

## **Tomson Testimony to NYS Senate – Standing Committees on Banks and Commerce, Economic Development and Small Business**

*Wednesday, October 14, 2020*

Good morning. My name is Anders Tomson, President and CEO of Chemung Canal Trust Company. Thank you, Senator Sanders and Senator Kaplan, 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 (NYS).

Originally chartered in 1833, Chemung Canal Trust Company is New York State's oldest locally-owned and managed community bank. We currently 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, on State St., in Albany. We provide banking services to approximately 50,000 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 of New York.

We are the principal subsidiary of Chemung Financial Corporation, a publically traded company, listed on the Nasdaq Stock Market, with assets totaling \$2.1 billion, as of June 30, 2020.

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 June 30, 2020 the assets under management and administration of our wealth management group totaled \$1.9 billion. We service more than 1,000 wealth management clients, including many small businesses and their employee retirement plans, through offices located in Elmira, Binghamton and Albany.

The founding of our company, in 1833, was inspired by the need to finance and support businesses at the time of the opening of the Chemung Canal, "the waterway" that connected the Chemung River, in Elmira, to Seneca Lake. This new transportation route allowed barges to move coal, lumber, and other agricultural products from the southern tier and northern Pennsylvania northward to the Erie Canal. As a result, our locally sourced goods were available to be delivered, through the canal system, to larger and more diverse world markets.

While much has changed in the 187 years that have followed, the relationship between our banking formation and the foundation of our continuing success has been intertwined with the successes of our small business community. We recognize and support the important role they

play as providers of employment opportunities to our local residents, as well as deliverers of goods and services throughout our footprint and far beyond.

It is well documented that the impact of the COVID-19 Pandemic has significantly altered the normal operating environment of businesses throughout our footprint, as well as our state and nation. Some industries, especially those closely tied to the supply chain, have flourished, but the vast majority of businesses, especially those in the service industry and those reliant on discretionary spending have, and continue, to suffer.

Our operating region is certainly not immune to this situation. A significant majority of our footprint lies within the Finger Lakes region of New York State, which relies heavily on tourism as a feeder to nearly all business industries within the region. While the NYS and CDC guidelines for “flattening the curve” of the Coronavirus has made an impact in reducing the spread of the virus (although recent data identifies new “hot spots” throughout our state), they have created a significant financial impact on small businesses. And a reduction in business revenues and profits has had a corresponding impact on employment. According to the New York State Department of Labor, compared to August 2019, the current unemployment rate for every major metro area within our footprint has significantly increased, and in all but one area has more than doubled. This has created a strain on the majority of all businesses and the support service agencies that provide assistance throughout our communities.

I am proud of our bank’s efforts to assist small businesses during this pandemic. As of June 30<sup>th</sup> we had modified 175 commercial loans, totaling \$286.5 million, for business clients within our loan portfolio, while at the same time processing and funding nearly 1,200 Paycheck Protection Program (PPP) loans, totaling \$186.9 million and impacting approximately 19,000 employees of those businesses. Specific to our small business PPP lending efforts, almost 59% of the number of loans we originated were for \$50,000 or less, while 81% of our PPP loans were originated for less than \$150,000.

These efforts are in addition to loan modifications, fee waivers and other financial concessions provided to individual customers.

Additionally, we have remained diligent in our efforts to counsel and advise business clients that are experiencing difficult financial hardships, resulting from reduced cash flows stemming from the economic conditions impacting their customers or from limitations imposed as a result of CDC guidelines designed to reduce the spread of the virus. As community bankers we value the relationship we develop with all clients, especially our small business customers, as a

trusted financial partner – not just a service provider. This focus on relationship building has been a hallmark of our success for nearly two centuries.

Though we have not experienced an increase in past due loans since the beginning of the year, our commercial clients indicate that, in many cases, this is largely due to the support of loan modifications and the economic stimulus legislation enacted by Congress. As time goes on, the financial stressors on businesses is likely to create added pressure to our business clients' already impacted bottom line. We recognize that the financial uncertainty of our business clients remains "in process" and is likely to persist for a very long time. We are committed to working closely with each and every client towards a resolution that meets the needs of all involved. As a well-capitalized financial institution, we are ready and prepared to assist in satisfactorily resolving the financial difficulties of our clients.

As we compare 2020 small business lending activity to 2019, exclusive of PPP lending, we are seeing a noticeable decrease in applications. While we have experienced an uptick in the average balance of the approved loans, the general assessment within the footprint is that small business owners are continuing to take a "wait and see" approach, generally believing that this may not be the right time to take on additional debt, expand their facilities, purchase new equipment, or create new business lines. Within the majority of our footprint, there has been a noticeable pause awaiting improvement in overall economic conditions. As a prime example, within our service related businesses, which relies heavily on the foot traffic generated through tourism, business owners anticipate delays in their economic improvement until a time when travel restrictions and occupancy levels are less restrictive.

Going forward, the COVID-19 pandemic provides both an opportunity and a challenge for Chemung Canal Trust Company, and all financial institutions, as we rethink how to evaluate small business loan applications. Traditional underwriting methods will need to be revised to adjust for the negative financial outcomes resulting from the pandemic operating environment. Skillful lenders will need to better understand the applicants' business model and ability to adapt and excel under changing economic conditions. While this is a work in progress, I'm confident that we will make the appropriate changes to benefit the small business community, which remains as an important cornerstone within our local communities.

That being said, Chemung Canal Trust Company is well positioned to provide small business loans, to meet current requests and in anticipation of increased demand, as business borrowers gain more confidence as their pandemic (and post-pandemic) operating models allow. Our liquidity position is strong, we are well capitalized and we have a strong bench of engaged,

experienced lenders and support staff to accommodate borrowers and their future lending needs.

These are difficult days for all. The lines of communication between our bank and our Regulators at DFS and the Fed, along with our state and national government officials has served as an important resource as we navigate and execute through this ever changing operating environment. And the support received from our trade associations: IBANYS and NYBA has been a significant factor in our situational awareness and planning process.

As a community bank, we succeed by building strong, long-term relationships with our clients and the communities we serve. I am honored to lead a group of banking professionals that has worked diligently over the past seven months, to assist as a financial resource and provider for our entire client base. No matter which department of the bank they serve, our employees have been driven by the knowledge that our collective efforts are making a difference in the lives of our families, friends and neighbors, as well as the communities that we serve.

On behalf of the Board of Directors, management and staff of Chemung Canal Trust Company, I extend our best wishes to each of you for continued good health. Thank you for the invitation to be with you today and provide this information.