



Testimony of Jon Conklin  
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Chairman Delozier and members of the committee, thank you for the opportunity to testify this morning.

I am the president and Chief Executive Officer of Woodlands Bank based in Loyalsock Township. Local representatives in our market area, include Representatives Garth Everett, Jeff Wheeland, and Stephanie Borowicz. I also serve as Chairman of the Pennsylvania Association of Community Bankers (PACB) for whom I submit this written testimony.

The world seemingly changed overnight with the onset of the Coronavirus (COVID-19) pandemic last March. Federal, state, and local governments along with individual companies were forced to make unprecedented decisions during an uncertain and rapidly-evolving environment to mitigate viral spread and to “flatten the curve.”

Since the outset of this crisis, our industry has banded together and stepped up in a huge way in an effort to lessen the severity of the initial, unexpected economic knock-out punch delivered by the virus mitigation efforts.

Bankers across the industry along with our trade associations communicated quickly and regularly with each other and our regulatory agencies to ensure the safety and soundness of the financial system and our employees.

During the early days of the pandemic, it truly felt like a Code Red situation. The response by the community banking industry in my opinion demonstrated the shared sense of responsibility and the highly competent nature of those who are proud to call themselves community bankers.

Community banks also were called upon by Congress and the Trump Administration to deliver critical relief to small businesses through the Paycheck Protection Program (PPP). The intent of these funds was to help small businesses to continue to pay their employees during the initial COVID-19 shut down.

Here in Pennsylvania more than 158,000 small businesses were able to keep their doors open and employees on the payroll. Loans made to Pennsylvania businesses have averaged just over \$112,000, indicating they did reach the smallest of businesses across our state.

Despite the hastened launch and significant challenges in terms of lacking guidance, system and resource capacities, and confusing public communications resulting in unrealistic customer expectations at the outset, community banks drew upon their inherent strengths of deep relationships and nimbleness in coming through for their customers and delivering these program funds in the most efficient manner possible.

The demand for these funds, which served as lifelines for businesses and communities across the country, was so great that the initial \$349 billion was exhausted in only 13 days. I heard one banking official describe, that’s about 10 years’ worth of loans in 13 days.

Community bankers now have turned their efforts towards federal legislation to simplify the PPP loan forgiveness process for small businesses. There is wide bipartisan support for legislation to reduce the forgiveness application to a single page for loans under \$150,000. This would enable small-business owners to focus on their businesses and the safety of their employees and customers.

At the state level, community bankers and the PACB also are working to protect and strengthen the banking system. For the last six months, the PACB and the other financial industry associations have worked with the Department of Banking and Securities and the Wolf administration on legislation to protect the state Banking Fund should economic conditions in the Commonwealth worsen.

This legislation, authored by Chairman Delozier and previously introduced by state Rep. Mark Keller, would convert the state Banking Fund and a resolution account to trust funds to ensure the continuation of examinations and regulation of financial institutions to ensure the safety and soundness of the banking industry in Pennsylvania.

State-chartered banks and credit unions pay semi-annual assessments to the Department of Banking & Securities (DOBS) which are then deposited into the Banking Fund to pay for the operations of the department and for the examination of state-chartered institutions. The assessments are in addition to any taxes or bank shares tax owed by the banks.

Additionally, the Fund can also be used to take control of or liquidate a financially distressed non-federally insured institution (e.g., a non-depository trust company) using the Fund's Institution Resolution Restricted Account (IRRA).

During the past 18 months, two transfers have been made from the Banking Fund totaling \$42 million to the General Fund and to supplement the budgets of other agencies not involved in the regulation of banking.

While these transfers occurred prior to the start of the current year, the explosive economic magnitude of the current pandemic is a sobering reminder that an economic downturn could happen at any moment and it is in the interest of every banking consumer that the state Banking Fund be protected to ensure the department can do its job to ensure the safety and soundness of consumer financial services in the Commonwealth. If the Resolution Fund balance drops to a level not sufficient to carry out its intended purpose, this could cause the taxpayers of Pennsylvania to fund a failure-resolution. Currently, we are in a time when the risk of a failure is at an elevated level.

The Delozier bill is the product of several months of negotiation between the financial industry groups, like the PACB, the PA Bankers Association, CrossState Credit Union Association, and the Department of Banking and Securities.

In closing, I think it is important to reiterate to the committee that community banks were quickly enlisted into America's economic recovery because policymakers knew instinctively that the network necessary to support small businesses and local communities already had been established through existing relationships between community banks and their customers across the country.

In looking for the silver lining throughout this situation, it has become apparent to me that our industry not only is incredibly resilient, but it also is intrinsically tied to the communities, businesses, and people it serves. I think many others have now recognized that too.

Thank you for the opportunity to testify. I am happy to answer questions.

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