

March 31, 2020 VBA Call with Governor Ralph Northam; Sec. Aubrey Layne, Finance; Sec. Brian Ball, Commerce and Trade; and Deputy Sec. Angela Navarro, Commerce and Trade.

Opening Remarks:

- Jeff Haley kicked off the call
 - All banks are open and doing business
 - The industry is well capitalized and banks are already serving customers' needs
 - The industry stands ready and willing to serve customers to help them survive this crisis financially
- The Governor thanked everyone for keeping the lights on – we appreciate banks being a part of the solution
 - Priority to protect yourself and your family – need to be healthy
 - Living in uncharted waters – no one has experienced anything quite like this
 - Health and economic crisis on our hands and the two are moving forward together
 - The sooner the health crisis is solved, the sooner we can get the economic crisis fixed
 - Containment of virus
 - Aggressive steps to minimize the spread of COVID-19
 - Challenge is ability to test but that's ramping up and getting better every day
 - Mitigation side
 - Working hard to make sure hospitals have what they need
 - PPE, ventilators remain top priorities
 - Staffing – people have stepped up to volunteer to be trained up to get us to where we think we will need to be
 - Looking at FEMA, etc.
 - None of the models are a perfect science but we are trying to use the data we have from other countries/states
 - Peaking in mid-May or early June
 - We are in this for the long haul
 - Budget in Virginia
 - Proud of budget we left with four weeks ago but things have changed
 - Virginia came into this crisis the #1 state for business and we intend to emerge from this in the same position
- New SBA Program:
 - Jeff Haley let the governor know we do not know details of the new program yet and the phone is ringing off the hook from small business owners interested in applying for a loan under this program

- Bruce Whitehurst said we hope to get one-page application and guidance as early as today; funding starting as early as a week or so
 - Until we see that, we certainly need Governor's office to help manage expectations
 - We do want customers to go ahead and talk to their bank to start a dialogue and/or explore alternative solutions
 - "We can't fund that which has not be promulgated into guidance yet."

Q&A

- **Question:** How can banks partner with the VA Small Business Financing Authority and Department of Small Business and Supplier Diversity on state level programs to assist our small business customers? Have you considered altering any of the existing economic development programs to support immediate business relief efforts?
 - Glad that banks are well capitalized – allows banks to do good things at this time like forbearance on loans.
 - The Fed has communicated they are willing to work with member banks to allow them to be more lenient than they might have in the past
 - Not the time to be doing foreclosures
 - Stimulus package – not quite sure how to jump yet. SBA lender banks – need to take large roles in deploying resources into community
 - SBA will be a part of that and needs initiative from banks to deploy when available
 - Office is working with SBFA – calls with SBA multiple times on PPP and 7(A) program.
 - Trying to figure out how it will be administered.
 - Want to find clear guidance for the business community in places where CARES Act left it open
- **Question:** Different areas across the state have different challenges. At what point will they consider geographic differences in the executive orders?
 - Doing everything they can to minimize the spread statewide
 - Individuals from dense areas may travel to rural areas and may worsen the spread, so orders apply statewide.
 - Want to get economy up and running but we have to take into account the flattening of the curve first.
 - This is a fluid situation. We don't know how the virus is going to behave – don't even know if it's a seasonal virus, don't yet have a cure.
 - When we have better testing capabilities, we will have a better idea of who has it and how the timeline looks.
- **Question:** As we advise our business customers, they are having to make difficult decisions on their employees. What information on unemployment insurance and the expanded changes can we point those businesses to as they make those decisions and communicate with their employees?
 - Lots of unemployment claims – more than ever seen.

- Entertainment, travel, lodging, dining main sectors where we are seeing this
 - Waived one week waiting period for applying for benefits
 - Federal side – unemployment benefits can be applied for by 1099s or folks that historically wouldn't have had access to those funds now have access to those funds
 - Benefits will be enhanced for those that are laid off
 - CARES Act has tools for Virginia Employment Commission and resources
 - Additional tools for VEC to enhance their staffing
 - Being able to keep up with claims
 - Hiring contractors and outsourcing some of their programs so they can get individuals participating asap
 - CARES Act – includes incentive to retain their employment
 - PPP – SBA administering under section 7(a); would be intended to cover payroll for employees
 - Tax incentives for keeping them on the payroll as well
- **Question:** For the state – can you push back the deadline for tax returns?
 - We did move payment date until June 1
 - Working with VSCPA to how to message that
 - Tax commissioner – be liberal on penalties for anyone that does the best they can
 - None of us can abate interest
 - Without triggering budget hole, doing everything they can.
 - Have restraints to work around/ requirements to have a balanced budget in this fiscal year. That's why they pushed to June 1st and can't do more than that.
- **Question:** What about the impact to local governments?
 - \$3.3 billion coming to Virginia from CARES Act for state and local governments
 - \$1.8 billion coming to state
 - Rest to localities
 - Restrictive language for replacing state revenues – must be expenditures after March 1 that relate directly to effects of virus
 - Working with Sen. Kaine to push language back and give more opportunities
 - Will be helpful to some businesses but not nearly enough for the state in terms of lost revenue
 - Localities – state collects sales tax on behalf of the localities. Any time they close those down, it has a flow down effect on locality partners.
 - Unfunded mandates – looking to lessen the burden there
 - Lobbying Congress for more for state and local government funds
 - Virginia has \$1.6 billion in bank in the form of reserves we are able to access
 - Federal authorities are only ones that can really put the liquidity in that we really need – cognizant of this and working with localities and business partners. We are all in it together.
 - Have to be able to respond to this crisis so that's why continuity of government is so important.

- For customers filing business interruption claims – lots of coverage questions and disputes over this. After the SARs epidemic, some might have exclusions. Macro assessment – if insurance companies are on the hook, they might become insolvent. Next is probably federal level to help with stimulus for the insurance companies. Stay tuned.
- **Question:** Make some comments – how is the communication between federal and state agencies?
 - President, VP and consultants – every other day on conference and video calls with them
 - They listen and respond as best they can
 - National gov association – Larry Hogan of Maryland chairs
 - They collectively talk 3 to 4 times a week and funnel their requests through Larry and NGA. So far that’s worked well.
 - Hasn’t been a nationally led effort to look at inventory and procurement of ventilators and PPE – there needs to be one in place
 - Competing with each other though for resources. Hasn’t been as efficient as it could be.
 - Works closely with Gov. Hogan and Mayor of Washington – stay consistent with Maryland, Washington and with NC. Lots of communication. Lots of challenges to work through. So far, pleased with way it’s moving forward.
- **Question:** Discuss government contracting and impact
 - Stress and strain on that
 - Continuing to do it – transportation projects and federal funding in there
 - Shipyards going
 - Port at a decline in ships coming in, but on uptick now
 - Expecting impacts
 - Automobile
 - Volvo plant ceased operations
 - Automobile parts manufacturers – once they stop – ripples through to other sectors
 - Working closely on impacts of that
 - VA somewhat sheltered from others because of federal partnerships, high concentration of employees connected to federal government.
 - Hearing a lot from housing industry
 - Mortgage relief programs-homeowner, multi family, mixed use
 - Mortgage deferral programs
 - Focus and concern for them going forward
- **Question:** Broadband internet - 773% above normal for internet use says Microsoft.
 - Really important for Virginians to have access to broadband – 550,000 homes that still don’t have access to broadband
 - Continues to be a top priority

- This situation is stressing the current system – government has hot spots set up to have access to broadband but not perfect situation.
- Crisis management issue – if people can't access internet at home, they can't work from home
- VBA is on broadband coalition and supports all of Governor's efforts here
- **Question:** Thoughts concerning this time of year – planning vacations. Impact on tourism.
 - Not an easy answer – message right now is to stay home for better or worse. Have to stay home.
 - Worry about people coming in from other states to our parks and camp grounds
 - Recipe for further spreading
 - **Question:** Stay at home order – bankers are essential employees and can travel to/from work without specific documentation. Is that correct?
 - Yes people can travel to and from work without being stopped. Not looking to use a stick and put people in jail but trying to educate folks and let them be a part of the solution.

Closing Comments:

- Jeff Haley: Our industry is taking this seriously – our number one priority is to protect staff and we are taking those steps. Running bank effectively to serve customers' needs is number 2.
 - We stand ready to help in any way we can.
- Governor Northam: We were the best state in the country going in, and we will come out of it the top state too.