Governor’s Economic Recovery Subcommittee Infrastructure  
(Transportation, Construction, Broadband, and Banking)

AGENDA Friday, 6/19/20

• Presentations:
  o Chris Pinkham, President, Maine Bankers Association
  o Todd Mason, President & CEO, Maine Credit Union

Key Takeaways

Maine Credit Union:
- There are 55 credit unions in ME, with 200+ branches, 2,300+ employees, and 720K members
- Financial institutions play a role in nearly everything (commercial and consumer) in Maine

COVID Actions:
Continue financial literacy and education programs in a virtual format.

Focus on funding and efforts for the Campaign for Ending Hunger and other community-based programs.

COVID Concerns:
- Continued upticks in fraud – unemployment claims fraud has been prominent
- Looming potential defaults in consumer and commercial loans
- Slow-down in demand for loans and other financing
- Interest rate compression – good for borrowers, not good (sustainable long-term) for credit unions and banks
- Delayed legislative/regulatory advancements and progress on non-COVID-19 matters – marijuana banking and other projects that would greatly benefit Maine have now been put on hold

Industry Needs:

Support continued health of Credit Unions – Avoid policies that negatively impact the health of financial services providers

Streamline digital access – Update laws, regulations, and systems that limit digital and remote financial services (ex: online notary services and electronic titling)

Encourage public/private partnerships – Ensure that Maine’s financial services sector acts as a driver of economic stabilization and growth (ex: partnerships between MCU/MBA and FAME)

Q&A:

Q: (Comment) Specific suggestions such as those outlined in the ‘Industry Needs’ section of your presentation are incredibly helpful.
Q: Various borrowers (landlords, etc.) are struggling, but so are the banks. If FAME were to provide an extended forbearance to individuals who have a history of “good borrowing” could that be extended beyond the 90-day limit?

A: That’s a possibility. One of the concerns with forbearance, and when folks simply can’t pay their bills, is the creation of a break in cash-flow. Having FAME come in to assist with some of the risk and lack of cash flow could be very helpful. There was a program put into place directly after the onset of COVID-19 in Maine where FAME would come in to backstop loans provided by credit unions and banks. We did that on the consumer side with COVID-19 where consumers were able to access emergency funds. Fortunately, the program has not been widely-used, but as the pandemic continues, we may see more usage.

The pool of dollars set aside by the Legislature to help back some of that risk, if I remember correctly, only provides first-come, first-serve assistance to those who apply early. Allowing this pool of money to grow would allow more individuals to access this funding.

Q: With the State suspending evictions, a lot of landlords are not being paid. The courts will be backlogged when they begin hearing eviction cases again (potentially in August). There’s no back filter for landlords to receive funding. There should be a consideration for small landlords who may only have a few tenants and who will be unable to support themselves if their tenants are unable to pay rent. What are your thoughts on that?

A: I echo your concern for those landlords and those small business. I think this subcommittee and the ERC will need to comprehend the rippling effect that this lack of revenue will have on our financial institutions.

Q: Lewiston has launched a program where the tenant can apply for money to assist with rent, but the money will go to their landlords. This money is only for those who have had their income lost and/or impacted by COVID-19. The city will spend up to $1000/month for up to 3 months, and another $500/month for up to 3 months to assist with utilities. Applying this program across the state could be incredibly beneficial.

A: I mentioned earlier that credit unions have been very involved in public service announcements and public communications. We are very often the very first phone call that a small business will make when they are unable to make payments. Sometimes there is simply not enough awareness of the programs that are available to assist individuals and businesses. If credit unions had more information about programs such as the one in Lewiston, they would be able to then relay that information to their customers. We should connect the dots between banks and credit unions and programs such as this one.

Maine Bankers Association:

- 30 Maine retail banks, 25 Maine-based, 5 headquartered out of state (particularly NH and VT)
- 18 mutual banks, 12 stock banks
- Just under 9,000 employees working at 463 branch and main office locations
- Industry assets exceed $40.2 billion (Maine state budget is $8.1 billion)

Data; March 31, 2020, from the 25 Maine-headquartered banks:
Total assets grew 1.87% in the first 3 months of 2020 to $30.5 billion.

Total loans grew 1.27% in the first 3 months of 2020 to $22.8 billion.

Loan growth by category remains steady during the past 3 months:
- C&I loans grew 2.5% to $3.0 billion
- Commercial real estate grew 2.1% to $8.1 billion
- Residential 1-4 family grew .88% to $10.0 billion
- Home equity loans decreased (2.28%) to $1.45 billion
- Consumer loans decreased (1.9%) to $315 million

Delinquencies had declined to 0.62% as of 3.31.2020.

**PPP Loan**
- 26,128 business loans
- Value of $2.21 billion ($2,212,903,128)

**SBA EIDL Loan**
- 5,173 loans
- Value of $344,864,400

**Industry and Regulatory Concerns**

*Industry:*
- Continue to restructure and refinance for qualified customers
- Continuing to make loans may not be the solution for many businesses
  - Banks loan depositor’s money

*Regulatory:*
- Banks see growing small-business loan delinquency rates
- Lengthy business closures may:
  - Reduce the value of collateral-securing commercial real estate
  - Reduce the ability of property owners to pay property taxes
  - Reduce the percentage of businesses that will return to profitability

**Q&A:**

Q: Do you know how many businesses will be opting for the longer vs. shorter PPP loan periods?

A: We don’t have specific data on that yet. Many companies will need help during the winter, particularly tourist industry businesses, to ensure that they can open again in the spring.

Q: Landlords are really struggling. What is the capacity of banks to allow extended forbearance for landlords (more than 2-3 months)?
A: Here’s the challenge; the regulators are always looking over our shoulders. 90 days is the standard before action on delinquency takes place. Given the size of our institutions, and the fact that we have so many Maine-headquartered institutions, forbearance will work for a bit. What we need to be look at is what we can do to assist tenants with their payments, so that landlords can continue to make their own payments.

Q: Is there anything that this committee might suggest that FAME or SBA might do to assist banks with the expected downfall?

A: We continue to work with FAME on the programs that they already have. The issue is that most of those loans have bonding authority behind them, and the creation of new programs may require Legislative action. This committee should consider whether or not there is an opportunity to create grant programs in place of loans.

Q: Is there any likelihood of a consortium of banks to focus on underfunded, rural areas specifically?

A: There have been a few programs like this that have been done in local economic development corps but have mostly focused on business loans.

Q: Have you had a chance to look at the ways that NH has used CARES funding to set up a grant for small businesses?

A: The full program has not been deployed yet, but NH has set up a small-loan program for businesses. Depending on the success of deployment, this could be beneficial for Maine.

**Action Items**

Take note: many businesses already have debt – burdening them with increased debt to help them may worsen the situation.

Relay community/town/city lending and assistance program information to credit unions and banks.

Expand the ability of online services such as online notary services and electronic titling by implementing policy that supplements and encourages these actions.

- **Other speakers for Thursday, 6/25/20? Construction?**
- **Sub-committee meeting on Friday, 6/26/20**
  - Complete initial brainstorming, categorize “quick start” ideas – Due 6/26/20 (more information to come on this in the coming week)