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DURING GOOD AND BAD TIMES



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THE VICTORY BANK INVESTS IN THE COMMUNITY

By Kathy Hunt

In times of crisis, it is essential to have good people on your side. Never has this been truer than during the 2020 coronavirus pandemic and resulting economic fallout. The clients of The Victory Bank, 548 N. Lewis Rd. in Limerick know this firsthand. For months, Victory Bank clients have had a team of hardworking staff guiding them through this unprecedented time, helping them manage financial uncertainties and emergencies.

Tested by the coronavirus and the CARES Act

Started in 2008 as a “business niche” community bank with roughly 90 percent of its loans classified as commercial, The Victory Bank aims to help local businesses succeed. The bank, which has \$414.5 million in assets, takes an individualized approach, focusing on how to make each business client stronger. In recent months the bank’s mission has been put to the test with the CARES (Coronavirus Aid, Relief, and Economic Security) Act and its Paycheck Protection Program (PPP).

Signed into law on March 27, 2020, the \$2 trillion CARES economic stimulus bill included an initial \$350 billion in Small Business Administration (SBA) loans. Known as Paycheck Protection Program (PPP) loans, they provided small businesses with funds for eight weeks of payroll costs, including benefits, and/or eight weeks of interest payments on mortgages, rent, and utilities. If at least 75 percent of the money went to pay

a small business’s employees, the no-fee loan would be forgiven. Otherwise, loan repayments would be deferred for six months.

Businesses with 500 or fewer employees could begin to apply for PPP loans on April 3, 2020. As soon as the date arrived, the employees of The Victory Bank shifted into high gear.

“At one point we had 15 to 20 people working 12 hours per day for three weeks,” said Richard Graver, Chief Lending Officer at The Victory Bank. “A lot were working on weekends, too. We were so afraid that we weren’t going to be able to help all of our customers get the relief that they needed. We were also worried that the big banks would jump in and gobble up all this money first because they could get directly into the system.”

One should keep in mind that, in an attempt to curb the spread of the coronavirus, on Monday, March 16, Governor Tom Wolf had ordered a statewide shutdown of all nonessential businesses, and others to work from home whenever possible.



“The leadership team met that day to discuss what we were going to do,” Graver said. “At that time, we had the capability of three or four people to be able to work remotely and access their files. We needed a lot more to be able to work from home than that.”

To comply with this order, within three days, the bank made arrangements for over two-thirds of its employees to work remotely.

To make that happen, Victory’s information technology department scrambled to purchase, set up, and deploy laptops. They also had to find a new, secure way for employees to log into the bank’s computer system. Once these essentials were in place, they often had to train colleagues on how to access files, schedule and attend meetings, and share information. Quite simply, they had to teach everyone how to work in a virtual environment.

“‘It’s not my job’ is not in our vocabulary here. Everyone just rolled up their sleeves. They didn’t complain. They called each other and said, ‘Hey, can I help you? What can I do?’ I’m real proud of the team that we have. All of the PPP loans were processed from employees’ homes. This whole process has been very, very fluid,” Graver said.

“We exist to help our clients fulfill their visions and dreams.”

Helping small, community businesses through PPP loans

Once customers began applying for PPP loans, Victory Bank’s documentation department had to obtain identifying information and articles of incorporation. They had 15 days to document 300 small business loans, entering all of the data for these loans by hand. They also had to be trained on how to use DocuSign, an electronic signature software, so that customers could sign and submit their paperwork electronically.

During the first round of PPP loans — under the June 2020 enactment of the Paycheck Protection Program Flexibility Act, a second-round would commence on June 5 — Victory Bank lent \$25 million to its clients. Ultimately, the bank would create 600 loans for a total \$60 million. Graver pointed out that the bank doesn’t usually make 600 loans in two years. To process so many loans in a matter of months was extraordinary.

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Richard L. Graver, Chief Lending Officer



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COVER STORY

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The smallest loan awarded by Victory was for \$3,000. The largest was for \$3.2 million to a client from Reading.

Graver noted that the bank's client market spans the Route 422 corridor from Reading to King of Prussia and north of Boyertown to the Exton area. Of the \$60 million loaned, \$47 million went to businesses in this region, specifically to those in Berks, Chester, and Montgomery counties.

"We tried to stay local and went into this from the beginning knowing that we would take care of our own loan clients first. Yet, through the whole program, we probably had 100 or so new clients that had come to the bank for loans. These were people who couldn't get help from their existing banks. We plan to have these new clients continue on and grow with us," Graver said.

To illustrate this point, Graver noted that The Victory Bank recently approved a seven-figure loan to a large manufacturing company. This new client was a result of a PPP referral.

Keeping the loan money in the community was important to The Victory Bank. So, too, was helping local people remain employed during uncertain times. "The PPP program was tied to full-time equivalent employment, so, basically, jobs. Per the bank's calculations and our borrowers' applications, our \$60 million impacted about 7,300 full-time employees in the region," Chief Credit Officer Jon Swearer said.

Regarding the bank's quest to keep local workers working, Graver added, "The community around us had been thriving. We all enjoyed the quality of life that we had and certainly didn't want things to spiral downward and go into an economic depression. We wanted to help these community businesses not fail."



Jon Swearer,
Chief Credit Officer

The heroes of the Paycheck Protection Program? Small community banks

As of June 30, 2020, five banks — JP Morgan Chase, Bank of America, Wells Fargo, Citibank, U.S. Bank — make up almost half of the total bank assets in the United States. JP Morgan Chase alone holds over \$3.2 trillion in assets. Even during a global economic crisis, JP Morgan has seen a 17.81 percent increase in capital from 2019. However, according to the Small Business Administration, when it came time to lend a hand to small businesses, the big banks did not save the day. Instead, roughly 5,400 banks with less than \$10 billion in assets issued 60 percent of the first round of PPP loans. Of these 5,400 banks, 3,400 had less than \$1 billion in assets. Victory was one of these small but dedicated and determined lending banks.

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In the early days of the Paycheck Protection Program, guidelines for the loans were sparse. Rules that the Small Business Administration had put in place were often altered. While large banks seemingly became bogged down by bureaucracy and were slow to act, small, nimble banks adapted to the changes.

"We as a banking industry want our clients focusing on what they can do to fix their businesses and make their businesses stronger, not on 'how do I gather all the paperwork that they want me to gather,'" Graver said.

Unlike large banks, which have been criticized for favoring their largest customers at the expense of their smaller customers, small banks worked diligently with all clients to ensure that paperwork was filled out properly and loans were processed quickly. A May 6 report from the New York Federal Reserve bore this out. It indicated that in states where community banks were more prevalent than large banks, small businesses received more PPP loans.

"We want to shine a light on all community banks across the country. We're in your neighborhoods. We're your neighbors. We're the ones who make your company a loan so that you can hire an additional person, someone who lives in the community. That person then spends his paycheck in the community at the grocery store, at the convenience store, and, in turn, helps the community to thrive. With community banks, the money stays local," Graver said.

Forgiving loans

In the coming months, Victory Bank will begin to work on loan forgiveness. This portion of June's Paycheck Protection Program Flexibility Act has been

complicated by stalled legislation in the Senate and House of Representatives as well as ongoing alternations to the act.

In the original Paycheck Protection Program, loan forgiveness ended eight weeks after the date of the loan disbursement. In June, this was amended to 24 weeks after loan disbursement so that borrowers had more flexibility in qualifying for loan forgiveness. Another change involves the amount put toward payroll costs. The original requirement that 75 percent of the loan be spent on

payroll costs has since dropped to 60 percent. There is also talk of

forgiveness of all loans under a certain amount.

This is yet another uncharted territory that The Victory Bank will navigate for its clients.

"The forgiveness process is not as fast and furious as the application process. It makes sense because the clients now have their money. The dam has been plugged," Graver said.

This doesn't mean that The Victory Bank will ease off on its efforts around loan forgiveness. Nor will it focus all of its attention on PPP loans. The bank continues to process traditional loan applications as well.

"Right now, the most active segment of the economy in Southeast Pennsylvania is residential real estate. We're engaged in that, both from a residential mortgage origination standpoint and then on the commercial side with construction loans," Swearer said.

Whatever the active segment is, whatever the financial climate may be, clients can count on the commitment and concern of The Victory Bank.

For more information about The Victory Bank, please call 610.948.9000 or visit <https://www.victorybank.com/>.

