

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

HOUSE COMMERCE COMMITTEE
PUBLIC HEARING

STATE CAPITOL
HARRISBURG, PENNSYLVANIA
205 - RYAN OFFICE BUILDING

TUESDAY, SEPTEMBER 15, 2020
9:00 A.M.

BEFORE :

HONORABLE SHERYL DELOZIER, MAJORITY CHAIRWOMAN
HONORABLE TIM BONNER
HONORABLE ROBERT BROOKS
HONORABLE GEORGE DUNBAR
HONORABLE VALERIE GAYDOS
HONORABLE MIKE JONES
HONORABLE JOSHUA KAIL
HONORABLE CARL METZGAR
HONORABLE MARCI MUSTELLO
HONORABLE MICHAEL PUSKARIC
HONORABLE MARK KELLER
HONORABLE MIKE DRISCOLL
HONORABLE LIZ HANBIDGE
HONORABLE MALCOLM KENYATTA
HONORABLE JEANNE MCNEILL
HONORABLE MIKE ZABEL

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COMMITTEE STAFF PRESENT:

JENNIFER WEETER,
MAJORITY EXECUTIVE DIRECTOR
BETH HORNE-BEACHY,
MINORITY EXECUTIVE DIRECTOR

I N D E X

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P R O C E E D I N G S

* * *

MAJORITY CHAIRWOMAN DELOZIER: (PORTION OF AUDIO MISSING) Now that we have -- we had a lot of shutdowns and our economy was affected, we need to make sure that we look out for our constituents, where they're going to go, a lot of debt or owed debts may be coming down the road, want to make sure that we know what it is they need as well as have that conversation if there's something legislatively that we can do to help them.

So with that, I know Chairman Galloway was not able to be here today, but I'll hand it over. And if we can all introduce ourselves so we know who's here and then who also we have virtually.

Thank you.

UNIDENTIFIED SPEAKER: Thank you, Chair Delozier. Thank you for calling this hearing. Our small businesses need to know where we're headed in the Commonwealth. And I look forward to a healthy conversation today.

Thank you.

REPRESENTATIVE ZABEL: Thank you, Madam.

1 Good morning, Madam Chair.

2 This is State Representative Mike Zabel,
3 Delaware County.

4 REPRESENTATIVE BROOKS: Bob Brooks,
5 Allegheny and Westmoreland.

6 REPRESENTATIVE DUNBAR: George Dunbar,
7 56th District, Westmoreland County.

8 REPRESENTATIVE PUSKARIC: Mike Puskaric,
9 39th District, Allegheny and Washington Counties.

10 REPRESENTATIVE HANBIDGE: Liz Hanbidge,
11 61st, Montgomery County.

12 REPRESENTATIVE KENYATTA: Malcolm
13 Kenyatta, 181st District, Philadelphia County.

14 REPRESENTATIVE JONES: Mike Jones, 93rd
15 District, York County.

16 MAJORITY CHAIRWOMAN DELOZIER: Little
17 difficult figuring out who's who. Well, thank
18 you guys for joining us virtually and listening
19 into the conversation.

20 As we work through this, and as was
21 mentioned with our small businesses as well as
22 many of our consumers that deal with the
23 different issues of debts owed, we have -- we
24 will see many long term effects, we believe, from
25 the different shutdowns that we had within the

1 COVID, demand and the ability for our
2 constituents to be able to say, how is it that
3 we're going to pay these bills.

4 So the idea behind all of this was to
5 talk to the banks. We have a panel. Our first
6 panel that we do have will have not only dealing
7 with small banks, larger banks, but also credit
8 unions. And if we can have you guys come up here
9 to testify, we can start that off. And if you
10 can introduce yourselves and give us your
11 testimony, and then we can move from there.

12 MR. RUSH: Thank you, Chair Delozier.

13 This is Blair Rush. I am region
14 president with C&N Bank. My office is in
15 Doylestown, Bucks County. I'm also chair of the
16 Pennsylvania Bankers Government Relations Policy
17 Committee.

18 PA Bankers is deeply grateful for the
19 opportunity to appear today to present our
20 suggestions for the Commonwealth's response to
21 the COVID-19 crisis, which has impacted every
22 Pennsylvanian to some degree. PA Bankers
23 represents 122 banks, savings banks, trust
24 companies and their affiliates operating
25 throughout Commonwealth. We appreciate this

1 Committee's interest in our perspective as
2 bankers whose goal is to improve the lives and
3 futures of our communities by providing vital
4 financial services and loans.

5 Before I share some suggestions, I would
6 underscore that as essential service providers,
7 banks found new and unique ways to continue to
8 meet our customers' needs while complying with
9 health and safety protocols from the early days
10 of this crisis. For example, in order to meet
11 small businesses' needs for operating capital
12 through the U.S. Small Business Administration's
13 Paycheck Protection Program, also known as the
14 PPP Program, bankers worked day and night to
15 process over 173,000 PPP applications totaling
16 over \$20.7 billion dollars vital to saving
17 countless jobs in Pennsylvania. My bank, C&N, we
18 processed over 1,500 applications totaling over
19 \$167 million dollars.

20 Our people worked day and nights and
21 weekends in the month of April. Literally had
22 customer phone calls, text messages, e-mail
23 communications. I was receiving calls Sunday
24 afternoon, Sunday morning, taking care of client
25 questions and concerns of the fear of not getting

1 the PPP Program funds.

2 We did most of this while working
3 through a remote process and creative work
4 environments. It was truly an exhausting, but
5 also an exciting period of time for us bankers.

6 Also during this time, we used -- the
7 use of mobile banking applications increased
8 significantly along with the 24/7 back-office
9 support required to sustain the important
10 technology. Our ATMs and branch drive-thrus
11 experienced substantially increased usage, given
12 that most of our lobbies were accessible by
13 appointment only. This has given the banking
14 industry another thought about the value of
15 drive-thru access for our branch locations.

16 Throughout this period of time of
17 constant change and challenge, banks and their
18 customers have innovated to sustain their
19 personal lives, businesses, and communities.
20 Banks are doing everything we can to help people
21 in our communities through these challenging
22 times. As a highly regulated industry, banks
23 need to know where the PA Department of Banking &
24 Securities and our federal regulators stand on
25 these issues.

1 We are grateful to the Department of
2 Banking Acting Secretary Richard Vague and his
3 senior team's engagement with our members during
4 what we were having as twice weekly calls and
5 currently weekly update calls. They have
6 exhibited tremendous support to our industry to
7 help guide us through the fluidness of this
8 COVID-19 crisis.

9 We also appreciate our State
10 legislators' accessibility throughout the crisis.
11 This hearing is just one example of your interest
12 in our concerns, and we hope to continue to
13 engage as this crisis continues now and
14 following its conclusion.

15 I will now turn to some suggestions
16 relative to the subject of today's hearing:

17 1. Continued availability of essential
18 services subject to appropriate health and safety
19 protocols. I mentioned earlier that banking is
20 an essential service. However, banking is also
21 supported by other services. If there's a future
22 need for COVID-19 related health and safety
23 restrictions on business activities, we strongly
24 suggest the Commonwealth tie those to the CISA
25 critical infrastructure criteria so activities

1 such as essential worker travel, construction,
2 and real estate lending-related activities,
3 including appraisal and mortgage recording
4 services can continue to support the banking
5 services subject to of course the health and
6 safety protocols. We need to work together with
7 these related businesses to provide financial
8 services to our clients within our communities.

9 Suggestion number two.

10 2. COVID-19 related liability
11 limitation. I noted that responding to the
12 current crisis required compliance with frequent
13 changes in federal regulations, orders, and
14 guidance. It's a fluid situation. Those
15 individuals and entities who made
16 reasonable, good faith efforts to comply with
17 sometimes confusing and conflicting guidance
18 should not be the targets of opportunistic
19 litigation. We urge the enactment of targeted,
20 time-limited liability limitations.

21 3. Suggestion number three concerns
22 renter and homeowner assistance. As you are
23 likely aware, the federal and state banking
24 regulators and housing agencies have
25 allowed mortgage servicers to work with

1 homeowners who are struggling due to the COVID-19
2 impacts. Servicers may offer loan forbearance
3 and modification agreements to residential
4 mortgagors. Most mortgage servicers are
5 providing these services today.

6 If your constituents are expressing
7 COVID-19-related difficulty in making these
8 payments, whether it's a loan or a rent payment,
9 we strongly urge you to encourage them to speak
10 to their banks or their landlords. We're here to
11 help as best possible while we're adhering to our
12 regulatory guidelines.

13 We applaud the PA legislature's response
14 to struggles faced by COVID-19 through Act 24 of
15 2020, which allocated \$175 million of Federal
16 CARES Act funds to the Pennsylvania Housing
17 Finance Agency for residential, rental, and
18 mortgage pandemic assistance. We respectfully
19 suggest some revisions to the PHFA residential
20 mortgage assistance program. Our hope is that
21 the PHFA recommendations are considered with any
22 changes made to the PMAP Program. Nobody wants
23 to see people fail.

24 Suggestion number four.

25 4. Remote document execution. This is

1 also known as remote notaries and notarization.
2 Even before the COVID-19 crisis, Pennsylvania
3 legislators recognized the need to authorize
4 remote notarization of documents. We are
5 grateful to the sponsors of HB 2370 and those who
6 voted to move it forward. The temporary
7 executive authorization expires 60 days following
8 the end of the disaster declaration. So
9 statutory authorization is necessary. We'd ask
10 for your support of this legislation.

11 5. The final suggestion I have today is
12 the elder financial abuse prevention.

13 I'm sad to say we continue to see an increase in
14 attempts to scam older Pennsylvanians. PA
15 Bankers has long advocated for legislation such
16 as HB 1930 that allows banks the opportunity to
17 stop a transaction if suspected elder abuse.

18 My mother is 87 years old and she
19 continues to get fraudulent mail regarding scams
20 that she thinks she won money and she has not.
21 It's sad. We need to prevent it. I think we're
22 all -- we all want the same goal, and that goal
23 is to protect our elders from financial abuse.
24 So we hope that such authority can be
25 enacted before this session concludes.

1 Those are the end of my remarks. I will
2 be glad to answer any questions you may have
3 about our suggestions. If I do not know the
4 answer, I will certainly pledge to do my best to
5 research it for you and get back to you. And I
6 thank you today for your time and attention.

7 MAJORITY CHAIRWOMAN DELOZIER: Thank you
8 very much.

9 Next, we also have virtually the
10 president and CEO of Belco Community Credit
11 Union.

12 Amey, are you there?

13 MS. SGRIGNOLI: Yes. Good morning. I'm
14 here.

15 MAJORITY CHAIRWOMAN DELOZIER: Okay.

16 MS. SGRIGNOLI: So first, I'll start
17 with just a quick thank you to Chairwoman
18 Delozier and Chairman Galloway for the invite to
19 participate and present here this morning to the
20 Committee. As you've said, I'm with Belco
21 Community Credit Union and I serve as CEO here
22 for mid-size credit unions in central PA. I'm
23 also on the Pennsylvania Credit Union Association
24 Cross-States Credit Union Association Board of
25 Directors, as well.

1 Again, grateful for the opportunity to
2 present. Much of the comments that were stated
3 and shared here earlier are very similar. We
4 also experienced just a very abrupt change in the
5 way we had to do business overnight, stopping the
6 in-person transactions with our members. And
7 being able to offer up the ability for our
8 employees to work from home created quite a
9 substantial disruption to the ability to deliver
10 service to our members and the ability to just
11 fulfill the mission of, you know, helping people
12 achieve financial success, providing financial
13 services to the under-served and helping with
14 creating financial literacy and financial
15 education for both adults and children in the
16 schools.

17 So many of these things are disrupted as
18 a result of this. We worked very hard to be able
19 to pivot and transition to electronic delivery,
20 virtual delivery, you saw with many, you know,
21 your own businesses and across many different
22 industries, as well. We also, along with the
23 issues with shipping the work home and the
24 digital delivery of service, financial services
25 to members, also recognize that compliance burden

1 was significantly increased, largely. The impact
2 was tremendous from interpreting legislation, a
3 very time consuming process since we're required
4 to complete compliance review of loan documents,
5 administering the PPP loan program. It was very
6 important to us and there was a lot of support
7 from credit unions across the State being able to
8 engage with the SBA.

9 A lot of credit unions typically hadn't
10 been doing that. This was an opportunity to do
11 that. Credit unions stepped up and participated
12 in that program, as well. Again, you were kind
13 of wading through the legislation and making
14 sense of it, at the same time trying to serve a
15 substantial increase in demand for these kinds of
16 services. Taking a look at the act, the FFA Act
17 and the CARES Act, making sure that we were, you
18 know, doing everything we could to place holds on
19 foreclosures, hold off on any, you know, measures
20 that we would typically take in a collection
21 process, making sure that we were offering up
22 concessions to our members across the entire
23 State, waiving of fees, allowing for either no
24 cost or low cost skipping of loan payments.

25 We also recognized the importance of

1 personalizing every interaction and taking the
2 time to understand what the consumer was
3 experiencing and then crafting a way to make, you
4 know, something that worked both for the credit
5 union and for the consumer. In many cases, it
6 was requiring us to waive fees, make special
7 concessions.

8 We offered up hardship loans to allow
9 for a bridging of the gap for consumers while
10 they waited for stimulus checks and also for the
11 ability to get their unemployment to kick in for
12 them. So a lot of those types of things were
13 being done to help the consumers and provide
14 concessions for them, so just kind of very
15 typically what credit unions do. The credit
16 union itself has weathered the storms very well
17 and managed through a lot of these unexpected
18 changes, but it has been, you know, a difficult
19 task and required a lot of investment in
20 infrastructure investment and technology to be
21 able to support this transition to work from home
22 and remote delivery and curbside delivery, if you
23 will, of services to members.

24 Financially, we've seen, you know, an
25 impact where there are reductions to income,

1 which will further hinder our ability to do what
2 we do in the future if we're not able to come out
3 on the other side. We do recognize that the
4 stimulus and the economic concessions that are
5 out there now will not last forever, so we do
6 have some concerns about what the new landscape
7 may look like as we see some of that begin to go
8 away or end or expire for our consumers, the
9 increase in loan delinquency, increase in
10 overdraft, increase in the inability for the
11 consumers to be able to continue to make those
12 payments.

13 So we do have concerns about that and
14 are projecting to see increases in delinquency
15 and losses in the coming years. We feel as
16 though that impact is going to be felt both in
17 2021 and further into 2022, as well. But we
18 continue our commitment to assisting consumers,
19 making investments in technology that will allow
20 us to keep employees and our members safe,
21 utilizing ITM Interactive Teller Machine
22 technology, mobile capacity, online delivery of
23 services.

24 We've invested in texting solutions.
25 We've invested in online schedulers and just the

1 ability to be able to deliver that service to
2 members that are consistently using technology,
3 but we're hoping that there are some silver
4 linings to the pandemic and this may be an
5 opportunity to make changes to some of the --
6 make some temporary changes that we've made more
7 permanent that will bring long-term efficiency to
8 our operation, finding ways to do business
9 remotely, taking advantage of, you know, some of
10 the changes like the reg D changes, promoting
11 remote notary in a more permanent way, continuing
12 an environment where we can use remote technology
13 to deliver service for mortgages, lending, any of
14 the online remote account opening procedures and
15 processes that we can implement quickly. We'd
16 like to be able to continue to support those in
17 the long run.

18 So we could use support in any way from
19 the legislature to make sure that credit union
20 code or any of the legislation that's out there
21 could be updated and modernized to make these
22 changes more permanent. We'd also want to
23 consider legislation that protects businesses
24 from the liabilities that could be present from
25 just doing business during this extreme public

1 health crisis. We'd like to be open, having our
2 lobbies available to members, but at this point,
3 we're still operating through drive-thru access
4 only and utilizing a lot of the online and
5 technology delivery methods.

6 This was mentioned earlier, too, the
7 phishing scams, the telephone scams, and a lot of
8 the issues that face our elderly population, but
9 also just our consumers in general, through cyber
10 security measures and protection of data is very,
11 very high priority and very significant concern
12 for credit unions and our membership. So
13 anything that can be done to assist in those
14 arenas, much appreciated and very important to
15 us, as well.

16 So we are just really hopeful that some
17 of these -- some of these initiatives that have
18 begun and have been put into place, and temporary
19 measures that have been taken can become
20 permanent so that we are able to continue to
21 effect this more efficient way to do business and
22 continue to operate in this pandemic environment
23 as long as it persists and be able to continue
24 help our consumers to fulfill their financial
25 success and stay safe during these times.

1 So then I would just close with a thank
2 you for the opportunity to present and we do look
3 forward to working together to move forward with
4 making some of these changes a little more
5 permanent, as well.

6 MAJORITY CHAIRWOMAN DELOZIER: Okay.
7 Thank you very much.

8 And finally for this panel -- and then
9 we'll get to questions -- we have the CEO and
10 president of Woodlands Bank. Representing --
11 he's also the chairman of the Pennsylvania
12 Association of Community Bankers, Jon Conklin,
13 and he's here with us in the room, so --

14 MR. CONKLIN: Chairman DeLozier, members
15 of the Committee, thank you for the opportunity
16 to testify this morning.

17 My name is Jon Conklin. I am the Chief
18 Executive Officer of Woodlands Bank, which is
19 headquartered in Loyalsock Township near
20 Williamsport. Local Representatives in our
21 market include: Representatives Garth Everett,
22 Jeff Wheeland, and Stephanie Borowicz. I also
23 serve as the Chairman of the Pennsylvania
24 Association of Community Bankers for whom I
25 submit this testimony.

1 The world seemingly changed overnight
2 with the onset of Coronavirus pandemic last
3 March. Federal, State, and local governments,
4 along with individual companies, were forced to
5 make unprecedented decisions during an uncertain
6 and rapidly-evolving environment to mitigate the
7 viral spread and to flatten the curve. Since the
8 onset of this crisis, our industry has banded
9 together and stepped up in a huge way in an
10 effort to lessen the severity of the initial,
11 unexpected economic knockout punch delivered by
12 the virus mitigation efforts.

13 Bankers across the industry along with
14 the trade associations communicated quickly and
15 regularly with each other and our regulatory
16 agencies to ensure the safety and soundness of
17 the financial system and our employees.
18 During the early days of the pandemic, it truly
19 felt like a code red situation. The response by
20 the community banking industry, in my opinion,
21 demonstrated the shared sense of responsibility
22 and the highly competent nature of those who are
23 proud to call themselves community bankers.

24 Community banks were also called upon by
25 Congress and the Trump Administration to deliver

1 critical relief to small businesses through the
2 Paycheck Protection Program. The intent of these
3 funds was to help small businesses to continue to
4 pay their employees during the initial COVID-19
5 shutdown. Here in Pennsylvania, more than
6 158,000 small businesses were able to keep their
7 doors open and employees on the payroll. Loans
8 made to Pennsylvania businesses have averaged
9 just over \$112,000, indicating that they did
10 reach the smallest businesses across our State.

11 Despite the hastened launch and
12 significant challenges in terms of lacking
13 guidance, system and resource capacities, and
14 some confusing public communications resulting in
15 unrealistic customer expectations at the outset,
16 community banks drew upon their inherent
17 strengths of their deep relationships with our
18 customers and our nimbleness in coming through
19 for their customers and delivering these program
20 funds in the most efficient manner possible.

21 The demand for these funds, which served
22 as lifelines for businesses and communities
23 across the country, was so great that the initial
24 \$349 billion was exhausted in only 13 days. I
25 heard one banking official describe that that was

1 about 10 years' worth of loans in 13 days.

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

11 At the State level, community bankers
12 and the PACB also are working to protect and
13 strengthen the banking system. For the last six
14 months, the PACB and the other financial industry
15 associations have worked with the Department of
16 Banking and Securities and the Wolf
17 Administration on legislation to protect State
18 banking funds should economic conditions in the
19 Commonwealth worsen.

20 This legislation authored by Chairman
21 Delozier, and previously introduced by State
22 Representative Mark Keller, would convert the
23 State Banking Fund and a resolution account to
24 trust funds to ensure the continuation of
25 examinations and regulation of financial

1 institutions to ensure the safety and soundness
2 of the banking industry in Pennsylvania.

3 State-chartered banks and credit unions
4 pay semi-annual assessments to the Department of
5 Banking & Securities, which are then deposited
6 into the fund to pay for the operations of the
7 Department and for the examination of
8 State-chartered institutions. The assessments
9 are in addition to any taxes or bank shares tax
10 owed by the banks.

11 Additionally, the Fund can also be used
12 to take control of or liquidate a financially
13 distressed nonfederally insured institution using
14 the Fund's Institution Resolution
15 Restricted Account. During the past 18 months,
16 two transfers have been made from the Banking
17 Fund totaling \$42 million to the General Fund and
18 to supplement the budgets of other agencies not
19 involved in the regulation of banking.

20 While these transfers occurred prior to
21 the start of the current year, the explosive
22 economic magnitude of the current pandemic is a
23 sobering reminder that an economic downturn can
24 happen at any moment, and it is in the interest
25 of every banking consumer that the State Banking

1 Fund be protected to ensure the Department can do
2 its job to ensure the safety and soundness of
3 consumer financial services in the
4 Commonwealth.

5 If the Resolution Fund balance drops to
6 a level not sufficient to carry out its intended
7 purpose, this could cause the taxpayers of
8 Pennsylvania to fund a failure resolution.
9 Currently, we are in a time when the risk of a
10 failure is at an elevated level. The Delozier
11 bill is the product of several months of
12 negotiation between the financial industry
13 groups, like the PACB, the PA Bankers
14 Association, Cross-State Credit Union
15 Association, and the Department of Banking and
16 Securities.

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

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

8 Thank you for the opportunity to
9 testify, and I'm happy to answer questions.

10 MAJORITY CHAIRWOMAN DELOZIER: Okay.
11 Thank you very much.

12 First, just my first statement -- and to
13 mention, we have been joined by Representative
14 Bonner, Representative Gaydos, and Representative
15 Mustello all in the room here.

16 So first and foremost, thank you for all
17 who has testified. I appreciate the insights and
18 your testimony here. Also, talking about
19 particular issues that we have with the Banking
20 Fund, e-notary, and HB 1930, the ability for us
21 to truly say thank you to the banking industry as
22 a whole, I think, is important because of working
23 through all of those loans. A lot of these
24 businesses and a lot of these -- our
25 constituents, I don't think, would have survived

1 as was mentioned with a lot of the payments that
2 were owed without the works within all levels of
3 banking in order to get that through. So thank
4 you for all of that hard work in doing that.

5 One of my questions, and it was alluded
6 to -- I know folks have some questions, as
7 well -- the issue of what does come next, where
8 is it -- you know, it was mentioned as to the
9 fact of with the Federal money coming in and the
10 Federal money coming into the system, folks were
11 able to pay bills because they were able to
12 receive the PPP loan.

13 What is it now that that has been shut
14 off for all intents and purposes as far as we are
15 aware that might be something down the road, but
16 right now it's looking like right now that was
17 it. Where, from your perspective from the bank,
18 all different sizes, where do you see that
19 biggest impact?

20 And is there something that the
21 legislature can do to assist? Obviously, money,
22 I understand that more money would be lovely.
23 But with a four-billion-dollar gap right now in
24 our State funds, I don't believe that that's
25 coming from the State either.

1 From the perspective of legislation, is
2 there something that you might throw out as a
3 suggestion from your industry as to what is it
4 that we can do possibly to preempt, to possibly
5 help our constituents ahead of time, be ready for
6 this down the road? Is there any suggestion that
7 any of those on the panel might have?

8 MR. CONKLIN: I think from my
9 standpoint, I mean, obviously this is a
10 Federal-level situation, but with a second round
11 of stimulus, I think there was, you know,
12 bipartisan support that that needs to happen,
13 it's just a matter of getting together and trying
14 to make that happen and trying to come to a
15 compromise on the amount and how it would be
16 delivered. I think that would be, you know, very
17 helpful.

18 From the State side, I think just an
19 ability to take into account geographic
20 differences maybe across the State and not
21 allowing a one-size-fits-all kind of an approach
22 to letting businesses open up and operate safely
23 for their customers and their employees
24 obviously. So you know, those are types of
25 things in my mind because at some point the

1 stimulus is going to run out and these businesses
2 need to generate revenue.

3 Some have been, you know, extremely --
4 used a lot of ingenuity in trying to find ways to
5 operate in spite of the restrictions and have
6 done so successfully, but there's -- you know, a
7 lot of that with restaurants involves outdoor
8 dining and things. And my concern, obviously,
9 there's concern that, you know, with the weather
10 getting colder, those aren't options anymore and
11 those businesses, you know, may struggle
12 obviously to be able to continue to do those
13 things that are outside the box in generating
14 revenue.

15 MR. RUSH: Yeah. And Chair DeLozier,
16 this is Blair Rush. I will make some comments on
17 that, as well.

18 I think, you know, banking is a highly
19 regulated industry, and we certainly have
20 concerns about going forward who's going to be
21 able to pay us and who's not going to be able to
22 pay us. We've had a lot of loan deferments. SBA
23 has been paying SBA loans for -- for our clients.
24 It's a 6-month program. That is coming to an end
25 in October.

1 So there's a lot of concern in the
2 banking industry about the next wave and the
3 fourth quarter of this year and moving into the
4 first quarter of next year. We need clarity from
5 our regulators. I mentioned earlier, you know,
6 that the Department of Banking has been a
7 tremendous help for us, attending our weekly
8 meetings. And we need Federal clarity from the
9 FDIC, the OCC, the Federal Reserve, as well as
10 the State regulators regarding how they're going
11 to look at additional loan deferments.

12 And if we're not able to do additional
13 loan deferments when it's prudent to do that,
14 that's going to create challenges for the banks
15 and for our clients. So that's a major concern
16 that we definitely think there's some significant
17 uncertainty regarding the further guidance on
18 those types of programs that we're anticipating
19 and hoping for more guidance.

20 MAJORITY CHAIRWOMAN DELOZIER: And if I
21 understand correctly, in speaking many times,
22 right now, there's not -- you haven't seen an
23 abundance of foreclosures, an abundance of
24 failures at this point, it's the looking ahead
25 because of the Federal funds as well as any of

1 the other dollars that have funneled through; is
2 that correct? So it's just a little bit of an
3 unknown as to what everybody will find --
4 because we were talking earlier and you mentioned
5 something about those that have a kind of a
6 cushion that they've saved out. How many do you
7 believe, of your clients and your customers --
8 obviously more on the business side of it versus
9 the personal side -- have that cushion to be able
10 to sustain a long-standing duration and survive?

11 MR. RUSH: That's a great -- yeah, that
12 is a great question. This is Blair again. I
13 will give my thoughts on that.

14 You know, we had about 20 percent, in
15 our bank, 20 percent deferments on our loans. So
16 there's 80 percent that are paying okay right
17 now. But if that 20 percent continues to have
18 challenges in making our payments, that's going
19 to be a significant challenge for the banking
20 industry. So it's a concern and, you know, the
21 ironic thing is, you know, when talking with our
22 business clients, some of them are doing
23 extremely well depending on what industries
24 they're in and then other industries are hurting
25 significantly. And we know some are closing up

1 shop, have closed up shops. And I think the
2 concern is the industries that are struggling,
3 the severity of that struggle going forward and
4 if there's going to be help available in the
5 future.

6 MAJORITY CHAIRWOMAN DELOZIER: Okay.

7 MR. CONKLIN: Yeah. And I would also
8 echo, I think, our initial deferments in terms of
9 our commercial lending was around 20 percent.
10 And our internal policy was to offer an automatic
11 two-month deferment to any of those businesses
12 that would -- that wanted to take advantage of
13 that. And we're happy to say right now we're
14 down to only a handful that are in the deferment,
15 deferring, you know, their payments.

16 So -- and they happen to be in those
17 harder hit sectors of the economy, you know,
18 restaurants, hotels, there's even some ones that
19 provide support services for schools and things
20 where their revenue is down. So there's specific
21 types of businesses that are, you know, still
22 taking advantage of those deferments.

23 To Blair's point earlier, some increased
24 guidance from our regulatory agencies -- in our
25 case, we're a State chartered bank -- but also

1 the Federal Reserve in terms of how they're going
2 to look upon those deferment programs if they
3 extend past a certain period, and whether that's
4 going to come back and be a safety and soundness
5 issue in their eyes for our institution.

6 So hopefully we get some more guidance
7 on those issues going forward, but also kind of,
8 you know, some things in place to give a little
9 more certainty because I think right now the --
10 what everybody is concerned about is the lack of
11 certainty. There's just a huge amount of
12 uncertainty out there of what the future holds
13 and where this thing is going. So you know, we
14 know we can't necessarily control the virus or
15 the speed of the, you know, vaccine or
16 therapeutics and those types of things, but there
17 is, in terms of guidance, you know, some things
18 that could be done from the legislative side that
19 would provide some certainty and allow us to make
20 some decisions with more information.

21 MAJORITY CHAIRWOMAN DELOZIER: Okay.
22 Thank you very much.

23 MS. SGRIGNOLI: This is Amey Sgrignoli.
24 I was going to add in, too, I think not only our
25 businesses are fragile right now, but consumer

1 confidence is extremely fragile. And as the
2 stimulus goes away or, you know, flows out, we
3 recognize that we're going to see increases in
4 delinquency, increases in charge off and have
5 those situations, as well. So outside of
6 financial services, I think investments in
7 infrastructure that would enable us to see
8 broadband internet connectivity, helping to
9 support our education system, things of that
10 nature will really help in building and
11 sustaining consumer confidence, which then brings
12 us back around to viability and sustainability,
13 restaurants, hotels, any of those
14 hospitality-related industries.

15 Many of the things that are linked back
16 to the confidence of our consumer, the ability of
17 our workforce to be productive because they're
18 there not worried about their child care, not
19 worried about their children's education and
20 those sorts of things. So definitely outside of
21 the scope of what we're here to talk about today,
22 but very important things that I think the
23 legislature is, you know, obviously focusing on,
24 but we recognize the tie-over to what financial
25 services does, as well.

1 MAJORITY CHAIRWOMAN DELOZIER: Okay.

2 Thank you.

3 We've also been joined by Representative
4 Metzgar and Representative Kail.

5 And Representative Driscoll has a
6 question.

7 REPRESENTATIVE DRISCOLL: So thank you,
8 panelists, for that testimony. It was very
9 helpful. I also want to, as the Chair said,
10 thank you for, you know, keeping your employees
11 employed and doing everything you could to make
12 sure they could work from home and those sorts of
13 things. We're concerned also about your industry
14 in the sense that with the PPP loans you guys are
15 now at risk. I know they're guaranteed by the
16 Federal government, but unless you get that cash
17 flow back into your businesses, it's going to
18 impact you on being able to help that 20 percent
19 that you're having problems with right now.

20 So could you explain to us when you
21 anticipate the PPP money coming back into your
22 organizations? And what else will you need to
23 make sure that you can help that 20 percent as
24 best as possible? And then, I think you're going
25 to have another problem down the road when all

1 the -- well, how many of you are into the student
2 loans, I don't know, but I anticipate that's
3 going to become a problem.

4 And then, getting out of the commercial
5 sector back into the home mortgage sector, to the
6 extent that some of these industries are going to
7 be permanently damaged, we're going to have some
8 problems for your organizations with the home
9 mortgages. So if you could just kind of explain
10 to us this PPP, when you anticipate it and how
11 much will that help?

12 MR. CONKLIN: I'll go first. We -- I
13 mean, as far as Woodlands Bank, for a bank our
14 size, I think we did a pretty significant amount
15 of PPP lending, which we're very proud of,
16 stepping up and helping out, you know, our
17 businesses in the community. So what we're
18 looking for, and it was -- from the beginning,
19 it's been kind of an ever-evolving process and
20 guidance that we're getting as part of this
21 program.

22 The forgiveness piece of it was also
23 kind of delayed in terms of the details of how
24 that was going to work. I think it was somewhere
25 in the middle of August, the portal went live,

1 the forgiveness portal. So we have got a few
2 loans into that portal for forgiveness. We --
3 you know, when we get the information or request
4 for forgiveness from our customers, we're
5 inputting those -- we haven't got any of those
6 funds yet. I think according to the rule, it's
7 90 days that the SBA has to actually pay us, you
8 know, the money, the forgiveness piece of that if
9 they accept our forgiveness decision. So we have
10 not got any in yet.

11 Now, the other piece of that is kind of
12 legislation that we keep hearing is supported
13 bipartisan on a bipartisan basis that would
14 provide kind of an automatic forgiveness for
15 those under 150. So I think there's a lot of
16 those customers, which are the bulk. I think out
17 of the 400, little over 400 that we did, 40 of
18 them were over \$150,000. So you know 380 -- or
19 360 of those loans are kind of -- a lot of those,
20 they're sitting back and saying, well, I'm going
21 to wait to put my information in until we get
22 some clarity on that. So, you know, that would
23 be another area we're waiting for clarity on.

24 There's also some customers then that
25 are saying, I just want to get this over with, I

1 want to get whatever I need to get in to get in,
2 and we've gotten some of these and, you know,
3 we've begun to put those into the portal for
4 forgiveness. So to answer your question of when
5 we expect those, I think the initial expectation
6 of that was sometime, you know, by yearend or
7 maybe some time in the first quarter that we
8 would be getting those funds back, but that kind
9 of depends on whether we get clarity at the
10 Federal level, the SBA makes some decisions on
11 the guidance in regards to those smaller loans,
12 or if legislation goes through that causes them
13 to be automatically forgiven. That's with the
14 PPP piece of it.

15 And to your point about the mortgages
16 and things, that is something -- at least I can
17 only speak for our bank, and we're predominantly
18 a commercial lending bank. A lot of our
19 mortgages are sold off to secondary markets, but
20 we do keep, I'd say probably about 25 percent of
21 our balance sheet is consumer and residential
22 mortgages. So but we've been fortunate in that
23 we did not see a lot of, you know, need at the
24 beginning for deferments on the consumer and
25 residential mortgage side of things, you know,

1 and now we're getting a few more, but it's still
2 at a pretty low level.

3 Now, there's also been the Federal
4 stimulus. There's been the enhanced
5 unemployment. I think those things have really
6 helped out in that regard. So that's part of
7 that uncertainty, too, if all of that goes away,
8 what is that going to look like? So I can't
9 answer your question to what it is going to look
10 like, but I -- it certainly is a shared concern
11 that we have in terms of the risks that we may be
12 facing down the road.

13 MR. RUSH: And I'll echo Jon's comments.
14 Very similar at C&N and banks across the State.
15 I think that, you know, the PPP forbearance or
16 forgiveness program continues to be fluid, as
17 well. And Jon mentioned the 150,000 threshold
18 for simplified process. So we're -- what we're
19 doing at our bank is we're taking the larger PPP
20 loans and testing those right now with the portal
21 and the process. We have not -- we have not
22 received any funds of forgiveness on a client as
23 of yet, but the process really just started.

24 The portal was just released in the end
25 of August, and we expect, you know, the majority

1 of the payments to come in probably, you know,
2 late fourth quarter and definitely into the first
3 quarter of next year. As Jon mentioned, the SBA
4 has, I believe a 60-to-90-day process, so even
5 when we submit that application, the SBA has two
6 months at least to evaluate the proper procedures
7 and the proper documentation have been provided.
8 So we anticipate it being a long process.

9 MAJORITY CHAIRWOMAN DELOZIER: Okay.
10 Thank you very much.

11 Next question, Representative Gaydos.

12 REPRESENTATIVE GAYDOS: Thank you,
13 Chairwoman. In fact, actually, thank you for the
14 Banking Fund bill. I appreciate that. I think
15 that's going to get some money to sectors of
16 economy that need it most, businesses,
17 homeowners.

18 My question is for Mr. Conklin. You had
19 mentioned that you negotiated the bill with the
20 Department of Banking. Do you have any reason to
21 believe that they would be supporting this or
22 that, you know, that they won't oppose the
23 language that you've come up with?

24 MR. CONKLIN: In terms of the Banking
25 Fund bill?

1 REPRESENTATIVE GAYDOS: Correct.

2 MR. CONKLIN: I believe -- and I'd have
3 to rely on Kevin Shivers, who is the president
4 and CEO of PACB, that was kind of directly
5 involved in those negotiations, but there seems
6 to be, from my understanding, an agreement along
7 those lines that that would be something that
8 they would support.

9 REPRESENTATIVE GAYDOS: That's great.
10 And it's nice to see everyone working together to
11 try to solve --

12 MR. CONKLIN: Right.

13 REPRESENTATIVE GAYDOS: -- the problems
14 of our constituents, so thank you.

15 MR. CONKLIN: Right. Thank you.

16 MR. RUSH: And if I can just comment on
17 that, as well. This is Blair. Again, the PA
18 Bankers Association has been immensely involved
19 with that process and with the secretary and his
20 senior staff and they've been a tremendous help
21 and support in that process.

22 MAJORITY CHAIRWOMAN DELOZIER: Thank
23 you.

24 Representative Kail, you had a question.

25 REPRESENTATIVE KAIL: Thank you, Madam

1 Chair.

2 Real quick, you mentioned that 20
3 percent of your loans are in deferment right now;
4 is that what you --

5 MR. CONKLIN: Actually, about 20 percent
6 of our commercial loans at the very beginning
7 were in that initial --

8 REPRESENTATIVE KAIL: Okay.

9 MR. CONKLIN: -- initial two-month
10 deferment. It represented about 20 percent of
11 our loans, commercial loans.

12 REPRESENTATIVE KAIL: Could you give an
13 industry breakdown on that? Which industries was
14 that coming from, roughly?

15 MR. CONKLIN: Oh. Well, at the
16 beginning, it was kind of spread out. I think
17 the there was a lot of -- I will use the word
18 uncertainty again among a lot of sectors that
19 foresaw potential issues and took advantage of
20 what we were offering as a two-month deferment.
21 There were others one that said we're going to
22 weather the storm; if we need it later, we'll get
23 it later. So I think it was pretty spread out at
24 the beginning.

25 Now, it's really concentrated into that

1 hospitality sector, I would say, with
2 restaurants, hotels, some other, like I said
3 earlier, supporting services for school
4 districts, bussing companies, things like that,
5 that are seeing a real hit to their revenues.

6 REPRESENTATIVE KAIL: What's the
7 percentage now?

8 MR. CONKLIN: I don't have that offhand.
9 I can get that to you.

10 As far as our bank?

11 REPRESENTATIVE KAIL: Yeah.

12 MR. CONKLIN: We're down -- it's -- I
13 hate to even throw out a percentage because I
14 don't know right now currently, but I can get you
15 that information. But I know -- I will say a
16 handful and I know that's not what you're looking
17 for -- but I would say 5 percent, you know, I'll
18 throw that out there because I -- but I don't
19 know that.

20 REPRESENTATIVE KAIL: Is that
21 dramatically higher than a year ago?

22 MR. CONKLIN: With deferments?

23 REPRESENTATIVE KAIL: Yeah, as far as
24 people not paying.

25 MR. CONKLIN: Deferments aren't really

1 something that we do.

2 REPRESENTATIVE KAIL: As far as people
3 not paying the loan.

4 MR. CONKLIN: We -- well, yeah. I mean,
5 if you're counting in deferments people that
6 aren't able to pay because of normal financial
7 situations --

8 REPRESENTATIVE KAIL: Yes.

9 MR. CONKLIN: -- in the normal times
10 outside of this COVID situation, I'd say, yes,
11 that's higher. We have not seen -- and like I
12 said before, I think a lot of it has to do with
13 the stimulus -- but we have not seen an up tick
14 in, you know, those types of non payments or
15 problem customers. The ones that we're dealing
16 with are ones that we were dealing with prior to
17 COVID hitting for the most part.

18 REPRESENTATIVE KAIL: Okay.

19 MR. CONKLIN: The concern is when
20 everything runs out and what that looks like
21 going forward.

22 REPRESENTATIVE KAIL: Yeah.

23 MAJORITY CHAIRWOMAN DELOZIER: Okay.

24 Thank you.

25 And I just have one last question. I

1 believe it is the last question. One of the
2 issues that was brought up in the testimony was
3 the issue of fraud and the issue of scams
4 reaching out through the banks. And I know that
5 you're the conduit in the sense that a lot of
6 times you're not aware of it until someone draws
7 it to your attention as to the fact that money
8 went to the wrong place.

9 With the issue that we've had,
10 significant issues with the unemployment, and
11 obviously with the State and trying to curve that
12 as much as possible, I myself received checks
13 that were legitimate, that people could cash,
14 that go through the banking system. But also on
15 the flip side of it, with the pandemic, and time
16 and time again, we're talk -- hearing about the
17 information of everybody getting out there, as
18 well. So identity theft obviously is a huge
19 issue. And it is not something that the banks
20 know about, as you said, because the money goes
21 through you.

22 From your perspective -- I know in
23 having the conversation with many of the bankers
24 in our State, the millions and millions and hours
25 and hours that are spent on trying to minimize

1 cyber crime and doing that, is there something
2 that the State can do better or more of in order
3 to assist in that?

4 Do you see that there are -- some of it
5 is Federal, obviously, in the regulation of the
6 banks themselves, but we're just looking to see
7 how is it that we can protect as many of our
8 constituents from identity theft but also the
9 scams that do come and tend to aim at our seniors
10 the most?

11 MR. CONKLIN: Yeah. That is a constant
12 battle. And whether it's cyber or whether it's
13 in person, it's a constant battle we see every
14 day. And we've certainly seen an up tick in the
15 past few years, and we've seen an up tick since
16 the onset of COVID. I'm not sure if there's a
17 connection there or if it's just an up tick that
18 would have happened anyway. But we're seeing,
19 you know, a lot of fraudulent checks. We're
20 seeing customers being utilized as money mules,
21 basically, or being scammed in a way.

22 So it's a constant battle we see every
23 day. Our person that oversees branch
24 administration, she spends most -- the vast
25 majority of her time on a daily basis is dealing

1 with fraud, trying to make sure everybody at our
2 branches are trained to recognize fraud when they
3 see it, to have the conversations. You know,
4 some things get through. We're, you know, out
5 that money and that's -- but that's up to us to
6 train our employees and have systems in place to
7 be able to catch that, but we're certainly seeing
8 an up tick in it.

9 The elder abuse -- you know, not to
10 ramble on too long, but the elder abuse piece of
11 that would be something -- I know there's been
12 some legislation that's working its way through
13 and that would be extremely helpful for us
14 because I know we see that quite a bit with the
15 elder abuse and we know that it's happening, or
16 we at least expect that there's elder abuse
17 occurring, but there's sometimes that we can't
18 take the action we would want to take because of
19 privacy issues, you know, such as getting ahold
20 of family members or something that technically
21 aren't on the account. You know, we're not
22 legally allowed to do that, but if there were
23 some safe harbors and things in place that
24 allowed us to take certain steps within reason,
25 obviously, if we suspected elder abuse is

1 occurring, I think it would be helpful in
2 stemming some of that fraud that's occurring.

3 MR. RUSH: And if I can just comment on
4 that, as well. This is Blair again. You know,
5 the cyber crime and the fraudulent activities
6 that unfortunately have increased, as Jon said,
7 it's about education and it's about educating our
8 employees and educating our customers and, you
9 know, the legislative community, you know
10 endorsing that, as well, and the education of
11 there's a lot of fraud that happens. And
12 unfortunately, if it appears to be too good, you
13 might want to think about it again before you act
14 on something.

15 It's a continued education process and
16 there's a lot of money being spent not only in
17 the banking industry, but across all businesses
18 to prevent fraud. And that's going to continue
19 unfortunately, I think.

20 MAJORITY CHAIRWOMAN DELOZIER: Okay.
21 Thank you very much. I appreciate -- thank you
22 for all of your insights. We'll move on to our
23 second panel.

24 As was mentioned earlier by
25 Representative Driscoll, talked about student

1 loans -- before I do that, I would be remiss if I
2 -- my predecessor, Chairman Keller, has joined
3 us, as well, as he moved on to chair Agriculture.
4 So Commerce's loss.

5 But the ability for us to move onto the
6 Pennsylvania Higher Education Assistance Agency,
7 we have Nathan Hench. He is going to testify.
8 We -- as Representative Driscoll mentioned
9 earlier, our student loans is a huge issue within
10 the State of Pennsylvania. Our PHEAA Board and
11 Agency works very hard to get grants and to get
12 funding out for students to go to school and
13 lower student debt. But obviously, after you've
14 graduated, you need to pay back your debt so that
15 others can follow in your footsteps. But many
16 times there has been a forbearance on that and a
17 hold on all student loans.

18 So with that, I'll hand it over to you.

19 MR. HENCH: Thank you, Chairwoman
20 Delozier, Chairman Galloway, members of the
21 Committee.

22 On behalf of Jim Steele, PHEAA's
23 President and CEO, as well as the PHEAA Board of
24 Directors, I would like to thank you for the
25 opportunity to speak with you today as we examine

1 the impact of COVID-19 on Pennsylvania residents.

2 PHEAA was created more than 55 years ago
3 with the primary mission of creating affordable
4 access to higher education for Pennsylvania
5 students and families. Since then, we have
6 helped generations of Pennsylvanians achieve a
7 college education while helping to strengthen the
8 foundation of our economy with an educated
9 workforce. We do this by administering a variety
10 of student aid programs for the Commonwealth, the
11 largest of which is our flagship program, the PA
12 State Grant Program.

13 PHEAA covers all costs to administer
14 this and other State-funded student aid programs,
15 which saves taxpayers nearly \$16 million
16 annually. This also makes Pennsylvania's student
17 aid programs among the most efficient in the
18 nation since every dollar appropriated to those
19 programs goes directly to benefit the students
20 who need it most.

21 Additionally, PHEAA has contributed more
22 than \$1 billion from its business earnings to
23 directly supplement student aid programs to
24 further support Pennsylvania students, families,
25 and taxpayers. PHEAA also uses its earnings to

1 support a variety of outreach and student aid
2 awareness initiatives, much of which is focused
3 on helping students make wise choices early in
4 the planning process so they can avoid
5 unnecessary loan debt.

6 With regards to COVID-19 & Pennsylvania
7 student aid, about six months ago, millions of
8 Pennsylvanians awoke to a new and uncertain
9 normal. Individuals, families, businesses,
10 educators, healthcare providers, and government
11 leaders all struggled to understand the risks of
12 COVID-19 and the responses that would be needed.
13 At the same time, stay-at-home lock-downs
14 restricted businesses as unemployment rates
15 reached historic highs literally overnight.

16 Beyond the stresses on our healthcare
17 system, the economic impact was felt by just
18 about everyone. This includes more than 130,000
19 Pennsylvania State Grant recipients and millions
20 of student loan borrowers throughout the nation.

21 On March 19, 2020, PHEAA's Board of
22 Directors took action to quickly provide the
23 Agency with the administrative flexibility to
24 safeguard students from any negative consequences
25 that may result from a school's pandemic

1 response. Specifically, the Board provided for
2 the temporary modification of certain program
3 requirements of PHEAA-administered Pennsylvania
4 student aid programs to ensure that recipients
5 would not experience any disruptions or reduction
6 of funding due to operational changes that
7 schools were implementing, including the
8 widespread transition to online-only classes.

9 One example was a waiver of the
10 Pennsylvania State Grant Program's eligibility
11 distinction between traditional in-classroom
12 students, who currently qualify for a \$4,123
13 maximum award, and distance education students,
14 who would have otherwise qualified for a \$3,092
15 maximum award, or 75 percent of the traditional
16 award. This waiver held harmless thousands of
17 initially in-classroom recipients who would have
18 lost their higher award amount, which had already
19 been factored into their higher education funding
20 plan for the year.

21 Something to keep in mind about this
22 specific waiver is that Act 5 of 2018, passed by
23 this General Assembly, which integrated distance
24 learning into the PA State Grant Program,
25 specified that eligibility would only apply to

1 students attending a school that is headquartered
2 and domiciled in the Commonwealth. This was done
3 to limit the ability of very large, out-of-state
4 online schools to place an outsized financial
5 strain on limited Commonwealth funding for the PA
6 State Grant Program.

7 So to qualify for a full PA State Grant
8 award, even with PHEAA's easing of the program
9 rules, currently most of those students would
10 need to be enrolled in a program of study that is
11 structured to allow them to complete at least 50
12 percent of their credit or clock hours in a
13 traditional classroom. This estimate is out of
14 the current 130,000 PA State Grant Program
15 recipients, this would impact about 4,000
16 Pennsylvania students.

17 I would make note that the PHEAA Board
18 of Directors is going to be meeting later this
19 week to look at this policy and make potential
20 adjustments. However, in the interim, we're
21 advising students to contact their school's
22 Financial Aid Office to determine the following,
23 if the school's distance education reporting is
24 actually accurate; if the school has any
25 available federal CARES Act money that could be

1 used to help compensate for the loss of the
2 Pennsylvania State Grant funding; and if the
3 school offers lower tuition for students who are
4 attending all their classes online versus taking
5 them in the traditional classroom.

6 At the March Board of Directors Meeting,
7 the PHEAA Board also extended the May 1st PA
8 State Grant application deadline by two weeks to
9 May 15th to give students and families more
10 flexibility during the pandemic. As a result of
11 this move and subsequent awareness efforts on the
12 part of PHEAA and its Board of Directors, we
13 managed to reengage approximately 17,000
14 distracted students and families who would
15 otherwise miss their opportunity for desperately
16 needed student aid awards.

17 For millions of students -- student loan
18 borrowers, the CARES Act, passed by Congress,
19 which was signed into law on March 27th, provides
20 several provisions for financial relief that
21 includes zero percent interest and the automatic
22 suspension of principal and interest payments on
23 federally-held student loans, initially through
24 September 30th, which has since been extended
25 through December 31st, 2020. For borrowers with

1 older federal FFELP Loans that are not federally
2 owned, a Natural Disaster Forbearance was made
3 available which could be applied for up to 90
4 days. This 90-day forbearance was also made
5 available, at the loan holder's discretion, for
6 private student loan borrowers.

7 With regard to COVID-19 and PA Forward
8 Student Loan Program, in early May, the PHEAA
9 Board of Directors joined with Pennsylvania
10 Treasurer Torsella and members of the General
11 Assembly to ask Governor Wolf for support to
12 allocate up to \$2.2 million for student loan
13 relief from the funds received by the
14 Commonwealth as part of the federal CARES Act.
15 This initiative, which was signed into law on
16 May 29th, 2020, aligned perfectly with the
17 primary goal of the CARES Act, to provide relief
18 for Pennsylvanians who face financial challenges
19 due to COVID-19.

20 These bipartisan efforts quickly
21 benefited thousands of Pennsylvania PA Forward
22 Student Loan borrowers. Now in its second year,
23 the PA Forward Student Loan Program is a suite of
24 borrower-friendly student loans with PHEAA
25 serving as both the lender and the servicer, with

1 a line of credit from the Pennsylvania Treasurer
2 and tax-exempt allocation from the PA Department
3 of Community and Economic Development.

4 As Pennsylvania's student loan program,
5 PA Forward stands unique among non-federal loan
6 programs as evidenced by how decisively the
7 Commonwealth rallied to aid the borrowers. This
8 included automatically pausing payments,
9 allocating federal relief funds to underwrite the
10 zero interest rates for all borrowers, and
11 backdating such benefits to March 13th through
12 September 30th, 2020.

13 These benefits are in addition to
14 everyday benefits, such as no application or
15 origination fees, no prepayment penalties, a half
16 a percent interest rate reduction as a graduation
17 benefit for the undergraduate and graduate loans,
18 a .25% interest rate reduction for undergraduate,
19 graduate and parent loans upon enrollment in
20 automatic payments, and biweekly payment options
21 to promote positive repayment habits.

22 Moving forward, there are several
23 important things for students and families to be
24 aware of as we continue to work our way through
25 COVID-19. Perhaps most important or immediate,

1 student loan borrowers need to understand that
2 many COVID relief measures, such as zero percent
3 interest rates and forbearances, are temporary.
4 Some are set to expire on September 30th, while
5 others will expire on December 31st. So now, it
6 is the time to prepare for the resumption of
7 student loan payments and to adopt the mindset of
8 a smart borrower with good repayment habits.
9 College-bound students and families should
10 continue to research and be aware of school
11 deadlines for both admissions and financial aid,
12 as changes could be made as the schools continue
13 to adapt to COVID19.

14 If a student has experienced an event
15 that could affect their ability to pay their
16 tuition, such as loss of income or recent death,
17 they should communicate this information to their
18 school's Financial Aid Office as soon as possible
19 to see if any adjustments can be made. Student
20 loan debt, in general, should be avoided if
21 possible and it should be minimized when it
22 becomes unavoidable. This means exhausting
23 eligibility for grants, scholarships, and then
24 low-cost federal Stafford Loans.

25 Students and families should also be

1 aware that the Free Application for Federal
2 Student Aid, FAFSA, will be available beginning
3 October 1st, 2020 for the 2021-22 Academic Year.
4 The FAFSA is the primary application for all
5 federal student aid and is used to help determine
6 eligibility for most forms of need-based aid,
7 including the Pennsylvania State Grant Program,
8 so it is very important to submit this
9 application as early as possible to ensure that
10 school deadlines are met.

11 Of course, PHEAA also continues to
12 provide many free planning resources to the
13 Commonwealth at no cost to the taxpayer. This
14 includes hands-on, personal guidance that is
15 spearheaded by 13 Higher Education Access
16 Partners who live and work in communities
17 throughout the Commonwealth. These professionals
18 traditionally provide a variety of face-to-face,
19 financial-aid related services to students,
20 families, educators, schools, and community
21 partners.

22 Now, in today's COVID-19, many of these
23 events and presentations are offered virtually to
24 ensure that students and families can receive the
25 personalized information they need when they need

1 it from the safety and security of their own
2 homes. As a group, our Access Partners
3 participate in nearly 3,000 financial aid events
4 annually. Many of these events have been held in
5 cooperation with local legislators to help
6 increase awareness among your constituents of
7 various student aid opportunities, application
8 processes, and how to borrow money responsibly.
9 We will look forward to resuming these public
10 events when it is safe to do so.

11 PHEAA also offers several online
12 resources that can provide planning assistance 24
13 by 7. This includes MySmartBorrowing.org, which
14 engages high school students and potential
15 borrowers early in the planning process before
16 any decisions are made to borrow money, helping
17 them to make smart choices as they develop their
18 higher education success plan. PHEAA also offers
19 EducationPlanner.org, which is our one-stop
20 career and college-planning website;
21 YouCanDealWithIt.com, which helps graduates and
22 soon-to-be graduates prepare for life after
23 college with debt management, career development
24 advice; and of course, we have PHEAA.org, which
25 has useful information on available State and

1 federal student aid programs, including the
2 Pennsylvania Student Aid Guide.

3 In conclusion, this concludes my remarks
4 and I want to thank you again for the opportunity
5 to appear here today. As always, PHEAA stands
6 ready to work with the legislature and the
7 Governor's Office to help develop new initiatives
8 that can help Pennsylvania residents afford a
9 higher education while avoiding student loan
10 debt.

11 I certainly welcome any questions.

12 MAJORITY CHAIRWOMAN DELOZIER: Thank you
13 very much. I appreciate you coming.

14 One of the questions that had come, and
15 I should have asked this of the banking industry,
16 as well. So in the banking industry, we talked
17 about the forbearance, talked about the holding
18 off of whether it's two months or anything, you
19 mentioned in your testimony that we have
20 deadlines coming up where the loans will have to
21 start being repaid.

22 Can you explain exactly what PHEAA's
23 stance is with a student if they have not been
24 paying during this time frame that they had the
25 -- they were allowed not to pay?

1 So all of a sudden December 1 happens,
2 when it reopens, when that happens, what is that
3 student going to do, will they have to write a
4 check for the last six months? Will they have to
5 start doing a payment plan, you know, to catch up
6 for the last -- can you explain that process so
7 that students are aware and we are all aware as
8 to what PHEAA is doing with the loans that were
9 held?

10 MR. HENCH: Sure. Thank you for the
11 question.

12 So the primary portfolio that's going to
13 be coming into repayment will be January 1st and
14 that's the Federally-owned loans that are issued
15 by the Federal government. And when that
16 happens, if students haven't been paying or
17 borrowers haven't been paying for six, seven
18 months -- and let's say they usually pay \$100 per
19 month -- it's not like they'll get a \$700 bill.
20 That \$100 payment will just restart on January
21 1st. So they won't have to make any back
22 payments for the time of forbearance or the zero
23 percent.

24 MAJORITY CHAIRWOMAN DELOZIER: Okay.
25 What happens with the interest that was accrued

1 during that time period?

2 MR. HENCH: It was at -- it was set at
3 zero percent, so there was no interest accrued on
4 the accounts.

5 MAJORITY CHAIRWOMAN DELOZIER: Okay. So
6 these students would then, it would just be
7 tacked onto the end of their loan at the --
8 whenever -- the loan amount is not changing; it's
9 just being spread out a little longer --

10 MR. HENCH: Correct.

11 MAJORITY CHAIRWOMAN DELOZIER: -- and
12 giving them the time --

13 MR. HENCH: Correct.

14 MAJORITY CHAIRWOMAN DELOZIER: Okay. So
15 our students are not going to be held
16 accountable, students or families, whoever is the
17 person taking out the loan, or paying on the
18 loan, I should say.

19 Are we able to -- with a lot of these
20 programs that are coming through, will there be
21 an effect of the CARES Act stopping? So will
22 there be a change or anything in any of these
23 loan programs that we've had the benefit of the
24 CARES money, that would be a gap moving forward?

25 MR. HENCH: What comes to mind is the

1 \$2.2 million that the legislature and the
2 Governor allocated to the PA State Loan Program,
3 and those benefits run out on September 30th.
4 And that affects about 4,000 borrowers in the
5 Commonwealth that we're currently reengaging to
6 make sure that they're educated that come October
7 1st or whenever their first payment would be made
8 in October, that they would have to be ready to
9 make that payment.

10 MAJORITY CHAIRWOMAN DELOZIER: And who
11 receives those loans? What type of student are
12 we talking about that --

13 MR. HENCH: Primarily, those 4,000
14 because we only had one year -- 2019 was our
15 first year for that private loan program that's
16 held by PHEAA. Those are PHEAA-held loans and
17 also serviced by the Agency, and it's about
18 4,000, primarily Pennsylvania residents. There
19 were some students that came from bordering
20 states into Pennsylvania to Pennsylvania schools
21 that would also be impacted by that.

22 MAJORITY CHAIRWOMAN DELOZIER: And the
23 grant program that is done by PHEAA, that type of
24 student that is applying for that grant, what
25 type of students does that serve?

1 MR. HENCH: The Pennsylvania State grant
2 program is a needs-based program, so it's
3 primarily based on the most neediest students
4 that are attending Pennsylvania schools --
5 Pennsylvania residents attending schools here in
6 the Commonwealth.

7 MAJORITY CHAIRWOMAN DELOZIER: So the
8 distance learning clarification would have been a
9 positive for them to make sure that the different
10 levels of loan --

11 MR. HENCH: Correct.

12 MAJORITY CHAIRWOMAN DELOZIER: Okay. I
13 appreciate that.

14 Representative Zabel.

15 REPRESENTATIVE ZABEL: Thank you, Madam
16 Chair. And thank you, Mr. Hench, for the
17 clarification because I do, in fact, hold some
18 Federal loans myself, so it's important to know.

19 And to that end, I think one of the
20 reasons it's really important that we protect the
21 funding for the student loans is to understand
22 that student loans aren't just a matter of a
23 22-year-old out of college. For many people,
24 it's going to follow them into their 30s, their
25 40s, that sort of thing.

1 change because of COVID? And then, what are you
2 doing to prepare? Which I know you addressed
3 some of that.

4 MR. HENCH: Sure. Thank you for the
5 question, Representative.

6 Just one point of clarification. The
7 130,000 State grant recipients that I mentioned
8 in the testimony, that is free grant aid that
9 goes to Pennsylvania residents based on the need
10 calculation, so those grants don't get repaid by
11 the students.

12 However, we do service about 12.7
13 million borrowers across the entire nation.
14 Whether that's third-party -- the majority of it
15 is third-party servicing, and about 7 million of
16 it is on behalf of the federal government. We --
17 much like the previous testimony was shared,
18 we're not sure what the default rate is going to
19 be because most of those loans come back into
20 repayment January 1st. We anticipate that the
21 largest hurdle that the Agency will have to
22 overcome is reeducating borrowers because they've
23 been out of that repayment habit.

24 And so we're working closely with the
25 U.S. Department of Education on those

1 communications plan, a variety of different
2 platforms that we're going to be utilizing,
3 e-mail, text messaging, social media to reengage
4 those borrowers. But right now, we don't really
5 have a thumb on the pulse of what those
6 anticipated default or delinquency rates might
7 be.

8 REPRESENTATIVE GAYDOS: So out of the
9 12. -- was it --

10 MR. HENCH: Seven.

11 REPRESENTATIVE GAYDOS: -- 12.7 million,
12 what is the current default rate?

13 MR. HENCH: It depends on portfolio
14 type, and I would hate to venture a guess. I
15 don't have --

16 REPRESENTATIVE GAYDOS: A range?

17 MR. HENCH: I'm sorry?

18 REPRESENTATIVE GAYDOS: A range maybe,
19 just --

20 MR. HENCH: I want to say between 5 and
21 7 percent, but on the Federal portfolio, it's
22 probably most likely higher, but on the legacy
23 portfolio, I want to say it's around 5 to 7
24 percent.

25 REPRESENTATIVE GAYDOS: Okay. I just

1 want to get a benchmark of where --

2 MR. HENCH: Where the needle might move.

3 REPRESENTATIVE GAYDOS: Right.

4 MR. HENCH: I can certainly follow up
5 with the Committee.

6 MAJORITY CHAIRWOMAN DELOZIER: Five to
7 seven is still a lot when you're talking 12
8 million or -- the numbers get a lot of zeroes
9 after them.

10 Representative Jones had a question.
11 He's online.

12 REPRESENTATIVE JONES: Thank you, Madam
13 Chairwoman. Yeah, two-part question. And if you
14 don't have the answer, you can just maybe get
15 back to me with an e-mail or something. I
16 believe it's -- the numbers I hear are something
17 like 45 percent or so of students that go to
18 college six years later never have a degree.
19 They, you know, drop out and whatnot.

20 First question is does that feel about
21 right, to your knowledge? But my larger question
22 is, do you know what percentage of the
23 outstanding student loan debt is held by students
24 who never actually graduated and have basically
25 nothing to show for their college experience?

1 MR. HENCH: Really good question. I'll
2 answer the second question first. I will have to
3 get back to the Committee on how much student
4 loan debt is held by non-graduates, I believe was
5 what the question was.

6 And the first question I believe you
7 referenced around 45 percent that have student
8 loan debt and don't graduate within six years. I
9 want to say that my gut is probably telling me
10 that that's fairly accurate with regards to the
11 range. We certainly, especially with the new
12 loan program that the Agency just launched, we're
13 really focused on getting students to graduate.
14 Statistically, reports show that if you graduate,
15 then you become a higher earner and you're able
16 -- you have more ease of repayment of those
17 student loans.

18 And that's why when we built the
19 program, we built in the interest rate reduction
20 for graduation. So we're trying to create that
21 incentive, another incentive to get students to
22 graduate.

23 But I will certainly follow up with
24 those statistics, Representative.

25 REPRESENTATIVE JONES: Thank you very

1 much. I would agree with you on increasing
2 graduation. I would add to that if 45 percent
3 aren't graduating, maybe the problem is many of
4 them should have never went there in the first
5 place and should have received a little better
6 guidance at the high school level to direct them
7 to trade school or similar career paths, but
8 that's beyond the scope of this discussion.

9 So thank you very much. I appreciate
10 that.

11 MR. HENCH: Thank you.

12 MAJORITY CHAIRWOMAN DELOZIER: Thank
13 you.

14 And I know that PHEAA does try to get
15 into the schools many, many times to try and curb
16 that a little bit, to give good direction. So
17 thank you very much for your testimony.

18 And our last panel is the Community
19 Legal Services; Kerry Smith, a senior staff
20 attorney at Homeownership & Consumer Rights Unit,
21 so I will hand it over to you.

22 MS. SMITH: Thank you, Chair Delozier
23 and members of the Committee. I really
24 appreciate the opportunity to testify today on
25 the way in which the coronavirus pandemic and the

1 resulting economic crisis have impacted
2 Pennsylvania consumers, and importantly, the role
3 that consumer protections in the financial
4 services sector can play in stabilizing these
5 finances and help fostering economic recovery.

6 I'm an attorney with Community Legal
7 Services, which provides free, civil legal
8 services to low-income residents in Philadelphia,
9 as well as technical assistance and training
10 support to legal aid programs throughout the
11 Commonwealth. My practice is in the
12 Homeownership & Consumer Rights Unit of CLS,
13 where we represent and advocate for clients
14 dealing with legal issues related to mortgages,
15 debt collection, and also predatory, high-cost
16 loans.

17 Even before the COVID-19 outbreak, CLS
18 clients, along with other Pennsylvanians, were
19 facing financial challenges. For example, In
20 2018, there were more than a quarter of all
21 Pennsylvanians that had a debt that was in
22 collection on their credit report. And while
23 foreclosures were certainly down from their
24 height during the subprime mortgage crisis,
25 approximately 23,000 new residential mortgage

1 foreclosures were filed in our State courts that
2 same year.

3 Today, COVID-19 has clearly had a
4 significant impact on the financial stability of
5 families across the Commonwealth, with over 2.1
6 million Pennsylvanians filing unemployment
7 claims. And as other panelists and members of
8 the Committee have mentioned today, COVID-related
9 stimulus payments, the supplemental unemployment
10 assistance, while they have provided some
11 additional income to qualifying individuals,
12 those benefits have expired and people are now
13 falling behind on their bills.

14 According to data from the Mortgage
15 Bankers Association, the national delinquency
16 rate for residential mortgages has jumped to 8.22
17 percent of all outstanding mortgage loans as of
18 June 30th, 2020. The rate of seriously
19 delinquent loans, which are loans overdue by 90
20 days or more, increased to 3.72 percent, the
21 highest rate since 2010. Right now, we are in
22 the equivalent of the eye of a hurricane, the
23 calm before the coming foreclosure and debt
24 collection storm. We've had Government action
25 and court closures that have stayed the

1 collection and filing of new foreclosures as well
2 as many student loan and other debt collection
3 actions, but many of those moratoriums are ending
4 and court activities are resuming.

5 And I think we need some strong consumer
6 protections to provide a lifeline to struggling
7 Pennsylvanians that will obviously not only
8 provide critical relief to vulnerable individuals
9 and families, but also support our economy.
10 Consumer spending fuels two-thirds of our
11 nation's economy, so consumer protection and
12 economic recovery can go hand in hand. Keeping
13 consumers in their homes with the income they
14 need to cover all their basic living expenses and
15 invest in their local communities, those are the
16 tools that we need to weather the storm together.

17
18 And the Commonwealth has an important
19 role to play in reducing the COVID-19 economic
20 shocks, and I would like to just speak briefly
21 today about policy recommendations in three
22 priority areas of consumer financial services:
23 Home mortgages, student loans, and debt
24 collection. Starting first with the mortgages, I
25 think there's been some quick action at the

1 federal and State level that has helped ensure
2 housing stability during the first few months of
3 the COVID-19 crisis.

4 As has already been mentioned today, the
5 federal CARES Act and subsequent agency guidance
6 imposed a foreclosure moratorium on
7 federally-backed mortgages. That's FHA, VA,
8 USDA, Fannie Mae and Freddie Mac mortgages, and
9 that's extended through the end of the year. In
10 addition, borrowers of these federally-backed
11 mortgages may request a forbearance, or a
12 complete pause on their payments, for up to 360
13 days.

14 However, there's no similar forbearance
15 protections put in place for the 30 percent of
16 the mortgages that are not federally-backed.
17 Here in Pennsylvania, the Governor has imposed a
18 moratorium on the filing of most residential
19 mortgage foreclosures, but that Order expired
20 earlier this month. Fortunately -- and thanks to
21 all of you in the General Assembly -- you created
22 the Pandemic Mortgage Assistance Program through
23 federal coronavirus relief funds, for homeowners
24 who have fallen behind on their mortgages.

25 PMAP is an important supplement to

1 Pennsylvania's longstanding, successful ongoing
2 mortgage assistance program, HEMAP, but some of
3 the program requirements of PMAP have made it
4 difficult for homeowners to access the funds.
5 And we do encourage the passage of legislation.
6 SB 1290 is one vehicle that would address these
7 issues and encourage more mortgage companies to
8 participate in PMAP and address the issues that
9 are in the companion Rental Relief Program.

10 Right now, that program is required to
11 stop accepting new applications on September
12 30th, just 15 days away. So time is of the
13 essence and we encourage swift passage of the
14 legislation, which would also extend the
15 application deadline. It's really critically
16 important for both homeowners and renters.

17 We also encourage the legislature to
18 enact a forbearance program similar to the CARES
19 Act for all residential mortgages in
20 Pennsylvania. As I mentioned, 30 percent of home
21 mortgages are not covered by the CARES Act. And
22 a forbearance period, meaning a pause on their
23 payments, that can help struggling borrowers have
24 the opportunity to maintain their housing, which
25 is critical in the middle of a pandemic, and also

1 to gain the time necessary to stabilize their
2 finances so they can resume mortgage payments in
3 the future.

4 Student loans: Long before COVID-19, we
5 were in the midst of a student loan crisis.
6 There's roughly 45 million Americans burdened
7 with \$1.68 trillion in student debt -- that is
8 trillion with a T -- and over a quarter of those
9 borrowers are behind on their loans. And
10 COVID-19 can certainly deepen that crisis.

11 As Nathan had said, the federal CARES
12 Act suspended payments on about 80 percent of
13 federal student loans initially through September
14 30th, but more than nine million borrowers who
15 have Commercial Family -- sorry Federal Family
16 Education Loans, Perkins loans, and private loans
17 were left without payment relief.

18 We are certainly thankful to all of you
19 that here in Pennsylvania, as part of the budget
20 package signed into law in May, you provided
21 relief for borrowers of private student loans
22 that are owned by PHEAA. And now, the Department
23 of Education has extended, through Presidential
24 Memorandum the payment suspensions for federal
25 student loans that are held by the Department

1 until the end of the year. But with the State
2 payment relief program set to expire in October,
3 and no mandatory relief for federal and private
4 student loans, we do need some additional action
5 to encourage ongoing immediate assistance to
6 struggling borrowers.

7 And then, over the long term, as we're
8 transitioning it back and people are getting back
9 on stable footing, we need to make sure that
10 student borrowers have protections that are in
11 place to ensure that student loan servicers
12 enroll them in repayment plans that meet their
13 basic needs. Unfortunately, that's not happening
14 currently. Just to give you a sense of the
15 problem, any federal student loan borrower who
16 qualifies for free legal services from CLS is
17 entitled to a repayment plan with a zero to \$25
18 monthly payment and complete loan forgiveness
19 after 20 years. Yet, we routinely see clients
20 seeking legal help from CLS because their limited
21 Social Security benefits that they need for food
22 and rent have been garnished for defaulted
23 student loan debt.

24 Quite simply, that should never happen.
25 It does because servicers aren't doing their job

1 correctly. Our clients' experiences really
2 reflect a systemic failure in student loan
3 servicing. And to address it, we urge the
4 legislature to enact the bipartisan Student
5 Borrower Bill of Rights.

6 It's HB 2360, which would do a couple of
7 things. It would establish licensing and
8 oversight of student loan servicers as well as a
9 Student Loan Ombudsman to advocate for borrowers.
10 Ultimately, we believe that effective management
11 of student loan debt burdens is going to be an
12 essential economic recovery tool for the COVID-19
13 crisis.

14 Finally, debt collection. Again, not a
15 new issue. For decades, debt collection has
16 topped consumer complaints filed nationwide, and
17 the COVID-19 crisis has exacerbated the problem.
18 The federal CARES Act provides no relief for
19 borrowers facing collection of credit card debt,
20 installment loans, or car loans. And for a time,
21 Pennsylvania had some breathing room because of
22 court closures, but collectors once again are
23 flooding our courts with lawsuits to collect on
24 these debts. And many of these lawsuits, many
25 involve debts where they were sold by the

1 original creditor to debt buyers for pennies on
2 the dollar.

3 Court judgments and the resulting bank
4 account garnishments to collect on these
5 judgments can leave individuals and families with
6 not enough money to pay the rent and keep the
7 lights on and food on their table. Consumers
8 need opportunities to preserve their key income
9 and assets while they recover financially from
10 this crisis.

11 And so, given the extraordinary time
12 we're in, we are urging the legislature to put a
13 pause just on the most aggressive forms of debt
14 collection during this emergency disaster
15 declaration period for COVID-19 and for 120 days
16 afterwards. So what do I mean by that?
17 Specifically, debt collectors should be
18 prohibited from collecting and repossessing a
19 consumer's vehicle, garnishing wages from a bank
20 account, or enforcing another security interest
21 for a consumer debt during this limited period.

22 And in the long-term, we should look and
23 consider a few protections for making sure the
24 consumers can preserve some limited income and
25 assets after a financial disaster. I think

1 COVID-19 obviously has created some unprecedented
2 public health and economic crises, and We believe
3 these modest consumer protections will help
4 Pennsylvania families, businesses, and the
5 economy back on its feet.

6 We appreciate the opportunity to discuss
7 these issues, and we look forward to working
8 together to address the impacts of COVID-19. I'd
9 be happy to answer any questions people have.

10 MAJORITY CHAIRWOMAN DELOZIER: Okay.
11 Thank you very much.

12 I have a quick question. I know some
13 folks are figuring out what they're going to --
14 if they have any questions. You mentioned here
15 talking about those that you're serving and many
16 of the borrowers and especially with the student
17 loans. You said the student loan servicers are
18 not doing their job. How are they not doing
19 their job?

20 MS. SMITH: Sure. Just to give you the
21 -- to go back to the example I offered. Many of
22 our clients have old Federal student loans. And
23 if you can qualify for free legal services from
24 Community Legal Services, it's because you're
25 very low income and the Federal government has

1 established income-based repayment plans where a
2 borrower with limited income can get out of
3 default and literally be in a payment plan of
4 zero to \$25 per month, something that's
5 affordable. But far too often, what our clients
6 are reporting to us is they call their student
7 loan servicer, report they're in financial
8 distress, and instead of getting enrolled in one
9 of those income-based repayment plans, they get
10 put into a forbearance program that just
11 increases their debt and leads to later defaults.

12 There's reasons for that. There are
13 some financial incentives to enroll people in
14 forbearance programs rather than taking the time
15 necessary to enroll them in an income-based
16 repayment program. And to address that, one,
17 there's been lawsuits all around the country,
18 including here in Pennsylvania against Navient,
19 one of the largest student loan services for
20 their failure to properly service student loans.

21 But we need rules in place, a student
22 loan ombudsman, a student loan/borrower Bill of
23 Rights to ensure that that marketplace is
24 working.

25 MAJORITY CHAIRWOMAN DELOZIER: Okay. So

1 in and of itself it's targeted particular
2 servicers as there's not very many services that
3 are out there, especially for Federal loans, as
4 there's only three nationally that compete
5 typically. So one in particular, you're saying,
6 has had court cases against it.

7 The issue of not servicing -- I know
8 with the education, you had mentioned education.
9 So I know in going out to the high schools, more
10 education obviously is necessary for those going
11 to school and the ability for them to get what
12 they need. My other question is you had
13 mentioned about landlords and paying of rental
14 and having more forbearance on that.

15 Are any of your clients landlords?

16 MS. SMITH: No. Community Legal
17 Services only represents tenants and homeowners.

18 MAJORITY CHAIRWOMAN DELOZIER: Okay. So
19 I guess my question to you, in seeing the side
20 that you advocate for, so are any of your tenants
21 or -- I guess what I'm trying to say is that if
22 someone has a home and they sell -- it's a
23 duplex, and they rent the other side of the
24 duplex, that individual is trying to pay their
25 mortgage by renting out the other side of the

1 duplex. I guess my concern is that we need to
2 balance the need for saying that someone doesn't
3 need to pay their rent with also recognizing that
4 someone that is owning the property is certainly
5 not a multimillionaire and someone who is, you
6 know, owning an entire building in Philadelphia
7 or something like that, but the bottom line is
8 they still have their debt to pay as well to the
9 bank. So I get a little worried when we are
10 saying that we need to extend more and more
11 allowing people not to pay rent.

12 I think we all need to work with our
13 tenants. We all need to make sure that our
14 consumer, you know, if they're affected by
15 COVID -- but I've had many calls into my office
16 from individuals that were not affected by COVID.
17 They still have their job. They're just not
18 paying because there is a blanket that they do
19 not have to.

20 So we're running into people taking
21 advantage of the system and, unfortunately,
22 making it a bad situation for those that truly
23 cannot pay. And obviously, we need to advocate
24 for them and make sure that we try to do
25 everything we can, but we also need to balance, I

1 believe, the system to make sure that we're also
2 taking into consideration that many of these
3 landlords are certainly not land barons. And
4 certainly, ones that many people think they can
5 afford not to receive their payments from rent,
6 in many cases, they're small, you know, families
7 that just own another piece of property and
8 that's how they're paying their mortgage.

9 And so they run into the problem of then
10 possibly foreclosing. So the person renting is
11 not only not being able to pay their rent, but
12 they may be out of a house when the landlord
13 loses their house because they cannot pay their
14 mortgage. So we just need to balance that out, I
15 think, on both sides and recognize the system.
16 Because many of the folks have received
17 unemployment, they've received the stimulus and
18 they're just -- in some cases -- and I don't make
19 this a blanket statement because certainly there
20 are many, many out there that are in need of help
21 that we need to make sure that we have the system
22 balanced and taking a look at all sides of what
23 is happening because of COVID and because of the
24 situation that we find ourselves.

25 MS. SMITH: Yes, Chair DeLozier, I

1 certainly disagree. I think we're all in this
2 together. I mean, my testimony today regarding
3 forbearances was specifically referencing
4 homeowners who would be requesting forbearance
5 from their mortgage companies.

6 In terms of rental issues, I do think,
7 you know, the fix to the PMAP Program would go a
8 long way for both renters and landlords. There's
9 a lot of landlords that don't want to participate
10 in that program right now. And the regulatory
11 fix that is being proposed would give some
12 increased incentive for them to participate in
13 that program because we are all in this together
14 and we need to weather through this crisis
15 jointly as everything is interrelated.

16 MAJORITY CHAIRWOMAN DELOZIER: Okay.
17 Thank you.

18 Representative Gaydos had an answer
19 until you gave the answer in your last statement,
20 so we're all good.

21 Anybody else? Any other questions?

22 Okay. Well, thank you very much for
23 your testimony today. I thank everybody for
24 being here. We do have another Committee hearing
25 on this issue and a lot of actually what we were

1 just discussing with landlords and that type of
2 thing as we have real estate owners and landlords
3 and with the situation they find themselves as
4 well as our PFHA Housing Agency within the State.
5 Consumer Advocate will be here as well as the PUC
6 with the forbearance and the holds on shutoffs
7 when dealing with our energy and gas and electric
8 and water.

9 And we're having that next week on the
10 22nd at 1:00. And we'll talk about a little bit
11 about where that's going for our consumers, as
12 well. So thank you everybody for your time today
13 and have a good week.

14 (Whereupon, the proceedings concluded.)

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C E R T I F I C A T E

I hereby certify that the proceedings are contained fully and accurately in the notes taken by me from audio of the within proceedings and that this is a correct transcript of the same.

Tracy L. Markle

Tracy L. Markle,
Court Reporter