

September 16, 2020

## 2020 Special Committee on Economic Recovery

Chairwoman Lynn and Members of the Committee,

My name is Brad Yaeger and I am the President and CEO of Legacy Bank, a \$530 million community bank with loans totaling close to \$400 million. Legacy has eight locations, five in Wichita, and also one in Colwich, Pratt and Sedgwick, and was chartered in 1886.

I started my banking career in 1980 and I have been with Legacy Bank since 1988 managing commercial, consumer, and mortgage lending divisions and transitioned into the position of President the end of 2018.

I appreciate the opportunity to appear before the committee today to provide my perspective of the challenges facing businesses under the current environment.

Legacy Bank offers all types of loans. Our loan portfolio is real estate influenced and is comprised of 30% commercial real estate, 28% 1-4 family residential, which includes investor property; 5% Ag real estate; and 11% construction & development. Other loan types include 5% Ag operating and livestock, 10% commercial & industrial, 6% consumer, and PPP loans now also make up 10% of our portfolio.

Our staff made a commitment to assist owners of small and medium sized businesses and help them survive the Pandemic challenges and short-term business closings. We funded 584 PPP loans totaling over \$39 million with average loan size of \$67,000. Our smallest loan was \$129 and our largest loan was \$2 million. PPP loans approved included farm loans, oil and gas loans; and to small businesses of all types, including service industries, retail stores, and self-employed individuals. We also funded loans to non-profit charities, churches, and private schools. PPP loans were lifelines for many of these businesses and kept them from closing their doors permanently.

Pratt, Colwich, & Sedgwick communities cannot survive without small businesses dedicated to the community. Wichita businesses needed support to absorb the manufacturing, service sector, and retail business layoffs.

To help our customers, we offered 3 – 6 month payment deferrals and waived overdraft fees on accounts for over 3 months. We wanted to continue supporting the communities we serve during stressful times. We did not hesitate to support local schools and charities during the economic slowdown.

Biggest impacted businesses were

- Restaurants
- Trucking/Transportation
- Bus & Travel
- Hotels/Hospitality
- All types of retailers and now continue to have on-line buying competition
- Hair Salons/Barber Shops
- Machine Shops
- Fitness Centers
- Day Cares
- Commercial Real Estate Strip Centers that rely on successful Mom & Pop tenants
- Health Care (Hospitals/Clinics/Surgeries/Dentists/Optometrists/etc.)
- Small Venues that rely on music & other types of entertainment
- Party Rental – tents/catering, etc.

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

- Oil and gas
- Agriculture

Some businesses did well as people were working remotely from home & residential house sales remained positive due to lower interest rates

- Hardware Stores
- Construction related businesses
- Bike shops and other outdoor entertainment options

With all the money pumped into the economy by the Federal Reserve and Government stimulus packages such as EIDL, PPP Loans, and larger unemployment checks for consumers, most businesses have survived and consumers were able to make loan payments. However, some of them have only a little gas left in the tank. Wall Street is surviving much better than small town main streets.

Each city has a different need depending on the industries that drive their economies, but a little tax relief on real estate taxes and income taxes may be warranted if a vaccine does not get approved by year-end. We may even start seeing more delinquencies in 4<sup>th</sup> quarter of 2020.

Don't pick winners and losers of who will survive the economic downturn. Use a more laser approach on businesses and consumers that need assistance.