



Testimony of
Alice P. Frazier

President and Chief Executive Officer
Bank of Charles Town

On behalf of the
Independent Community Bankers of America

Committee on Small Business

Hearing on

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May 17, 2023
Washington, D.C.

Opening

Chairman Williams, Ranking Member Velázquez, and members of the Committee, I am Alice P. Frazier, President and CEO of the Bank of Charles Town, headquartered in Charles Town, West Virginia. I testify today on behalf of the Independent Community Bankers of America where I am Chair of the Bank Operations Committee and a member of the Board.

Our Story

The Bank of Charles Town, or BCT, was founded in 1871 in Jefferson County, West Virginia by a group of 38 farmers, orchardists, and business leaders who believed a locally based bank would create an economic and stabilizing influence in Jefferson County. Thousands of community banks around the country were founded on that same vision. Today, BCT is a \$796 million asset community bank with 121 employees serving the Eastern Panhandle of West Virginia as well as Hagerstown, Maryland and Loudoun County, Virginia.

BCT

its integrity. Moreover, the new affiliation rule and revisions to the SOP appear to be specifically designed to accommodate nonbank fintechs.

Nonbank Fintech Lending is no Substitute for Community Bank Lending

Online-only lending can never be a substitute for the ground community bank lending. The business model of a nonbank fintech is a snap approval or rejection of loan and quick disbursement of funds

We have a client who had previously obtained two small, quickly disbursed, fintech loans of less than \$30,000 each. The fintech provided no counseling on how to put that money to good use. In fact, he was overpaying himself, resulting in losses year after year on the Navy contract but

lenders look for in reviewing a credit application. Ultimately, we were able to secure for him a \$150,000 SBA loan to support the Navy contract.

The community bank model is quite different. We partner with our small business borrowers and are vested in their long-term growth and success. The reality is that once the loan is funded the relationship is only just beginning. We provide practical world business counseling and networking opportunities, particularly for startups, in a way that can never be matched by an online-only lender.

The best thing for an underserved borrower is to work with a lender that is committed to their success. Recently, a small, African American, 8(a) government contractor applied to us for a \$150,000 loan.

We are committed to working with this committee and the SBA to ensure the 7(a) program is reaching the smallest, underserved borrowers. But I also think we should appreciate what the a, 68 percent of

42 percent of loans. Also in FY 2022, one in three 7(a) loans were to minority businesses.

Nonbank Fintech Lending Likely to Result in Higher Defaults and Fraud