

**March 25, 2020**

To New York Community Banks:

IBANYS hosted another in our series of small regional conference calls to update New York community banks, and hear input from them, regarding the ongoing covid-19 crisis and its impact on our industry and the communities we serve. We know there are still detailed questions that need to be answered and we are doing our best to get more answers.

Please let us know if anyone has made a decision on the definition “ ... those impacted by COVID - 19”. Not easily defined in general ... and not easily defined when working with fee income (ATM, OD, NSF) and mortgages.

**Among the topics addressed:**

**I. General Discussion**

IBANYS noted there is a need for additional clarity from the New York State Department of Financial Services (DFS) on its emergency regulations on mortgage relief released yesterday -- which provided further details on Governor Cuomo's Executive Order issues earlier this month. IBANYS is in contact with DFS, has expressed our need for clarity, and is awaiting further response which we will share once we have it.

There remains some ambiguity as to such questions as:

- Is there a clear definition of how banks (and the regulatory agencies) define “impacted by COVID-19”? How should it be defined so all banks and Regulatory agencies apply the same definition. There remains ambiguity regarding how to document that a customer seeking relief has indeed suffered a negative impact from covid-19. This would apply both to mortgage and loan relief and fees. (e.g., ATM fees, others).
- What precisely does the term "mortgage payment" mean? (e.g., principle? interest?) Are escrow payments (insurance and taxes) included in forbearance/deferment of mortgages?
- Will all agencies have the same policy for all types of mortgages when it comes to deferment? (DFS for portfolio vs Fed Reg agencies for HUD/FHA/VA etc.)?
- What is the full policy regarding fees? (e.g., ATM fees, foreign ATM fees)
- There is a need for state and fed regulatory policies to have the same definition for forbearance.
- IBANYS is encouraging New York community banks to keep track of losses for the next 90 days...losses incurred in both mortgage and non-interest fee income. The objective would be to be able to demonstrate the impact on community banks' balance sheets.
- The Executive Order expires April 20, and there is concern whether DFS could extend the order, perhaps by up to 90 days beyond the expiration date.
- There is concern among some bankers that DFS may be moving toward a policy that could result in "blanket forbearance/relief"
- Some large banks are providing blanket relief -- and, in some cases, publicizing it.

**On the Operations front:**

- Banks on the call had closed lobbies, some had closed branches, most had gone to drive-through only, none are currently offering "hazard pay" (there are reports some larger credit unions are doing that)

- Most are rotating staff, have separated out key function areas and relocated them, most have gone extensively to remote working/working from home policies.
- The consensus among participants was that layoffs are not currently being done, and there is concern if that were to occur, then there would be an increased risk of those employees not returning post-crisis.
- There was a discussion that some of the practices being employed during the crisis (remote working conditions, bigger emphasis on digital operations) may well become standard practices post-crisis.

## **II. Albany Update**

- **IBANYS Legislative Counsel Bill Crowell provided an update from Albany.** He noted the State Legislature is not now expected to return to Albany this week. The State is now looking at a revenue shortfall of up to \$15 billion -- much of it due to the inability to collect taxes as usual with the April 15 deadline extended to July 15. The Legislature is now expected to return next week to hopefully approve a state budget, but there is an effort to modify the process to allow changes to be made along the way as the situation evolves. IBANYS is hoping to have a conference call with State Senate Banks Chairman James Sanders (D-Queens) to discuss the impact of the actions by the Governor and DFS on community banks.
- The Cuomo administration believes the state budget deficit can only be ameliorated by a massive influx of federal aid. With federal lawmakers on the brink of passing another round of federal aid to help states deal with the virus and its associated effect on the economy, press reports indicate the Governor will not get what he wants from the federal government on the funding front, which could have big implications for the state budget process and his plans to cut spending in the state Medicaid program.
- **This morning, governor Cuomo, DFS Superintendent Lacewell and Deputy Superintendent for Banks Shirin Emami issued the following New York State DFS Update to the Guidance to New York State Regulated Institutions and Request for Assurance of Operational Preparedness Relating to the Outbreak of the Novel Coronavirus:**

### **"To the Chief Executive Officers or the Equivalents of New York State Regulated Institutions:**

This is an update to the "Guidance to New York State Regulated Institutions and Request for Assurance of Operational Preparedness Relating to the Outbreak of the Novel Coronavirus" (the Industry Letter) issued by the New York State Department of Financial Services (the Department) on March 10, 2020. The Industry Letter requested a response within 30 days from the date of the Letter, which is April 9, 2020.

The Department has received various requests to extend the time to respond to the Industry Letter due to the impact of COVID-19. The Department recognizes and appreciates that many institutions are currently experiencing resource and other constraints during this challenging time. To that end, the Department hereby extends the deadline for responding to the Industry Letter to May 25, 2020.

### **III. Washington Update:**

The White House and the U.S. Senate has reached agreement on a massive stimulus bill of up to \$2 trillion to provide economic relief to individuals, businesses, unemployed Americans. Both the Senate and House now need to pass the legislation (the Senate is voting today). While the full language and details are not yet clear, the package is intended to keep liquidity in the system, to the benefit of consumers, businesses and including banks. ICBA reports that the stimulus bill includes policies that ICBA has fought to include on behalf of community banks. They include:

- Enhancing the Small Business Administration's 7(a) loan program,
- Providing net-operating-loss tax relief,

- Ensuring robust FDIC deposit insurance coverage,
- Delaying implementation of the Current Expected Credit Losses accounting standard,
- Ensuring coronavirus-related loan modifications are not classified by regulators as troubled debt restructurings, and
- Reducing the Community Bank Leverage Ratio from 9 percent to 8 percent during the COVID-19 national emergency.

Governor Cuomo said this morning that the Phase 3 package does not include enough aid for New York, claiming it would only receive \$3.8 billion for its efforts to combat the coronavirus pandemic: "\$3.8 billion sounds like a lot of money (but) the response to this virus has probably already cost us \$1 billion. It will probably cost us several billion dollars when we're done." There are 30,811 confirmed cases and 285 deaths statewide as of this morning, including 17,856 cases in New York City; 4,691 in Westchester County; 3,285 in Nassau County; 2,260 in Suffolk County; 968 in Rockland County; 638 in Orange County; 153 in Dutchess County; 152 in Albany County; 122 in Erie County, and 118 in Monroe County. The Governor has said the apex is not expected for another 14 to 21 days.

As final details become available, and further action is taken by the Congress, IBANYS will share them with New York community bankers.

#### **Update From The OCC**

"The OCC has just published [OCC Frequently Asked Questions for Bank Customers Regarding COVID-19](#) as well as [Frequently Asked Questions for National Banks and Federal Savings Associations](#). Everything the agency publishes related to its response to COVID-19 that applies to a broad audience will be available on <http://occ.gov/covid-19>. The two new items are also featured on the Spotlight section of <https://www.occ.gov/index.html>. To ensure that the institutions that we supervise are receiving this important information, we are asking that the ADC's and LB EIC's communicate these updates with your bankers. We will keep you updated with future bulletins and news releases as well."

#### **Webinar Offered By Office of the Comptroller of the Currency (OCC):**

The federal financial institution regulatory agencies and the state banking regulators, will host an interagency webinar on Friday, March 27, 2020, at 2 p.m. EST. This interagency Ask the Regulators session is designed to help clarify the [interagency statement issued on March 22, 2020](#), which encourages financial institutions to work constructively with borrowers affected by COVID-19 and provides additional information regarding loan modifications, including when such modifications would not result in accounting for troubled debt restructuring designation. **This webinar is scheduled for Friday, March 27, 2020, from 2:00-2:45 p.m. EDT. Registration is now open at <https://www.webcaster4.com/Webcast/Page/583/33856>.**

OCC encourages participants to submit questions in advance via email at [rapid@stls.frb.org](mailto:rapid@stls.frb.org). Webinar materials will be archived for future viewing.

With questions, please contact **Rafael (Ralph) E. DeLeon, Director for Banking Relations/National Bank Examiner, Office of the Comptroller of the Currency: (202) 649-6736 office; (202) 359-0096 cell; [ralph.deleon@occ.treas.gov](mailto:ralph.deleon@occ.treas.gov)**

#### **ICBA Webinar: Federal Legislative & Regulatory Update:**

ICBA will host an important webinar this **Friday, March 27** that will include comprehensive summary from its legislative and regulatory staff on the most up-to-date federal developments and activities. **To**

**register, please click on the link provided below.** ICBA encourages early registration, as their system can only accommodate a finite number of calls.

[https://myicba.icba.org/eweb/DynamicPage.aspx?webcode=EventInfo&Reg\\_evt\\_key=151ea597-0af3-42b9-9f06-ceb953aecab7&RegPath=EventRegFees&FreeEvent=0&Event=Webinar:%20ICBA%20Community%20Bank%20Briefing:%20COVID-19%20Pandemic%20Update&FundraisingEvent=0&evt\\_guest\\_limit=9999](https://myicba.icba.org/eweb/DynamicPage.aspx?webcode=EventInfo&Reg_evt_key=151ea597-0af3-42b9-9f06-ceb953aecab7&RegPath=EventRegFees&FreeEvent=0&Event=Webinar:%20ICBA%20Community%20Bank%20Briefing:%20COVID-19%20Pandemic%20Update&FundraisingEvent=0&evt_guest_limit=9999)

Thanks for your continued participation and support. We will continue to provide updates as developments occur.

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