the impact of the financial impact of the COVID-19 pandemic within our state.

As I mentioned at the very beginning, our bank was chartered in 1833. That means we've survived the Civil War, World Wars and conflicts, pandemics, natural disasters and the 9/11 terrorist attacks. We understand the important role that we play in our local economy. We are undaunted by the challenge and eager to assist as best we can. Our Board, Management and employees are committed to making a positive difference. We've been doing this since the pandemic began, and we are eager to continue the effort.

On behalf of the Chemung Canal family, we hope you, your families and colleagues remain healthy and stay safe. And I thank you for the invitation to be with you today and provide this information.