

Uwharrie Bank's top execs on managing the PPP rush, how Covid-19 is affecting the industry



By Caroline Hudson - Staff Writer, [Charlotte Business Journal](#), May 1st 2020

Banks of all sizes are slogging through the U.S. Small Business Administration's Paycheck Protection Program.

The first round launched April 3 to suppress some financial distress from efforts to contain the novel coronavirus. The \$349 billion in funding ran out in less than two weeks. Congress added another \$310 billion for businesses in a second round that began Monday. The SBA reported more than 960,000 PPP loans approved, totaling about \$90 billion, as of 5 p.m. on Wednesday.

This time, funds were set aside for smaller lenders - \$30 billion for lenders with less than \$10 billion in assets and another \$30 billion for those with assets between \$10 billion and \$50 billion. Lenders with less than \$1 billion in assets were the only ones on the SBA site

on Wednesday night. Leaders wanted to make sure the community banks were able to funnel money to smaller businesses.

Uwharrie Bank, a subsidiary of Uwharrie Capital Corp., is one of those community banks. Its employees have worked all hours to process and fund PPP loans.

CEO Roger Dick said the bank has gotten SBA approval for every application submitted correctly. President David Beaver said Uwharrie had SBA approval for about 725 loans between the PPP rounds as of Wednesday afternoon. Those loans total about \$69 million. Uwharrie's average PPP loan size is \$95,000, Beaver said.

The Charlotte Business Journal talked with the two executives this week about Uwharrie Bank's PPP experience, the lessons learned and what could be next. Their answers are edited for length and clarity.

Describe the first round of the PPP?



David Beaver: The biggest challenge was getting in the system and able to get the folks keyed and locked. Along those lines, there was very little guidance as to how the forgiveness would be calculated. We had a lot of customers with those concerns, and you had customers that the state of North Carolina had essentially just shut down, and these folks were trying to figure out how they were going to keep people paid and how they were going to operate their business different. If you were a restaurant, how are you going to offer to-go orders in a mass scale and curbside pickup? A lot of these places don't have drive-thru windows, so they were having to make business adjustments while they were still trying to figure out how they were going to make ends meet.

David Beaver is the president of Albemarle-based Uwharrie Bank.

The system was very slow, and we were trying to get new bankers that had never worked within E-tran trained up and keying information into the system. It was a learning curve on our side as well. It was difficult. It was a lot of early mornings and late nights. We had folks working at 3:30, 4 in the morning that had gone to bed at 8 or 9 and gotten up that early to start working. We had folks working until 1 to 2 at night closing everything down. If we didn't hit 24 hours, we were only missing it by about two hours.

What about the second round?

DB: A lot of uncertainty last Thursday. It finally got approved by the House, and they weren't sure if it was going to open up (Thursday) night or Friday morning after midnight. It was about 11 that night when we got word from the North Carolina Bankers Association that told us that it was not going to open up on Friday, at least not at midnight, but they still didn't have a definitive time. They were estimating it'd be around 8 or 9 on Friday morning. Shortly after midnight, we got confirmation that it would be Monday before it opened, but they still weren't sure of what time.

It opened up at 10:30 Monday morning. We had a queue of folks. We had about 150 people at that time on our internal system, and then our third-party processor had about 50, so we had close to 200 people ready to go. We started frantically keying and processing, and I think by the time we left that evening around 8, we only had seven of those 200 confirmed. Sometime around 11 that night, we were up to a little bit over 50, probably around 60 people. From 8 to 11, that three-hour window, we really started seeing the folks that we had keyed earlier that day started getting cleared in the system. Overnight we probably picked up another 15 or 20. By the time we arrived Tuesday morning, we had about 70 of our 200.

We're well over 200 now. We've had multiple additional applicants come in, and we're able to really keep up to speed with them. (Tuesday) was a very successful day, and (Wednesday) has been very successful. We've been able to really keep up. At any given time, we can go look in our queue, and there's no more than two or three people sitting there waiting with new applications. We get those folks keyed and locked and continue the process.



Roger Dick: We tried to do priority based on need. We tried to get our churches and our nonprofits and make sure that they got covered. We've got a lot of small-business accounts. Our average loan size is around \$100,000. We took our customers, but we also took people that were having a difficult time finding anybody to help them. We tried to operate in the spirit that we were trying to help any of these small businesses, whether they were a customer or not, because they were providing jobs, and they have families that are depending on them for some payroll dollars to buy groceries and pay bills.

Roger Dick is the CEO of Albemarle-based Uwharrie Bank.

How does a banker cope in this kind of environment?

DB: We had a lot of Diet Cokes and Diet Dr Peppers and coffee. We've gone through a lot of candy. ... We've not required anybody to be at work. If they feel uncomfortable, we'll allow them to work from home. If they're in a position that they can't work from home, then we're OK with that, too. Our company has focused for years on what our mission is within the community, and that's having a purpose to help others. This crisis has given us opportunity to fulfill that mission within all of our communities. ... Nobody has said, "Hey, am I going to get paid overtime?" Nobody has said, "What's my commission on this?" Everybody has just really stepped up and done the right thing, which has been really energizing and positive.

RD: We as bankers sometimes get bad raps. ... I think everybody has seen our mission and purpose here is to try to get capital to these Main Street businesses, so that they can be sustained, and when we come out of this Covid-19, there's been a minimum amount of damage done and that we can get back to some semblance of prosperity. ... We were called to do the job to help get this money out to our public, and I think everybody has put forth their best effort - big banks and small banks. I just hope that we can all stay safe and flatten the curve and get back to some form of normalcy, whatever that may look like going forward. We're going to be OK. It's been a lot of hard work, but it's been good work, and we've enjoyed helping make our contribution.

DB: I think, overall, it's helped bring all of our communities closer together and really helped us rekindle that American dream and support our neighbors.

How will these uncertain times affect Uwharrie Bank?

RD: I think our whole industry will be putting a lot of money we are earning, a disproportionate amount of that is going probably into our loan-loss reserves. I don't think this is a year that you're going to see banks with record earnings. I think we're going to take what earnings we do have, and we're going to be shoring up our loan-loss provisions (and), at the same time, start thinking about how to help people go forward. There's a lot of industries that, when we go back and we start to open up our economy, I don't know how fast the general public is going to feel comfortable coming out and participating. We don't have the answers. We don't know what the risk of it or our problems are going to be going forward. It's sort of like driving through the fog. We'll go 5 feet at a time, and we will assess the situations that are before us, and we will make the best decisions we can.

DB: I think our customers and our communities, just like the restaurants, are having to learn how to operate differently. We had to learn how to operate differently. People were not allowed to come into our branches anymore. They had to go through the drive-thru. So, how do you open an account through a drive-thru window? Well, we're allowing it, or we'll have

that banker walk outside and meet them at their car. We've had the technology for a while, but it hasn't been as widely adopted as some of the large banks - to open accounts online or our online banking and mobile banking technology, to deposit a check remotely from a picture on your cellphone. Those were things that we had in place, a lot of those, since 2009. We had over 10,000 mobile users, but a lot of those folks would still walk into the branch because they knew their banker. They wanted to talk to them, say hello and catch up. This has really forced those folks, those customers and our bankers, to learn how to operate a little differently. I think, as Roger was saying, that may stick for a while.

What did Uwharrie Bank get right?

DB: I think the No. 1 thing that we got right was, as a community bank, and this isn't specific to Uwharrie, but we really know our customers. We know the customers that maybe didn't sign up for the Paycheck Protection Program, but we knew they needed it. Our bankers picked the phone up and called and talked to them about the program and educated them. Ultimately, it's the customer's decision, but I think the intimate relationships between our bankers and their customers just naturally gave community banks a leg up through the crisis. You get a phone call from somebody, and they want to transfer money. Somebody's got to be able to identify that customer by voice, and we're able to do that. Not saying the large banks cannot, but it truly is just a little easier for us.

We were able to adapt when our third party that was processing our PPP loans had much higher demand than they anticipated. That second day, they shut their system down to do applications. They wanted to make sure they could take care of everybody that was existing in their system. We had to develop a portal. We had the technology and the people with the talent and the skillsets to be able to do that within 48 hours and be open and offering PPP loans within our communities.

What could Uwharrie Bank have done better?

RD: We did not have a plan B. ... When (the third party's) platform began to crash, I wish we'd have had that second parachute already packed, so that we could have pulled it immediately and continue the process. There were banks in there that they're the vendor for that didn't have that option. If anything, I think, if looking at this building redundant systems in, if the first approach doesn't work, do you have a good plan B? We had talked about plan B, but we really hadn't taken action to put it in place. Keep in mind this was all rolled out and coming at us pretty fast. I think the backup system - that we did develop and worked very well, in fact - that would be the thing that David and I would say, next time around, we're going to have a plan B already packed and ready to go in case the first line of offense should fail us.

DB: We were focused on trying get our systems open and educate our customers and get all the documents prepared and uploaded for the partner - that was our plan A.

RD: You have the best of plans, but when you hit the battlefield, there's no battlefield plan that survives the battle. You have to be able to adapt and, fortunately, we were able to. We did adapt. We did not shut down. ... This was a good exercise for all of us to learn how to prepare ourselves for these kind of emergencies. But who would've ever thought that, when we started in 2020, that we would be dealing with something like this?

DB: In our pandemic plan and our pandemic testing, we have used a virus similar to the H1N1 (swine) flu. The H1N1 (swine) flu, from a viral perspective, is basically set to where, if you're exposed to it, within 24 hours you're running a fever and you're sick. A real nuance to this particular Covid-19 was you may be exposed to it and be 14 days prior to showing any symptoms. Our initial pandemic plan said, "OK, if the virus gets within the state of North Carolina, then we're going to take our teams - take, for example, finance and IT - we're going to take two people that are physically located with our IT team and we're going to move them to finance. We're going to take two people that are physically in finance, and we're going to move them to IT." Everybody can still function, but at least if it comes into one of our buildings, your entire IT department or your entire finance team will not be affected.

The lag effect on this virus was so different - that didn't work. ... We said, "OK, we're going to take those same people and we're going to send them home, and they're going to be quarantined in their homes, so that if it does hit one of our buildings, we've still got folks able to do the daily work."

