



BANKING AT ITS BEST

September 16, 2020

## 2020 Special Committee on Economic Recovery

Chairwoman Lynn and Members of the Committee,

My name is Blake Heid and I am the President and CEO of First Option Bank, a \$460 million Kansas Community Bank chartered in 1923 in Osawatomie. We have 9 locations, 8 in Kansas and 1 in St. Joseph, Missouri. In Kansas, we are in 8 small rural and small suburban community markets.

Our bank's lending portfolio is a mix of approximately 55% residential mortgages, 31% small business and municipal leases, 6% consumer purpose, and 7% agriculture. We also are invested in the Municipal Bond Market in our communities and in our state.

Like most Kansas Community Banks, when confronted with the pandemic, we stepped up and made a tremendous number of PPP loans for small Kansas business owners. We did around 320 loans totaling over \$20 million and our average loan size was \$63,824, with our smallest loans around \$410. These ranged from small manufacturing companies, logistic companies, restaurants, hospitality type businesses and hair salons. PPP loans were also made to many non-profits like sheltered workshops, a local homeless shelter, and several churches.

- Our smallest loan, around \$400, was to a photographer who had most of her weddings cancel. That money was very helpful to her as she waited for events to be rescheduled.
- Homeless shelters rely on donations. When the virus hit, donations slowed due to the economic uncertainty. They also rely on volunteers to do property improvements and emergency repairs. However, they were closed to large groups of volunteers, so they had to pay for operating expenses out of their own funds. PPP funds helped keep their payroll funded and their operation going.

In addition to the actions taken by the government, to help our customers we allowed 3-month payment deferrals and waived all overdraft fees and service charges on accounts for over 3 months. Because we are a community bank, we want to help keep our communities going during these challenging times and to do our part. We also continued our financial support for our local schools and charities.

### Biggest impacted businesses

- Restaurants
- Hotels/Hospitality
- Hair Salons/Barber Shops
- Fitness Centers
- Commercial Real Estate Landlords (that house these businesses)
- Health Care (Hospitals/Clinics/Surgeries/Dentists/Optometrists) and particularly rural hospitals

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Other industries were having issues prior to the pandemic but are still impacted:

- Oil and gas
- Agriculture

From an economic standpoint, it's probably too early to know where help is going to be needed in general. The second ½ real estate taxes in May were not really impacted and sales tax dollars are still stable in most areas, if not up. With a change in spending habits, consumers were not able to travel or eat out, so they made recreational purchases or did home remodels. Foreclosures, while not high for us in general, have not increased. Delinquencies remain low. The Federal government pushed a lot of cash into the economy through their stimulus programs which helped.

What I would like you to consider:

- At this time there is NOT a higher level of foreclosures or evictions. Don't buy into the hype.
- Be aware of the concerns of your counties and your cities, they anticipate if there will be problems seeing issues start to arise with December tax payments and after. Banks would know 1<sup>st</sup> or 2<sup>nd</sup> quarter of next year if past dues start to rise.
- Keep things open the best we can
- Help the hospitals. With elective surgeries delayed or cancelled, it is causing a financial concern for our medical profession. we need access to healthcare in Kansas.
- Businesses need to know what landscape they can operate in. Constant changes, mandates, new or added regulations that creates uncertainty and make business find new revenue streams or business line opportunities don't need to be added. Business owners have already dipped into reserves to deal with the pandemic. They are still trying to adapt and figuring out how to make money, don't pile on anything else as these businesses are still figuring out how adjust and stabilize their income.
- Don't just do a splatter approach, not everyone needs the same level of help. You already have a lot of good programs in place to help people in need. Fund them, support them.
- Be flexible and be prepared to act where and when needed. It is still too early to know where that is going to be.

Thank you.