

March 31, 2020 – COVID19 Update

Updated Information From the Small Business Administration (SBA)

We have the latest information from the Treasury Department and Small Business Administration on all CARES related issues, *including information on the payroll protection program*. The full SBA webpage devoted to all CARES programs can be found here: <https://home.treasury.gov/cares>

In addition to providing the link to the site above, we have also attached information for lenders and applications for borrowers for your review.

The link above provides updates covering:

- A top-line overview of the program
- Information for lenders (see attached)
- Information for borrowers
- Applications for borrowers (see attached)

IBANYS and a number of community banks within the 23rd Congressional District in Western New York participated in a conference call update with Congressman Tom Reed and his staff regarding "Phase Three" and "the role of banks and other financial institutions will play in the recovery." Rep. Reed is a member of the key Ways & Mean (tax) Committee. Here is a Summary of that call.

Rep. Reed noted:

- The economic storm is an enormous concern, and it is gathering. The Federal Reserve Bank of St. Louis projects unemployment could reach 30-to-35%. The need is to keep people attached with their employers as much as possible, looking ahead to a likely need for Phase 4 legislation, how to address business closures, liquidity for surviving firms down the road as the country looks to the eventual reopening of the economy.
- An important focus is how lenders will dovetail with the Small Business Administration (SBA) because the relationships banks have with their local customers will be essential. Community banks are essential to their customers and communities, economic engines.
- A key component will be the affiliation test, i.e., "whose employees are they?" Employees may be contract employees who may actually be paid by entities different from the actual small business itself. The issue is management and control of the payroll and employees. The U.S. Treasury Department and Department of Labor are looking into this, but there are no guidelines as yet.
- Rep. Reed and David Bridges (his tax counsel and senior aide on Ways & Means Committee-related issues) both noted that a critical component is the SBA Payroll Protection Plan, the eight-week short-term loan program administered within the SBA 7(a) program. For small businesses of 500 or fewer employees, there is loan forgiveness. For larger firms (with 500 to 10,000 employees), there are similar cash flow enhancements and protections, but no loan forgiveness. The SBA website also lists additional requirements by industry that may be applicable.
- Rep. Reed said approved SBA lenders should see guidelines very soon (hopefully this week), according to both Treasury and the SBA.
- Non-SBA-approved lenders should see an expedited application process within a few days, according to Treasury.
- For firms with over 500 employees the Federal Reserve will be providing liquidity to finance lenders to make loans, although there is nothing determinative as yet

Rep. Reed then invited questions and input.

- Several community bankers stressed the very real need for a quick resolution and timely release (ASAP) of guidelines from the SBA on the payroll protection program. They all noted banks are ready to lend, but need guidance and full details from the SBA to begin.
- Rep. Reed and Mr. Bridges strongly agreed, and they also noted the two other very viable and helpful alternatives lenders can work with their customers on: 1) The employee retention tax credit and 2) the tax deferrals program. Mr. Bridges stated **small businesses can avail themselves of both these programs simultaneously -- but they may not "double dip" by utilizing either of the tax programs and the payroll protection plan.**
- One community banker -- whose institution is not an SBA approved lender, and is primarily a residential lender -- expressed concern that the SBA to date has not indicated any expedited approval application process. He noted he is receiving a very high volume of calls seeking information on the payroll protection program. Rep. Reed and Mr. Bridges noted they had been assured by the Treasury Secretary that an expedited process would be forthcoming very soon, as the goal is to get as many banks lending as possible. Apparently, the SBA is still using its existing application process, which is quite drawn out, rather than a newly expedited process. Treasury will likely need to provide guidelines to the SBA before that changes. Rep. Reed said he will push for a quick turnaround on that.
- The same banker also expressed real concern that his community bank continues to be fully operational during the crisis, has retained all staff, is continuing to extend credit and pay its bills, and strongly noted that help will be needed -- i.e., access to capital -- if community banks such as his are to survive.
- Another noted that his bank's transactions are down 20%, while he has retained and is paying his full staff. He noted that these SBA "forgivable loans" will not be "moneymakers" for the banks, and indeed could prove costly, but they want and need to have access to them to help their communities.
- There were questions as to whether there will be a sufficient amount of funding available through the payroll protection program, if it is on a first come, first served basis or otherwise prioritized. Rep. Reed and Mr. Bridges said there would be no other prioritization, and that the \$350 million provided for the program through the CARES Act was viewed as sufficient, and that the maximum size loan will be \$10 million. (Also, large banks have a separate pool/source of funding from this program.) However, if more is needed, that could be revisited and recalculated in the next phase (Phase 4) package. Although some in Congress reportedly are not certain such additional package will be needed, Rep. Reed firmly believes it is and he and others have been discussing the needs.
- Several of the bankers on the call believe that the \$350 million pool will go more quickly than many might expect, and one banker urged policymakers should be planning for what comes next.
- Several other community bankers noted the vital need for clarity and details and guidance from the SBA right now, saying there is considerable stress and "anticipatory tension" in the banking industry.
- There was a question whether banks themselves are excluded as "employers" under the definition. Rep. Reed and Mr. Bridges said they were not certain of the answer, and are planning to look into that quickly. The Congressman noted he recognizes cash flow and liquidity issues for lenders are a concern.

The call concluded with the participants expressing great appreciation for Rep. Reed and his staff for continuing to reach out, provide information and seek input from banks during the crisis, and Rep. Reed assuring the participants he will continue to do so and that he understands the value and needs of community banks.

Senate Small Business Committee Small Business Owner's Guide To The CARES Act -- See Attached

Senator Ben Cardin (D-MD), Ranking Member of the U.S. Senate Committee on Small Business & Entrepreneurship, has provided "The Small Business Owner's Guide To the CARES Act. It provides information on about the major programs and initiatives that will soon be available from the Small

Business Administration (SBA), as well as some additional tax provisions that are outside the scope of SBA. **We have attached a copy of the guide for your review.**

OCC, Fed, FDIC Announce CECL Delay

On March 27, 2020, the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the agencies) issued an interim final rule that delays the estimated impact on regulatory capital stemming from the implementation of Accounting Standards Update No. 2016-13, “Financial Instruments—Credit Losses,” Topic 326,

“Measurement of Credit Losses on Financial Instruments” (commonly referred to as CECL¹) for a transition period of up to five years. Also on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The CARES Act provides banking organizations with optional, temporary relief from complying with CECL. Today’s joint statement clarifies the interaction between the CECL interim final rule and the CARES Act for purposes of regulatory capital requirements." To read the full details, click on the link provided:

<https://www.occ.gov/news-issuances/bulletins/2020/bulletin-2020-30.html>

ICBA Urges Federal Financial Regulators To Delay Non-Coronavirus Rulemaking

ICBA called on federal financial services regulators to delay all non-coronavirus-related rulemakings and comment period deadlines for at least 180 days. In a letter to the agencies, ICBA said the COVID-19 emergency demands the full attention and resources of all government entities and industries, and cited outstanding rulemakings on reforming Community Reinvestment Act rules, brokered deposit restrictions, and credit union oversight, among others. The National Credit Union Administration on Monday said it is delaying for 60 days the comment deadline on its proposed rule to provide more transparency and disclosures when credit unions acquire bank assets.

From Pursuit: CARES Act Important Updates For Lenders

As you may be aware, The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on Friday, March 27. This email details the law’s benefits and resources that are now available to business owners. For your reference, we've created a “**Business Owners’ Guide To The CARES Act**” on our website that will be updated in live-time with information on the program as details become available. Please share this resource with your team and clients!

Please see link provided below.

https://pursuitlending.com/resources/business-owners-guide-to-the-cares-act-payroll-protection-program/?mc_cid=94b4b1d36c&mc_eid=5dbcb33e3b

Small Business Debt Relief Program

This program will pay the monthly payments (including principal, interest and fees) on existing SBA 504, 7(a), Community Advantage, and Microloans that are current for a period of six months. Our borrowers that qualify for this program will not need to do anything to take advantage of it as we will work with SBA to obtain payment. We do not have details on the program beyond this at this time and will post updates as they are made available.

Paycheck Protection Program

The Paycheck Protection Program is a loan program that allows businesses to borrow up to 250% of their average monthly payroll. While this program was signed into law by the President, we are waiting for guidance from SBA on how the program will be offered. **You can learn more about this program by clicking on the link provided below:**

https://pursuitlending.com/resources/business-owners-guide-to-the-cares-act-payroll-protection-program/?mc_cid=94b4b1d36c&mc_eid=5dbcb33e3b#ppp

(This program will be available through Pursuit within the next few days. We will follow up by email when the application is open.)

Other Disaster Loan Programs

There are now numerous additional loan programs available to support businesses impacted by COVID-19.

- The SBA is now processing Economic Injury Disaster Loans (EIDL) up to \$2 million. [Learn more here.](#)
- Businesses in NYC are eligible for loans up to \$75,000 through the NYC Small Business Continuity Fund. [Learn more and apply here.](#)

We are keeping our COVID-19 page updated with disaster loan information in other areas [here](#). Statewide loan programs are available in NJ & PA, and various local and regional programs are available in NY.

Here to Support You and Your Clients

Our team is here to support you and your clients, and help you guide them through their options at this time. Most questions are easily answered through our [COVID-19 resource center](#) and our [COVID-19 FAQ](#). If you have additional questions, please reach out to your Pursuit contact.

Fannie, Freddie, FHFA, V.A. Ease Standards

"With the coronavirus continuing to reshape the face of the country and the economy, the biggest players in the mortgage business are moving to make it easier to lend under these extraordinary circumstances. Last week, **Fannie Mae** and **Freddie Mac** relaxed their standards for both property appraisals and verification of employment on the loans they buy. And late last week, the **Federal Housing Administration** and **Department of Veterans Affairs** made similar changes. . .

To read the details, please click on the link provided below:

<https://www.housingwire.com/articles/fha-va-join-fannie-freddie-in-relaxing-appraisal-and-income-verification-standards/>

Latest From Albany

Evictions For Nonpayment Of Rent Prohibited For Three Months

Governor Cuomo issued an Executive Order on March 20 which prohibits evictions of tenants for three months (until June 20) due to nonpayment of rent. We are providing below links to 1) the Governor's Executive Order itself, and 2) press coverage of the order and attendant issues. "Forgiveness of rent" legislation has also been introduced in Albany by State Senator Gianaris (D-Queens), but that is separate from this executive order.

- https://www.governor.ny.gov/sites/governor.ny.gov/files/atoms/files/EO_202.8.pdf
- <https://www.bloomberg.com/news/articles/2020-03-30/nobody-knows-what-will-happen-when-the-rent-comes-due-on-april-1>

Budget Deadline Is Tomorrow -- Here's An Update

Some budget legislation is moving forward, including amended bills on revenues and on public protection that were released this morning. Governor Cuomo says he does not want a “bare bones” budget, and has not take many major issues off the table. . .but the Governor, Assembly Speaker Heastie and State Senate Majority Leader Stewart-Cousins must figure out what to do about the coronavirus pandemic and looming economic crisis that has opened a budget gap of \$10 billion or more. Final votes appear likely by tonight or early tomorrow, although there has been speculation negotiations could continue beyond tomorrow's April 1 deadline. Meanwhile, the Governor also confirmed that his brother Chris, a CNN host, has tested positive for covid-19.

Some Ideas & Thoughts

One thing IBANYS is seeking to provide is a menu of ideas, concepts and approaches for New York community banks to take a look at during this challenging and difficult time. Here are a few from Center State Bank in Florida, regarding "The Stimulus Package, PPP and CARES Act Playbook" "Case Studies In Loan Restructuring" and "market Update: More Fiscal Stimulus To Come"

<https://csbcorrespondent.com/blog/stimulus-package-and-cares-act-bank-playbook>

<https://csbcorrespondent.com/blog/case-studies-loan-restructuring>

<https://csbcorrespondent.com/market-commentary/market-update/march-30-2020>

IBANYS continues to reach out on a daily basis to all the relevant parties to seek additional information and clarity on the issues and questions at hand. We will continue to provide updates as additional information and details become available.

Thank you for your continued participation and support.

- **John J. Witkowski, President & CEO (Johnw@ibanys.net; 716-880-0518)**
- **Stephen W. Rice, Director, Communications & Government Relations (Stever@ibanys.net)**