

IBANYS Coronavirus Covid-19 Update For New York Community Banks:

Monday, March 30, 2020

IBANYS Special Board Meeting On Coronavirus (Covid-19) Situation

IBANYS held a meeting of our Board of Directors via telephone conference call this morning to provide the latest information and to review and summarize where things stand as of today. A number of banks expressed praise, strong support and appreciation for IBANYS' role in providing daily communications during the crisis through conference calls and written updates and summaries to all New York community banks. We appreciate that level of support and confidence and will continue to serve as a conduit for information, announcements, new federal and state actions and best practices. IBANYS has also posted all our updates and communications on our website (www.ibanys.net).

There were a number of questions, many pertaining to the status of the Small Business Administration (SBA) payroll protection program. It has been said it will be available to all 7(a) lenders as well as to non-participating banks. As yet, there has been no rules or guidance issued on the program. IBANYS is working hard to stay in contact with the SBA and a number of other experts to try to obtain clarity and clarification. Another concern expressed was the need for the FDIC to consider increasing deposit insurance during the crisis.

IBANYS will be sending out a notice of our partnership with PURSUIT (previously the New York Business Development Corporation) on an initiative that will essentially provide funding at the state level for a payroll protection type program.

Legislative Counsel Bill Crowell reported that with two days left until the April 1 state budget deadline, the State Senate and Assembly are getting ready to use remote voting. The state Senate passed a resolution allowing them to participate remotely in legislative sessions last night, and the Assembly was expected to convene today to follow suit. Regarding the state budget, it appears likely it will be passed by Wednesday, April 1, although there are still outstanding unresolved issues. In light of the very significant budget deficit, the Governor and Budget Director Mujica sought authorization to "tweak" the budget -- perhaps quarterly -- and it appears likely the state may need to issue some type of bond or anticipation notes since the revenue from tax collection will now be delayed until July 15. (The New York State Tax Department officially announced an **extension for State tax filing and payment for individuals, fiduciaries and corporations until July 15, 2020**, following a previously announced similar action.) There is also a need to close the significant Medicaid gap, which will likely still need federal assistance to be resolved.

Legislation has been introduced by New York State Senator Gianaris **to mandate rent forgiveness** (e.g., impacting both tenants and small businesses) has been amended to allow some options for property owners to receive some of the lost rent revenue, a very slight improvement from his original bill. Several bankers noted this bill would be a negative, as many property owners/landlords depend on rental income for their retirement income. It was also noted that this would appear to be an unconstitutional "taking". In his briefing today, the Governor noted he has the policy that does not allow evictions for non-payment of rent for three months, to be reassessed as things develop.

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Governor Modifies Executive Order Number 202

On March 7, Governor Cuomo issued Executive Order Number 202, declaring a state disaster emergency for the entire state. Today, he temporarily suspended or modified for the period of time from March 7 through April 28, 2020 the following (see link provided below):

<https://www.governor.ny.gov/news/no-20213-continuing-temporary-suspension-and-modification-laws-relating-disaster-emergency>

- The New York State Association of Counties an updated report today that details the economic impact of the coronavirus pandemic on county governments, which are now facing a potential \$2 billion loss in revenues.
- A new Siena College poll today shows Governor Cuomo receives high marks for his response to the pandemic: 87% of registered voters approve of his actions during the crisis, while 41% approved of President Trump's. 70% of Republicans' approve of Cuomo's handling of the pandemic, while 82% approved of the President's.

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OCC Mutual Savings Association Advisory Committee April 21

The Office of the Comptroller of the Currency (OCC) will host a public meeting of the Mutual Savings Association Advisory Committee (MSAAC) Tuesday, April 21, 2020, via teleconference.

The teleconference, open to the public, will begin at 10:00 a.m. eastern. The purpose is to advise the OCC on regulatory changes or other steps the OCC may be able to take to ensure the continued health and viability of mutual savings associations and other issues of concern to mutual savings associations. Members of the public may submit written statements to the MSAAC by sending an e-mail to MSAAC@OCC.treas.gov. The OCC must receive written statements no later than 5:00 p.m. EDT on Tuesday, April 14, 2020. **With questions, please contact:** Rafael (Ralph) E. DeLeon, Director for Banking Relations/National Bank Examiner, OCC: (202) 649-6736 office; (202) 359-0096 cell; ralph.deleon@occ.treas.gov

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Small Business Administration Update

The Paycheck Protection Program is going to be administered under the SBA 7(a) program. The program provides \$349 billion in new lending capacity to be administered by the Small Business Administration under its 7(a) lending program, and is designed to help small businesses cover their near-term operating expenses during the worst of the crisis and provide a strong incentive for employers to retain their employees. **Many community banks are reporting they are already fielding a significant number of calls, and there is a need for additional clarification on how the 7(a) program and the SBA programs will be implemented.** At this point, it appears that definitive answers are hard to come by until SBA (in consultation with Treasury) issues guidance for the program. **We are told that at this time, the SBA has not issued any guidance or rules directly related to the CARES Act.** The SBA has 15 days to issue the guidance from when the President signed the bill into law upon House passage this past Friday. IBANYS is working hard to seek answers, and has consulted with ICBA, the SBA and others. As soon as we know more, we will share with you. (On a separate note, as it currently stands lenders themselves are prohibited from participating in the 7(a) program. Unless SBA waves this prohibition in the ensuing guidance, which doesn't appear likely at this point in time, banks themselves will not be able to participate in the program.)

Tax Implications Of CARES Act

Here is the latest update as we understand it. Please be advised that the attached information is subject to change, since many specifics have not been worked out, many terms have not been defined or clarified, and new information is being released all the time. However, we wanted to get this information out to you as quickly as possible since everyone is looking for a better understanding of the new law just signed by the President last Friday.

Federal Regulators Announce Optional Extension Of CECL

Federal regulators **announced an optional extension** of the regulatory capital transition for the Current Expected Credit Loss accounting standard. The interim final rule allows banking organizations that are required to adopt CECL this year to delay for two years the estimated impact of CECL on regulatory capital. This is in addition to the three-year transition period already in place. Alternatively, banking organizations can follow the capital transition rule issued by the banking agencies in February 2019. The interim rule is effective immediately, and the agencies will accept comments for 45 days.

More From Washington

President Trump announced yesterday that federal social distancing guidelines have been extended April 30.

The President on Friday afternoon signed into law bipartisan economic stimulus legislation responding to the coronavirus outbreak. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), after it passed the House on a voice vote following a unanimous vote in the Senate earlier in the week. The CARES Act includes several ICBA-advocated measures that will better enable community banks to provide needed credit in local communities:

- enhances the Small Business Administration's 7(a) loan program,
- provides net-operating-loss tax relief,
- authorizes robust FDIC deposit insurance coverage for transaction accounts,
- delays implementation of the Current Expected Credit Losses accounting standard,
- ensures coronavirus-related loan modifications are not classified by regulators as troubled debt restructurings,
- reduces the Community Bank Leverage Ratio from 9 percent to 8 percent during the COVID-19 national emergency, and
- funds USDA Commodity Credit Corporation support for livestock and specialty crop producers.
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In the link provided below, ICBA offers a summary of key provisions in the law, including mortgage-forgiveness measures, and is encouraging regulators to issue guidance as soon as possible to answer questions regarding the details. <https://www.icba.org/news/news-details/2020/03/27/community-bank-provisions-of-the-cares-act>

Cybersecurity & Infrastructure Security Updated Guidance

As advocated by ICBA, the Cybersecurity and Infrastructure Security Agency **issued updated guidance** expanding its definition of "essential critical infrastructure workers" that should continue normal operations during the coronavirus pandemic. The updated definition now includes financial services workers needed to: provide business and commercial access, verify financial transactions and

services, maintain orderly market operations, and more. Treasury Secretary Mnuchin last week issued a **memorandum** encouraging state and local governments to follow CISA's guidance, while the **FDIC** and **OCC** have issued bulletins citing the guidance. ICBA offers a template letter for community bank employees affirming that they are essential workers according to the CISA guidance. With some community bankers being stopped by law enforcement as they attempt to go to work, ICBA encourages community bankers to fill out and distribute the template letter to staff to keep with them along with the guidance. The template and guidance are available on ICBA's **Crisis Response and Preparedness Center** under "Essential Business Management Resources." Community bankers who have questions or need assistance can contact ICBA at **crisisresponse@icba.org**.

Rep. Nydia Velazquez (D-Brooklyn) -- a member of the House Financial Services Committee -- announced this afternoon she was diagnosed with a presumed case of Covid-19. She said she first felt symptoms over the weekend. The Congresswoman spoke on the House floor Friday during the debate on the coronavirus stimulus package.

Two ICBA Webinars Tomorrow (Tuesday, March 31) On The Coronavirus Outbreak. Spots are limited and are expected to fill up. Be sure to register ASAP:

These webinars are free to all ICBA members and include the opportunity to ask questions. Live event registration is limited to 900 participants. The recordings are available to everyone 24 hours after the live events and can be ordered through our website.

ICBA Community Banker University Webinar: Coronavirus in the Workplace Round #2: An Update March 31 at 11:00 a.m.

The Coronavirus pandemic is not only changing the way we live, it is rapidly changing the way we work. Topics include an overview of the most recent state and federal mandates, leave and disability implications, wage and hour issues, and key considerations with furloughs and reductions-in-force.

Speakers:

- Jennifer Nodes, Jackson Lewis
- Janet Olawsky, Jackson Lewis

To register:

https://myicba.icba.org/eWeb/DynamicPage.aspx?WebCode=EventInfo&Reg_evt_key=2ee70fba-58f5-4089-8028-a6488b62c2f2&RegPath=EventRegFees

ICBA Community Bank Briefing: COVID-19 Update With Special Guest OCC's Joseph Otting: March 31 | 2:00 p.m.

This third briefing focuses on the country's national banking system and how the OCC is addressing the COVID-19 impact to the U.S. financial system. Discussion includes how the OCC is

currently operating, the interagency process, national bank examinations, and bank supervision issues.

Speakers:

- **Joseph Otting**, Comptroller of the Currency, and
- **Blake Paulson**, OCC, Senior Deputy Comptroller for MidSize and Community Bank Supervision
- **Rebeca Romero Rainey**, ICBA President and CEO (moderator)

To register:

https://myicba.icba.org/eWeb/DynamicPage.aspx?WebCode=EventInfo&Reg_evt_key=62bfa1c4-a8a1-4110-87a5-5853661d5495&RegPath=EventRegFees

Thank you for your continued support and participation. We will continue to update you as additional information and details become available.

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