

Straight Talk Texas 2036 Interview: A Conversation with Bank of America executives, Jennifer Chandler and Mike Pavell

The interview has been edited for clarity, brevity and key highlights.

Join us as Texas 2036 Founder and Chairman, Tom Luce speaks with Bank of America executives Jennifer Chandler, Dallas Market President, and Michael Pavell, Fort Worth Market President. They will discuss Bank of America's long standing place in communities across Texas and how have they responded to the needs of small businesses during the pandemic.

Tom Luce: I know the bank was heavily involved in processing Paycheck Protection Program (PPP) loans, and y'all jumped right on that. Tell us what that was like.

Jennifer Chandler: Happy to touch on PPP. I have to tell you it was one of the most challenging, and most rewarding times of my career. I'm sure Mike would say the same. We were working 24/7. We were one of the first firms to step up and ended up taking the highest volume of applications. We're really proud of the program that we did ultimately set up, but ultimately those loans got into the hands of small business owners, which are so important to us in North Texas. Almost half of our economy is made up of small businesses. It was really important for us to adhere to the Department of Treasury's guidelines, so we worked closely with them to get it into the right hands. I'll let Mike run through some of the statistics.

Michael Pavell: Across the board, we funded, in conjunction with the Small Business Administration (SBA), over 327,000 loans under the PPP program. And that totaled \$25 billion in funds that got into our client's hands, our customers' hands, and they truly did need it. And here in Texas, we saw a large portion of that. We funded more than 25,000 applications through the SBA here in Texas for the PPP program. That was about \$1.6 billion in funding there alone, which was spread all over the state. Houston had the highest participation in Texas, and we did about \$574 million worth of funding there. Here in Fort Worth, we did \$115 million supporting small business. Dallas did over \$500 million, San Antonio, \$89 million. And even out in our West Texas markets, Amarillo and El Paso, we saw great participation there as well. It got to the hands of small businesses, and the average loan size that we saw in this program was \$64,000. More than 80% of those loans went to businesses with 10 or fewer employees, and only 1% went to companies with more than a hundred employees.

We truly did see the impact. We saw it getting to where it needed to be in Texas. And we're really proud to take part in that program. Now we're entering that next phase, which is working in conjunction with the SBA as they roll out some new rules and regulations. The next part of it is really going to be getting into that forgiveness and repayment portion. There's a lot of information on the SBA website around this

program so our job's going to be working with our clients to make sure they understand the program, and that they're able to take care of that second phase of it.

Tom Luce: It's often so hard for the small business to navigate all those regulations, and I assume you all are working with them closely to hold everybody's hand through this process because it's so Byzantine at times. How do you enter that and successfully complete the second phase?

Jennifer Chandler: I don't know that people are always aware, but our consumer locations and small business bankers have been phenomenal. They've been making a number of outbound calls to help educate our clients and folks on all the opportunities they have, not only with PPP, but other programs for small businesses. It's a lot of proactive phone calls, really helping to ensure they understand the process and that they're getting those applications in. We're thrilled to see more time with the forgiveness process. I think that's going to help where initially that first phase of PPP was such a mad rush to get applications in. Now I think folks have been able to catch their breath, really understand the process. We're often pointing to the SBA as well, as some of those guidelines changed very rapidly. But as big as we are, we take pride in making those phone calls to make sure we're reaching every one of them.

Tom Luce: I know you all monitor consumer spending in each of the regions and areas of the state. What are you all seeing about how fast, how slow the economy is recovering? What are you all seeing across the Texas market?

Jennifer Chandler: It is encouraging. A great lens into the economy is, as you mentioned, consumer spending. Banking every other household, that's a great way for us to see how things are trending. And to answer your question, they're trending in the right direction. We had about a 27% drop off early on in the crisis. But the good news is that it's trending back in the right direction. In May, that dropped to about 12% year over year. And early June spending was down about 5% to 6%, and we're thrilled to see just last week that started to look flat year over year. Obviously, hospitality and some industries are impacted much harder than others. But retail has been really strong in Texas.

The credit side has been a bit more conservative, and we're really pleased to see that. People have been very conservative with their borrowing. In Texas, for the first week of June, we saw about a 2% decrease in credit card spending. Overall for GDP, a really challenging year. We're still looking at about negative 5.7% GDP growth this year. But that number was negative 8% just a few weeks ago, so we'll continue to watch the trends. I know you're hearing lots about Vs and Ws and Us and whatnot. We're going to stick with some Vs in most sectors, Tom, but we'll keep watching. The great thing, Texas is usually last in and first out. We think that's the case here too, but we'll keep watching those numbers.

Tom Luce: Mike, what do you see in Fort Worth and West? Is what you're seeing much different than Jennifer? In Texas, we have that double whammy. How are you assessing what's happening in West Texas and Tarrant County?

Michael Pavell: I think we've heard it all said that Texas is not just one economy, it's more like five separate economies, as you look at the different geographic regions that comprise the state. But Texas businesspeople are very resilient. They're going to figure out a way to get things done. When you talk to the folks in the panhandle and out in West Texas, they have some different dynamics than what we may see in the urban areas. Agribusiness is a big deal for them. In addition to the impacts of the pandemic, they had the whipsaw effect of commodity prices and beef prices and cattle prices all moving in different directions. There's still ripple effects they're dealing with in regard to that right now, on top of the general economic conditions that we're all experiencing. It's certainly no surprise to anyone on this call, the impact the energy downturns had on oil. It's impacting the consumer sentiment a bit as well, because you've got pandemic effects to the economy, and cashflow effects for all those that work in the oil field service industry, trying to navigate through that. Texans are resilient, and they're going to find a way to work through all these various challenges that we're faced with.

Tom Luce: This pandemic is part of what I call a perfect storm. It's revealed a lot of issues we knew existed but weren't focused on. One of them is certainly the racial divide, equitable disparity issues. Bank of America has been very proactive in terms of these issues. Tell us a little bit about how you as a bank and institution, both internally and externally, are trying to address some of the equity disparities.

Jennifer Chandler: We had a group come together at the national level, in partnership with a committee that includes folks from the NAACP, Unidos, and others. And we were looking at a \$500 million fund to help address economic disparity. The racial distress we saw across the country and the unfortunate death of George Floyd really drove a sense of urgency. Then [Bank of America] CEO, Brian Moynihan, joined with our board to double on that commitment, and we took that commitment from \$500 million to a billion. I think I've heard you mention that Texas 2036 is not just a think tank, but a do tank. And that's what we like to do at Bank of America: take action. That billion dollar commitment is our commitment to take action. We'll be working across the country, and here in Texas, to address the issues that we've seen. We'll be looking at sustainable, impactful programs to help address the racial disparity we're seeing. We've also made a \$25 million commitment to the Smithsonian Institute for some work they're doing on research that focuses on how Americans address race issues. We have a number of commitments going on and a great deal of work. We're also having some courageous conversations locally in each and every office.

Our diversity inclusion efforts will remain a priority for us, as they have been for many years. Over 45% of our workforce is made up of people of color, but we know we have work to do.

Tom Luce: I assume the diversity and inclusion issue is focused not only on our black community, but also our Latino community. We feel very strongly that the diversity of our state needs to be our asset and our strength because it is just remarkable. I assume you see that in your market going west?

Michael Pavell: You see it all across the state. And there's really fantastic stories when you get behind how these immigration patterns affected Texas. Diversity is part of the richness of what we have here in Texas. It gives us a vibrancy, not only from a cultural standpoint, but also from an economic development and a work force perspective. You get all kinds of varying perspectives and experiences. Tapping into that is extremely important. That's part of how we look at our customer base; we need to meet our customers where they are when they need us. That may be in a different language, or it may be digitally. We see that out in West Texas quite a bit. Frankly, those are opportunities, but they're also challenges when you talk about bridging gaps, and removing barriers, and providing access to education, and economic development. We've got to be very mindful of all of our Texans and where they come from and what their needs are.

Tom Luce: We have a lot of small to large businesses grappling with, how do we safely reopen? It's really a remarkable story about how quickly American enterprise adjusted to a virtual world, but how are you thinking about the physical world in terms of reopening? How much do you think will remain virtual?

Jennifer Chandler: So many organizations are focused on that right now. It was really incredible how quickly we were able to move over 208,000 employees globally to work at home remotely. Investment in our digital platform started to pay off, but it took a lot of creativity. And the great news is that it's working incredibly well. Knowing that we're effective, we will be very slow to return to office. The safety of our employees remains the top priority. Our banking centers have remained open as a critical business. They have been the front line day in and day out through all of this, and I'm so proud of them. We were also able to be very creative around childcare. Many of the childcare facilities were closed so we increased our childcare coverage and allowed folks to use family and loved ones they could trust during this time. Many of our associates took advantage of that reimbursement.

Michael Pavell: I had the opportunity to work here with mayor Betsy Price and her committee on reopening the economy. One of the things I took away from that was, there's no one size fits all solution that's going to work. What works for a retail establishment may not work for a restaurant. Nor may it work for a manufacturer or a financial institutions firm. Bank of America is an organization that's made up of eight different lines of business. We have to look at each one of those segments of our

business and think about the best way to return to office, or continue serving our customers, and how to keep everyone safe while doing that. To Jennifer's point, it really is looking at each element of our business and applying a specific approach to that element that may not be the same as the other business unit right next to it.