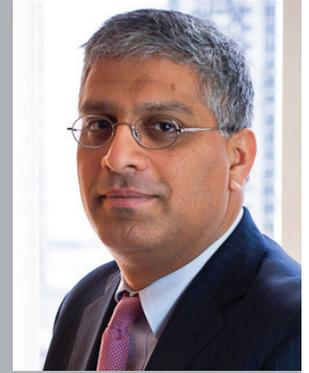


DIVIDENDS

Bringing PPP Funds into the Community: Member Stories



Letter from the CEO Helping One Another Amid a Pandemic



Sanjay K. Bhasin
President & CEO

In this issue of *Dividends*, we share the inspiring stories of our members who took doing good for others to a new level as the coronavirus pandemic spread across the United States, leaving economic havoc, fear and uncertainty in its wake.

We are now several months into the pandemic. The challenges we face within our own financial institutions are unprecedented, yet we haven't let that stop us from looking beyond our walls to help others in need.

In this issue, you'll hear from members large and small who came to the aid of businesses and nonprofits impacted by COVID-19.

We also take a look at the virtual workplace and employee engagement steps that financial institutions can take to ensure employees feel safe, informed and happy in their remote work environments.

Finally, you'll find updates on the Federal Home Loan Bank of Dallas' acceptance of eNotes as collateral for certain mortgage types and an update on changes at the Consumer Financial Protection Bureau.

As we look forward to the day when the coronavirus pandemic is in the rearview mirror, I hope the stories in this issue provoke thought on how you might reach out in your respective communities to continue to be a beacon of hope in these uncertain times.

Best,

Sanjay K. Bhasin
President & CEO

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The Federal Home Loan Bank of Dallas is a member-owned financial intermediary with the primary mission of supporting homeownership, affordable housing, and community lending through its member institutions.

Editor in Chief: Jaime Jordan,
VP, Director of Corporate
Communications



COVER STORY



The Day a Community Bank Saved a Front-Line Medical Practice from Ruin



By Kerry Curry
Senior Communications Writer

Dr. Guy Culpepper, a family doctor for 32 years, started with just two employees and grew Bent Tree Family Physicians (Bent Tree) in Frisco, Texas, into a powerhouse 16-provider group with over 70 employees and 25,000 patients.

As COVID-19 infections began to spread in mid-March, he gathered his staff to prepare for the unknown. They made and answered thousands of calls to cancel routine visits and update patients' prescriptions while the office was essentially closed during the state's stay-at-home orders – while just a trickle of revenue was coming in.

Within three weeks, Bent Tree's \$500,000 buffer it had saved for a rainy day was gone, and Dr. Culpepper applied for a Small Business Administration (SBA) Paycheck Protection Program (PPP) forgivable loan.

In the meantime, Bent Tree established a COVID-19 testing site outside its offices and continued to see a handful of its sickest patients. Soon, over a week had passed since he'd filed his PPP application and his big bank – a partner for over a decade – was silent. Finally, he called and learned his fate: PPP funding had run out.

Dr. Culpepper said he hung up the phone, dejected, wondering how a successful family practice on the front lines of the COVID-19 fight had been left on the sidelines. He gathered his employees and laid them all off until he could figure out who he could afford to bring back.

When a second round of PPP funding was offered, Dr. Culpepper said he decided to reach out to a community bank. He chose

Bringing PPP Funds into the Community.
See **MORE** member stories beginning on
page 8 of this issue of *Dividends*.



Vista Bank. He had seen CEO John Steinmetz featured in a local business magazine, and his nephew knew one of Vista Bank's employees. He used that family connection to express interest in a second-round PPP loan.

The next day, the phone rang and Vista Bank CEO John Steinmetz was on the line.

"He called me on a Saturday afternoon; called me as if we were old college friends or something," Dr. Culpepper recalled. "He said, 'Hey Guy, we are going to get you the loan. We are going to stay in touch every day, and we will make sure your paperwork is done properly,'" Dr. Culpepper recalled. "He said, 'If something falls through on the PPP loan, because you are doing such a community service, I will work with you to find other financing. I'm not going to let a vibrant family practice go under in our community.'"

A wave of raw emotion hit as Dr. Culpepper recounts the conversation. "It felt like he was reaching out to say, 'Hey, you don't need to fail.'"

Within about a week, the practice had received an \$860,000 PPP loan, enough to bring back about 85 percent of Dr. Culpepper's staff. "They literally saved our practice; it was a happy ending," he said. "I want all of America to have a happy ending." ●

FHLB Dallas Launches eNote Acceptance for Members



By Stephen Hidalgo
Communications Writer

The Federal Home Loan Bank of Dallas (FHLB Dallas) is ready to accept electronic promissory notes (eNotes) from members for one- to four-family residential loans and closed-end, second-mortgage loans. The initiative is part of a digital transformation that provides multiple benefits to members including cost efficiencies and process improvements.

An eNote is a promissory note that is originated, signed and stored electronically according to the standards for a transferable record. An eNote must have an authoritative copy, in a proper format, that is registered via an eRegistry and stored in an eVault.

Additionally, to qualify as eligible collateral that can be pledged to FHLB Dallas, it must meet the definition of a transferable record, which provides greater legal certainty for all parties involved. It must also have the same terms and conditions as a paper promissory note under the Uniform Commercial Code, and must be electronically signed. Lastly, it must clearly establish the eNote owner, or the person who has the authority to control or transfer the eNote.

Members ready to begin pledging eNotes with FHLB Dallas must also take a few other items into consideration. The eNote will be

eNotes: The next wave in electronic documents

There are several member benefits to using eNotes, according to industry experts such as MERSCORP Holdings, Inc. which owns and operates the MERS® System:



FAST: Digital eNotes can be transferred from one holder to another nearly instantaneously.

AUTOMATED: An automated process helps minimize error and risk while also reducing the costs of producing and transmitting a paper note.

maintained by the person with control or a designated custodian; can't be copied or revised without the controller's consent; can't be duplicated or if any duplicate copies are authorized by the controller, they must be readily identifiable as a copy and revisions must be readily identified as "authorized" or "unauthorized."

Besides one- to four-family residential loans and closed-end, second-mortgage loans, FHLB Dallas will allow eNotes on other types of collateral in the future. The movement toward eNotes and a fully digital mortgage is an industry-wide phenomenon that has slowly gained steam over the course of many years.

The Steps to Begin Pledging eNotes

FHLB Dallas' member financial institutions must take a few steps before they can pledge eNotes.

- First, the member must select an eClosing provider, which will enable members to electronically review documents, eSign, store the documents in an eVault and transfer the documents to FHLB Dallas as collateral.

- Next, a relationship must be established with an eRegistry such as the Mortgage Electronic Registration Systems® (MERS®) eRegister.

eNotes and eVaults raise the bar for safety and security of transferable records

- Lastly, if a member doesn't have an eVault provider, it will need to select one before it can deliver eNotes as collateral to FHLB Dallas. FHLB Dallas is providing a list of available providers in its dedicated eNotes resources page. Members who already have an eVault provider, can contact FHLB Dallas directly to test connectivity with FHLB Dallas' eVault.

Contact FHLB Dallas to Learn More

Visit fhlb.com/eNotes for more information and helpful videos on getting started, or contact Collateral Services at 844.541.0597 or enotes@fhlb.com. ●

CURRENT: The industry is moving more toward e-closures and electronic mortgages amid the coronavirus pandemic. In fact, according to a recent article from HousingWire, the pandemic has resulted in lenders moving more quickly to provide more services digitally.

SECURE: Digital eNotes may be effectively protected against undetected alteration.

SAFE: The eNote storage in an eVault can eliminate the possibility of losing the paper note.

SIMPLE: The digital process can simplify the storage of notes, compared to paper files.

TRUSTED: If managed in a properly designed information processing system, eNotes eliminate uncertainty concerning the identity of the current person entitled to enforce the eNote and when that person first became entitled to enforce.

Navigating the Virtual Workspace: Today's New Normal



By Stephen Hidalgo
Communications Writer

Within a few weeks of stay-at-home orders prompted by the spread of COVID-19 throughout the United States, the number of Americans working remotely increased by 16 million people, according to an April report from Slack, a communication platform for businesses.

Financial institutions weren't exempt from the phenomenon. According to Susan Fishlock, partner and managing director of the banking and finance practice at Kaye/Bassman, an executive search firm with recruiting consultants, the coronavirus pandemic caused many financial institutions to implement their business continuity plans overnight. According to Ms. Fishlock, the most commonly asked question she is hearing from employees, especially those with younger families, is whether they can continue working remotely after the pandemic.

"Secondary schools are discussing how the virus is going to affect the next academic year, so parents are currently trying to figure out how they will balance their work while managing their children at the same time," said Ms. Fishlock. "People are uncertain of their children's schedules, and there are still a lot of unknowns."

About 60 percent of U.S. workers recently surveyed by Gallup said they'd prefer to work from home as much as possible, even after the pandemic wanes. Working from home relieves workers of their commute to the office, offers a break from coworkers and allows them to gain more control over their days.

However, the average workday has shifted, according to Ms. Fishlock. "Employees are no longer working a normal eight-hour day. The hours are staggered," she said.

According to a recent report from Buffer, a social media engagement company, employees report various struggles with working remotely.

Ways to Overcome Challenges with Virtual Employee Engagement

Fifty-one percent of respondents in a recent Monster survey admit to experiencing burnout while working from home during the coronavirus pandemic.

Like other industries, financial institutions face many challenges related to virtual work and employee morale, such as managing work ethic and legal issues as well as poor communication.

With some creativity, employers can boost employee morale through various engagement events, activities and surprises to ease employee stress during the pandemic.

Additionally, financial institutions can take many steps to ensure employees are feeling safe, informed and happy in their remote work environment. In a recent FHLB Dallas blog, Executive Vice President and Chief Administrative Officer Bre Chapman provides employers five ways to adapt employee engagement programs to a virtual workforce.

- Conduct virtual employee check-ins through Microsoft Teams or Zoom.
- Provide employee stipends for equipment use and office supplies.
- Adapt popular employee appreciation events to a remote environment.
- Offer virtual exercise options so employees can step away from their desks.
- Hold a weekly virtual town hall meeting on Microsoft Teams or Zoom to maintain communication.

In fact, in a Microsoft investor call on April 29, CEO Satya Nadella stated that Microsoft Teams usage has increased by about 70 percent to 75 million daily active users since the pandemic started.



"Currently there is no delineation of work and home – people are trying to keep their kids entertained and educated, running personal errands and taking breaks during the day. But they're making up for it by working longer hours at night than normal."

Susan Fishlock, Partner and Managing Director,
Banking and Finance Practice, Kaye/Bassman

What's your biggest struggle with working remotely?

MOST COMMON:

The top three issues among those working from home include reduced collaboration and communication. Loneliness is just as significant, and many struggle with the constant presence of work.

#1

Collaboration and communication

20%

#2

Loneliness

20%

#3

Not being able to unplug

18%

OTHER ISSUES:

Distractions and schedule fluctuations are moderately common, and staying motivated can be difficult when you're removed from your work group. Technical issues and trying to balance personal time also prove difficult to some.

12%

Distractions at home

5%

Taking vacation time

10%

Being in a different time zone than teammates

3%

Finding reliable Wi-Fi

7%

Staying motivated

5%

Other

Source: State of Remote Report, buffer.com/state-of-remote-2020

Information Technology Risks

According to a recent article from KPMG, key cyber risks during the pandemic can pose a threat to banks and employees.

Devices can be exposed to malware when logged into the same network at home, employees are more vulnerable to phishing emails and video conferencing applications are being used with the risk of eavesdropping or hijacking conversations.

As employees become flooded with business and consumer customer requests, required information technology (IT) procedures may not be a priority.

KPMG also reports that IT teams at banks may have to revise some of their policies for employees working from home while other employers offer bring your own device (BYOD) policies. Employees use their own personal equipment while logging into a virtual private network (VPN).

What's Ahead

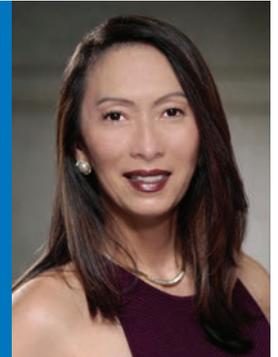
As many banks rapidly transitioned to the remote environment, the American Bankers Association (ABA) reports that institutions can be expected to refocus security efforts to common fraud and scams that affect employees working remotely or via BYOD.

Ms. Fishlock also expects banks to be more considerate of family time and to focus on trying to keep employees stress free.

"The thing I miss most about working in the office are my fellow colleagues, partners and individuals within the organization," she said. "Sometimes you don't realize what you have or how much something means to you until it's taken away from you." ●

WORKING FROM HOME? HERE ARE A FEW TIPS:

Know yourself. Figure out your natural rhythms and plan your day around them. If you're an early bird, for example, plan to do your most important and/or difficult work task first thing. Or, if you know you get sluggish in the late afternoon, plan to go for a walk then.



Move your body. Build in habits to ensure that you get up and move around a bit approximately every hour. Drink a lot of water so you are always getting up to refill your glass or visit the restroom.

Set yourself up well ergonomically. Use a desk or working surface at the right height for you to hold your head and arms in the right positions as you use your devices. Get a good chair and ensure proper lighting. Working from a couch or bed, even for a day, will wreak havoc on your body.

Shut down regularly. Determine the time at which you will stop working every day – and stick to it. Just because you can work all the time doesn't mean you should. You are a biological being – you need to rest and recharge.

Enjoy! Working in your pajamas (or at least the bottoms while you do video calls with a proper shirt on) and slippers is a big bonus of working from home – go for it and don't feel guilty at all.

Source: Denise Lee Yohn, President, Denise Lee Yohn Inc.

Members Pull Out All the Stops to Help Their Communities Amid COVID-19

Coronavirus Pandemic Brings Out the Best in Community Banking: Member Stories

As the country shut down amid the coronavirus pandemic, customers still needed to access their accounts at banks and credit unions. It didn't matter that many financial institutions sent some of their employees home to work.

The Federal Home Loan Bank of Dallas (FHLB Dallas) members made sure their needs were met.

In this issue of *Dividends*, we bring you some of their stories of overcoming challenges and reaching out in entirely new ways, all in an environment no one had ever faced before.

Personal relationships lifted the nation's community banks to the forefront where they have approved the majority of the nation's Paycheck Protection Program (PPP) loans in recent months, according to the Independent Community Bankers of America (ICBA) President and CEO Rebeca Rainey.

"In this time, when businesses are struggling, when consumers are struggling, I think it's an incredible opportunity for community banks to do what they've always done, and that's to be there for their community," Ms. Rainey said. "Creating and maintaining trust with their communities is what community banks have always done, and so they have that underlying infrastructure. They have that knowledge of the community."

And they put that knowledge to work.

In the following vignettes, learn firsthand how FHLB Dallas members have helped communities and businesses in need amid the coronavirus pandemic.



By Kerry Curry
Senior Communications Writer

PPP AT A GLANCE

Bank Name	Asset Size ¹	Total PPP Loans ²	Total Volume	Average Loan Size ²	Largest Loan	Smallest Loan
Commercial Bank of Texas	\$787 million	1,013	\$82 million	\$81,000	\$2.4 million	\$900
First Financial Bank	\$8.2 billion	6,521	\$710 million	\$109,000	\$7.7 million	\$1,000
MC Bank	\$307 million	400	\$35 million	\$87,500	\$2 million	\$800
Origin Bank	\$5.3 billion	2,772	\$556 million	\$189,028	\$10 million	\$479
Texas Heritage Bank	\$150.4 million	271	\$27 million	\$90,310	\$3 million	\$600
TFNB Your Bank for Life	\$531.2 million	343	\$24.3 million	\$70,700	\$650,000	\$1,100
Vista Bank	\$920.5 million	1,625	\$152.3 million	\$93,738	\$7.8 million	\$281

¹ At December 31, 2019, FDIC

² Round 1 and 2 combined, as of mid-May

Sources: The banks; FDIC

Texas Heritage Bank's Team Effort Creates Nearly 90 New Banking Relationships

When Texas Heritage Bank CEO Steve Mack looks back on a four-week period in which the Boerne, Texas-based bank, a \$150 million bank with just 37 employees and three locations, cranked out 271 loans to businesses and nonprofits, he shakes his head in wonder.

There were sleepless nights and long days that stretched into the weekends.

With 15 of the bank's staff dedicated solely to the Paycheck Protection Program (PPP) for over four weeks, Texas Heritage Bank pumped \$27 million from the federal government's PPP into the economies of Cross Plains, population 1,007; Boerne, population 20,000; and San Antonio, Texas. Even those not assigned to the PPP effort, such as tellers, pitched in to accept applications through the bank's drive-thru lanes.

"We literally laid everything aside," he said. "Almost half our staff did nothing but PPP."

To get the word out, Texas Heritage Bank ran ads in the Boerne and Cross Plains newspapers that it was offering PPP loans, notified existing customers and sought referrals of new customers from local certified public accountants.

"This came at us quickly and we didn't have much time for strategy; we just invented it overnight," Mr. Mack said.

Texas Heritage Bank used one outside vendor, a law firm, that helped prepare documents. It relied on a manual application process in which customers brought their applications to the bank or emailed them. Loan officers worked the phones and sent and received scanned documents via email.

"We developed both the tracking worksheet and the checklist on the fly using Microsoft Excel. Both were entirely created/invented by our team over a period of days as we dug in and kicked off the PPP process internally," Mr. Mack said. "Mainly we used our experience as lenders to create the checklist of necessary documents. Both the tracking worksheet and checklist were in constant revision mode for the first three to four days until we settled into a routine, satisfied that we were covering all the bases."

When the Small Business Administration's (SBA) E-Tran system opened to accept PPP loan applications on Friday, April 3, Texas Heritage Bank was ready. But the system froze. It would be 9:00 p.m. that night before it successfully filed its first PPP loan.



Steve Mack,
Chief Executive Officer
Texas Heritage Bank

Its bankers worked through the weekend, booking as many loans as it possibly could.

Each day at 8:30 a.m., Texas Heritage Bank's PPP staff went over issues that had arisen and created an internal FAQ to answer questions they'd received. It adjusted its checklists and within days, it had refined its system.

Texas Hill Country Pregnancy Center, a Boerne nonprofit that provides services such as pregnancy tests and prenatal education, applied for and received a \$90,000 PPP loan. The center, which employs 17, is 100-percent donor-based and was starting to see a drop-off in donations.

"We didn't want to furlough anyone if we didn't have to; we felt like this would help us keep our services in place...not knowing what the rest of the year might hold," said Donna Klingaman, executive director of Texas Hill Country Pregnancy Center.

Texas Heritage Bank, despite its small size, had processed 271 loans for \$27 million by mid-May.

"Besides nonprofits, we also helped 290 businesses, with the largest being a chain of restaurants that employs over 550 people. Over 3,500 jobs were supported with the PPP loans we made."

"I feel like we outflanked some of the big banks," Mr. Mack said. "They were trying to use their technology portals and they had a huge volume of applicants to deal with. We just used our usual relationship-oriented practices. We would visit with people on the phone and let them know where their application stood."

"It was a real team effort. I'm just really proud of the way they came together to assist each other to do whatever it took to get these done," he said. "Because we are small, we are more nimble. We have a can-do attitude." ●



“Pulling All-Nighters Was Worth It,” says First Financial Bank

Cathy Ashby, President and CEO, United Way of Abilene, and Ronnie Kidd, CEO, Food Bank of West Central Texas (Above)

Working on the Paycheck Protection Program (PPP) resembled being back in college for the staff at Abilene, Texas-based First Financial Bank (FFIN) with loan officers pulling several all-nighters to help local businesses.

Those long hours resulted in the \$9.7 billion bank being ranked as one of the top PPP lenders in Texas, with 6,521 loans funded by mid-May for a loan volume of \$710 million.

FFIN’s executive team formed a task force in mid-March as the coronavirus began to spread. The group met daily for several weeks to go over the latest information to make sure its employees and its customers were safe. Those who could work from home were sent home.

Ron Butler,
Chief Administrative Officer
FFIN



As the PPP came to the fore, the bank’s chief credit officer, T. Luke Longhofer, led the effort to help small businesses and nonprofits apply for funding.

The bank appointed a Small Business Administration (SBA) champion commercial loan officer in each of its 12 regions and tapped its marketing staff to help get the word out. It also accepted all applications centrally at the Abilene headquarters where about 20 credit analysts reviewed the loans’ underwriting. The consumer lending team also got called in to assist, said Ron Butler, chief administrative officer.

“We served a lot of customers and attracted a good many new customers to the bank,” Mr. Butler said. “We were working all weekend; there were some all-nighters pulled to get everything through the system,” he said. “We knew the money was going to run out, and it did, so we worked as fast as we could.”

While tough work, it turned into an amazing team-building experience for the entire organization, Butler said.

“We Knew Our Business Customers Were Going to be Impacted”

As a community bank chartered in 1889 in the small town of McGregor near Waco, Texas, TFNB Your Bank For Life (TFNB), a \$534 million bank, has always been a source of community pride and involvement.

As COVID-19 infections began to spread in the United States, the bank’s leadership strategized a plan. It knew its business and consumer banking customers would get hit as stay-at-home orders began to emerge.

“We began to think about how we, as a community partner, could be here for them and help them through this time in a way that’s meaningful, impactful and necessary,” said Christy De Leon, chief financial officer at the bank.

“We began to have conversations with customers, some of them in panic mode and others leaning on us in an advisory and business partner mode.”

TFNB armed its bankers with the ability to offer individualized loan extensions, up to three months, depending on a company’s extenuating circumstances. Options included making interest-only payments and extending the principal to the end of the note, or extending principal and interest. Each extension was individualized to a customer’s particular needs, Ms. De Leon said.

“We aren’t ones to roll out anything cookie-cutter. It really involved talking to each customer and understanding their situation and the impact on them, their business and their employees.”

That was the bank’s first effort to lend a helping hand. Then, when the Paycheck Protection Program (PPP) rolled out in early April, it began working with its business customers to help them apply for the government-sponsored forgivable loans. It also helped 18 nonprofits in its community, including a local food bank.

“In total, we were able to help preserve 4,300 jobs in Central Texas so that was pretty impactful for us,” Ms. De Leon said. It’s been very impactful, even internally, to see the fruits of our labors.” ●

**Christy De Leon, Chief Financial Officer
TFNB Your Bank for Life**

“To serve over 6,500 customers, and for a good many of those this was the key to keeping them in business; it felt really good to do all of it,” Mr. Butler said.

FFIN took the electronic application platform that it uses for consumer loans and adapted it to the PPP, although other portions of the process were manual.

From mid-March through April 30, the bank, which employs 1,450 people across 78 branches, offered employees lunch every day to keep them safe and to support local restaurants.

“A gentleman here in Abilene broke down and cried when we made a lunch order from his restaurant, he was so appreciative, and he’s been a bank customer for 30 years,” Mr. Butler said.

Cathy Ashby, CEO of the United Way of Abilene (United Way), said the organization started to see needs arise as the coronavirus started to spread. Those needs ranged from helping a food bank to providing day camps for healthcare workers and employees at essential businesses.

The organization, which banks with FFIN and has employees who are FFIN board members, held informal discussions about the PPP as Congress explored the option. F. Scott Dueser, FFIN chairman, president and CEO, is currently chair of the organization’s foundation.

By the time the PPP opened, FFIN was able to submit its \$164,000 loan for funding on the first day.

The PPP loan meant 21 people who worked at United Way or its collaborative agency, 211 Texas, were able to keep their jobs, Ms. Ashby said.

“First Financial is our No. 1 company every year in our workplace campaign,” Ms. Ashby said. “They are also one of our largest sponsors for different events. They are dream partners. They were looking out for our best interests, and they were proactive in helping United Way.” ●



Commercial Bank of Texas Lends a Helping Hand to Local Nonprofits and Community Groups

Commercial Bank of Texas (CBTX), a \$791 million bank, was already banking with several nonprofits before the coronavirus pandemic hit, including some in the East Texas town of Nacogdoches, where it's been on the same corner since 1901.

"We don't just bank with them. We go to church with them. We see them at the grocery store and at the ballgames," said Rusty Rust III, president and CEO. When nonprofits began to reach out to the bank, it explained the Paycheck Protection Program (PPP), how it works and what documentation they would need to qualify.

"Some of their big fundraising events had already been canceled," Mr. Rust said. "The Nacogdoches Chamber of Commerce has its Texas Blueberry Festival in June, and they've canceled that. We had already sponsored it, and we called them and told them to keep the sponsorship money," he said.

C. Wayne Mitchell, president and CEO of the Nacogdoches Chamber of Commerce, was perhaps the first businessman to

raise the alarm about the coronavirus in January, Mr. Rust said. "He was the first person I heard in town, and he said we needed to be watching for it. No one thought a lot about it at the time, but he was on top of his game and has been since, putting together conference calls with congressmen and with local leaders to keep the community informed."

Of its 1,045 PPP loans, two funded United Way agencies; one funded Court Appointed Special Advocates (CASA); and two funded Habitat for Humanity groups.

"Everyone is trying to help the nonprofits because they serve as a very valuable resource in our communities," Mr. Rust said. "They are helping folks who are really in need."

Gary Lee Ashcraft, president and CEO of the Nacogdoches Area United Way, said the small nonprofit, which employs only one full-time person – himself – and a part-time employee, received a \$16,800 PPP loan that helped keep its doors open to help others amid the pandemic.

"Commercial Bank is a leader in the community, and they always get others to support United Way; they are all in."

That's just the way the bank operates, Mr. Rust said.

"We have a long-time saying, that Commercial Bank will prosper as the community prospers, and we still believe that." ●



**Rusty Rust III, President and Chief Executive Officer
Commercial Bank of Texas**

When Churches Thought They Had No Place to Turn, MC Bank Was There

When churches moved to online services during stay-at-home orders, many took a financial hit when offering plates, like the church, were empty.

Crossing Place Church in Morgan City, Louisiana, was one of them. It was ahead of the game compared to some other religious organizations, and already had an online giving option. Still, with the unemployment rolls rising, people worried about job security. Others were unaccustomed to online pledging, and offerings dipped, said Pastor Den Hussey.

“I was concerned about how we were going to pay everyone on staff and continue with our outreach programs,” he said.

The church, which employs 14 people, is known for its work with at-risk children and its partnerships with local schools. Its programs have included a massive, annual community-wide Easter egg hunt that had to be canceled this year due to the pandemic.

Mr. Hussey’s son-in-law, who works at MC Bank in Morgan City, told the church it might be eligible for a forgivable Paycheck Protection Plan (PPP) loan to pay its staff. The Rev. Hussey, who has an accounting background, researched the loan program and peppered the bank with questions to make sure it was a good fit for the church. Ultimately, Crossing Place applied and received an \$80,200 loan.

“MC Bank looked through all the paperwork very thoroughly,” he said. “I think they understood the importance of churches to have these loans forgiven.”

Jeremy Callais, president of the Morgan City-based bank with \$304 million in assets, said the percentage of MC Bank’s total PPP loans that went to churches is near 10 percent.

“For some reason, it seems like banks weren’t eager to help churches, and we felt the exact opposite,” Mr. Callais said. “We said, if you can’t put people in the pews, you can’t pay your staff, and if churches fail, it’s not good for our country. A lot of these churches also have outreach programs such as food pantries and counseling centers. Think about all the things churches do besides preach.”



**Jeremy Callais, President
MC Bank**

The Rev. Hussey, whose church is part of the Assemblies of God denomination, said he started hearing from other churches in his denomination when word got out about Crossing Place’s loan.

“We had churches all over the state that needed help, and some were having trouble getting their banks to help them,” he said. “MC Bank helped 20 churches that were in other cities. These are churches that might have faced laying off their staff and closing their doors for good without funding. MC Bank helped these churches even though they aren’t likely to convert them into new customers because they are in cities where MC Bank doesn’t have branches.”

Besides the unexpected niche it found helping churches, Callais said the bank also helped hundreds of businesses.

“We helped 350 businesses ranging from large medical offices to small, single-employee businesses,” he said. ●

**Den Hussey, pastor
Crossing Place Church**





It was straight from a marketing executive's wildest dreams. Mark Cuban referred his 7.9 million Twitter followers to two community banks.

**John Steinmetz,
President and Chief Executive Officer
Vista Bank**

Technology and Several Mark Cuban Tweets Pump Up Vista Bank

It all started when a Dallas-Fort Worth resident mentioned in a tweet to Mark Cuban that her hairdresser received a Paycheck Protection Plan (PPP) loan from Vista Bank.

Dallas Mavericks owner Mark Cuban has a large following on Twitter, and Vista Bank was one of his Twitter followers. As a member of President Trump's advisory council on opening the economy, Mr. Cuban also had a vested interest in making sure small businesses were able to survive the coronavirus pandemic.

When Mr. Cuban tweeted his followers for feedback on the PPP program, he heard from a woman who said her hairdresser had gone to Vista Bank, submitted her application on a Monday and had been approved by Tuesday. "She said smaller banks cared," the woman tweeted about her hairdresser's experience.

The tweet would provide unexpected opportunity for the \$905 million Dallas-based Vista Bank, which in the past had sporadically retweeted and replied to some of Mark Cuban's tweets.

Mr. Cuban replied to her tweet and asked for more information.

The bank was paying attention and answered Mr. Cuban, telling him how it had processed 700 PPP loans in the program's second round with the help of loan officers pulling all-nighters to make it happen.

What occurred next was something straight from a marketing executive's wildest dream: On May 1, Mr. Cuban referred his 7.9 million followers to two community banks to get help to keep their doors open and their employees paid: one bank was in Oklahoma. The other was Vista Bank. And then on May 4, he did it again, referring a small business owner to the bank for a possible PPP loan.

Vista Bank, through a subgroup of its pandemic readiness committee, began preparing for the PPP as soon as it heard about it, said John Steinmetz, president and CEO of Vista Bank.

"That paid dividends when the program was ultimately funded, and we were able to get out of the gates quickly," he said.

Vista Bank initially processed loans manually but within a week, it partnered with a Dallas-based company that provided technology to process loans more quickly, enabling Vista to help more customers.

"I could not be more proud of our team and the way they engaged our technology provider. Working together, they created a process that ensured our clients, new and old, were successful in getting their PPP loans funded quickly," Mr. Steinmetz said.

"It really forced our marketing, technology, deposit and lending teams to work together, allowing us to process more loans in a month than we did last year." ●

Origin Bank: “This Has Been Gut-Wrenching”

When long-time restaurateur Johnny Carrabba obtained a forgivable Paycheck Protection Program (PPP) loan through a community bank, he was, he says, “the envy of the restaurant industry.”

The well-known restaurateur started his family namesake restaurant in Houston 33 years ago and approached nine banks before he found one to take a chance on him. The restaurant flourished and, eventually, there would be hundreds of Carrabba’s across the country.

Today, Mr. Carrabba owns seven restaurants in the Greater Houston area that employ just under 500 people; he also holds a royalty agreement with a company that operates 230 Carrabba’s nationwide.

Mr. Carrabba credits Origin Bank and his long-time banker there, Jim Lykes, with helping him obtain an approximately \$2.2 million PPP loan that allowed him to keep paying his employees, including 130 who have been with him at least 15 years.

“When you are loyal to people, they are loyal back, and that is how Origin has treated me,” he said. “They are more than a bank to me. It’s a personal relationship.”

Looking back at its PPP work, Chairman Drake Mills can’t help but get emotional thinking about how his staff helped more than 2,700 businesses get funding through the PPP in a matter of weeks.

“When you see someone uploading a loan application at 3:00 a.m. because they are concerned that the money will run out the next day, that is commitment,” he said.

Origin Bank, a Louisiana bank with \$6 billion in assets, developed a robust communication channel to stay in touch with its customers and, internally, with its bankers. The bank wanted its customers to know immediately that the bank supported them and had access to capital, Mr. Mills said.

Drake Mills, Chairman
Origin Bank



The psychology of the borrower was very much in play due to the immense uncertainty surrounding the coronavirus pandemic, he said.

“It was important to us to really shepherd our customers through the process,” he said. “We built a group of roughly 140 individuals to key in applications into the Small Business Administration’s online portal. We developed centralized digital storage of applications and supporting documents and some internal email notifications to a centralized inbox for managing the flow of approvals and the request for additional information and clarifications. Managing that process got off to a quick start.”

The bank’s leadership had conference calls daily to educate and communicate with its bankers who understood an all-hands-on-deck commitment was needed. Bankers had to learn to be a stable and comforting support system for business owners who were calling in panic mode.

“Our bankers communicated quickly and with significant confidence to keep them at ease,” Mr. Mills said.

“The communication level that came out of our organization, through this process, is really what got us going,” he said. “It extended to direct communication with customers. The strategy, in a nutshell, was: Quickly respond. Don’t wait on an automated process. Get this money into the hands of our customers,” he said. “I just think it was flawless for us.” ●

Looking Back, Looking Ahead, a Parting Thought: About five years ago, Vista Bank’s board and President and CEO John Steinmetz sat around a large conference table and wondered if there was still a place for community banks in an era of fintech and too-big-to-fail. “What we have found is that we as a country need community banks because as they say, ‘As Main Street goes, Wall Street goes,’ and we are the ones serving Main Street,” Mr. Steinmetz said recalling the annual board retreat and that circumspect conversation. The nation’s community banks, across the country, erased all doubt about the importance smaller financial institutions play, he said.

“Community banks nationwide deserve a lot of credit for stepping up,” he said. “I’ve never been more proud to be part of this industry as I have been watching community banks serve clients during the coronavirus pandemic.” ●

Credit Unions Focus on Small Business and Member Relationships During Challenging Times

Coronavirus Pandemic Brings Out the Best in Credit Unions: Member Stories

The coronavirus pandemic has been a challenge for many, but credit unions across the Federal Home Loan Bank of Dallas' (FHLB Dallas') five-state District of Arkansas, Louisiana, Mississippi, New Mexico and Texas have used this time to ensure they are doing whatever they can to help their members, small businesses and communities.

Long hours, sleepless nights and a flood of Paycheck Protection Program (PPP) loan applications led these credit unions to strengthen relationships and help their local communities. Many stepped up to the plate to save small

businesses from furloughing or laying off staff permanently. They also provided support to nonprofits, and even worked as essential employees coming into branches to serve members via drive-thrus.

With the help of unsung heroes like FHLB Dallas member credit unions, communities are thriving and pushing through unprecedented times.

By Stephen Hidalgo
Communications Writer



In the following vignettes, learn firsthand how FHLB Dallas members Associated Credit Union of Texas in League City, Texas; Louisiana Federal Credit Union in La Place, Louisiana; and Sabine Federal Credit Union in Orange, Texas, reached out to assist communities and businesses in need.



CREDIT UNIONS AT A GLANCE: FHLB Dallas District

Credit Union Name	Asset Size ¹	Location	Charter Year	Total PPP Loans
Associated Credit Union of Texas	\$443 million	League City, Texas	1968	70
Louisiana Federal Credit Union	\$314 million	La Place, Louisiana	1935	86
Sabine Federal Credit Union	\$214 million	Orange, Texas	1948	N/A

¹ At December 31, 2019, NCUA
Sources: The credit unions; NCUA

CREDIT UNIONS AT A GLANCE: Nationwide

Asset Size	Loan Count	Net Dollars	Jobs Count	Lender Count
Greater than \$1 billion	196,010	\$9.70 billion	1,183,012	934
Less than \$1 billion	63,238	\$3.02 billion	N/A	722

Data as of June 30, 2020
Source: sba.gov, Paycheck Protection Program (PPP) Report

Associated Credit Union of Texas Focused On Building Relationships

When Associated Credit Union of Texas (ACU of Texas) President and CEO Jack Click learned small businesses and nonprofits needed help during the pandemic, his team quickly stepped up to begin offering ACU of Texas' members Paycheck Protection Program (PPP) loans.

ACU of Texas developed a clear, defined process through its operating system and business lending credit union service organization to efficiently help its members.

Since ACU of Texas began offering loans to its members, it approved 70 loans as of mid-May averaging about \$35,000 per loan. The largest one was \$77,000 for a nonprofit in League City. ACU of Texas quickly processed the application to get the nonprofit the money it needed to survive.

"In a crisis, everyone needs to work together," said Mr. Click. "We have helped insurance companies, real estate businesses, hairdressers and more. Each time it got easier, and word of mouth soon got out that we were helping the community."

ACU of Texas not only has helped small business and nonprofits, but also working parents who are trying to entertain and educate their children. In the summer, the credit union hosts a free financial literacy course for children ages 6 to 12 years old called Star Academy. With the pandemic moving all schools to remote learning, the business development officer at ACU of Texas started the class in early April using a Zoom meeting.

"With kids being at home, we decided to turn it on early to help keep them entertained," said Mr. Click. "The parents and kids love it. There are 10 to 12 classes throughout the program, and each class always fills up right away."

Mr. Click says his focus in this unprecedented time is building relationships.

"We don't expect much income from the Paycheck Protection Program or our community outreach efforts. But relationship-wise, it is the right thing to do," he said. ●

Louisiana Federal Credit Union Provides Vital Help to Community

The feeling of excitement rushed through the mind of Louisiana Federal Credit Union (Louisiana FCU) CFO Melissa Matherne after she realized the credit union had approved more than 86 Paycheck Protection Program (PPP) loans in excess of \$4 million in a very short time.

"We wanted to make sure our business customers were aware of the PPP application, so we put a process in place to be ready to go before the initial rollout," said Ms. Matherne. "It took a lot of long hours, hard work and teamwork. We had only two employees dedicated to our members requesting PPP loans, so our business development team stepped up to provide help wherever needed."

One of the many business customers Louisiana FCU helped through PPP was local State Farm Agent Emily St. Pierre. She and a lot of other State Farm agents had trouble finding a bank that would accept their PPP applications. Louisiana FCU immediately responded, allowing Ms. St. Pierre to continue paying her employees their regular wages as well as maintain a level of normalcy within her office.



Melissa Matherne,
Chief Financial Officer
Louisiana Federal Credit Union

On top of that offering, Louisiana FCU also offered its 33,200 members a special COVID-19 unsecured personal relief loan providing more than 700 loans totaling \$3 million. Borrowers could apply for up to \$10,000 with repayment terms of up to five years and no required payments for the first 60 days.

"We have very good relationships with our business customers," said Ms. Matherne. "They call us for advice all the time, so we wanted to offer PPP to our members very quickly to provide small businesses the crucial help they needed." ●



Sabine Federal Credit Union Puts Relief Loans in Place to Help Its Members

Sabine Federal Credit Union staff pose for an all-employee photo before the coronavirus pandemic.

When CEO of Orange, Texas-based Sabine Federal Credit Union (Sabine FCU) Kenita Dougharty began hearing rumblings of the coronavirus crisis, she asked her team to immediately start planning how it would maintain banking operations in a stay-at-home, remote environment. On March 26, the credit union decided it was best to close lobbies to keep members and employees safe.

Sabine FCU began heavy promotions of their online services, interactive teller machine options, mobile banking, and the person-to-person payment app known as Zelle. In addition, the credit union offered members relief loans up to \$2,000 with no credit check, or up to \$5,000 with a credit check and 24-month repayment terms.

“We wanted our members to know we are ready to serve them no matter what gets in our way. We heavily communicated through Facebook, email and our website that members will still have full access to their accounts,” said Ms. Dougharty.

Rolling out a new product such as Zelle, a person-to-person mobile payment app created by Early Warning Services, can

be risky. But for Sabine FCU, it couldn't have come at a better time.

“Zelle has been very successful among our members,” she said. “It has been used and is very well received.”

On May 11, the credit union opened lobbies allowing only 12 members inside at a time. While members have the option to go inside, most still prefer to use its eight-lane drive-thru at its main office.

While Ms. Dougharty wanted to focus on members, she also did not want to leave behind her employees, so she decided to offer bonuses and send care packages to employees who were working remotely. Employees came back to work full time on May 11. They had been working a staggered schedule beginning on March 23 – half of the staff in the office on Mondays, Wednesdays and Fridays, and the other half in the office on Tuesdays and Thursdays.

“One of my big concerns was employees. The financial part of a person's life is vital, so we offered a bonus to employees as a thank you and acknowledgement,” said Ms. Dougharty. “They have showed up, worked hard and done everything we have asked them to do.” ●

CFPB Issues: Proposed “QM Patch” and Other News



By Eric Haar
VP, Director of Government
and Industry Relations

Updates on Consumer Financial Protection Bureau (CFPB) activities and proposals

The Consumer Financial Protection Bureau (CFPB) has proposed extending its “QM patch.” The patch is the CFPB’s presumption of compliance with qualified mortgage (QM) standards set out in the Dodd-Frank Act for loans that Fannie Mae and Freddie Mac purchase.

The current patch will expire in January 2021.

Absent action by the CFPB to extend the QM patch, as many as 1 million new mortgage loans per year either wouldn’t be made – or would be made at a higher rate – because the borrower wouldn’t pass the ability-to-repay test set out in Dodd-Frank related to their debt-to-income (DTI) ratio.

To address this, the CFPB recently issued a notice of proposed rulemaking to address the impending expiration of the QM patch.

The CFPB’s proposed rule would replace the DTI limit with a price-based approach. The CFPB believes that a loan’s all-in price, as measured by comparing a loan’s annual percentage rate (APR) to the “average prime offer rate,” is a more accurate measure of a consumer’s ability to repay than DTI alone.

For a loan to qualify as QM in the future, the CFPB has proposed that the loan’s APR be no higher than 200 basis points above the average prime offer rate. The CFPB emphasizes that lenders should also take into account traditional measures of creditworthiness such as DTI ratio and credit score.



The public has until August 20 to comment on the proposal.

Supreme Court Changes CFPB Governance Structure

On June 29, the U.S. Supreme Court ruled 5 to 4 that the CFPB’s governance structure of a single director that the president can remove from office only “for cause” is unconstitutional. The court’s rationale is that such a high removal threshold does not conform with the separation of powers provision of the U.S. Constitution, and it leaves the CFPB’s director unaccountable to the president.

The effect of the court’s ruling is that the CFPB director now serves at the pleasure of the president. And while the CFPB director’s term under statute is five years, the president can remove the director from office at any time. This means that whenever a new president takes office, the sitting CFPB director’s job is at risk.

The Supreme Court did not strike down the portion of the law that created the CFPB, and the court made clear that any rules the CFPB has promulgated to date remain valid.

The court’s ruling also leaves intact the CFPB’s funding mechanism, which is an annual draw from the Federal Reserve system. Legislation has been introduced in recent years to subject CFPB funding to the congressional appropriations process, but that bill is unlikely to advance anytime soon.

Industry comments in response to the ruling have been mixed.

National Association of Federal Credit Union President and CEO Dan Berger stated, “... [I]t is essential Congress advance legislation establishing a bipartisan commission at the bureau to promote greater transparency, accountability and long-term stability. A bipartisan board offers stable, long-term leadership that would better provide for the needs of consumers.”

The National Consumer Law Center issued a release stating that the decision weakens the CFPB director’s independence. ●



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