

COVID-19 Update – April 1, 2020

We continue to provide you with the latest information, details and summaries available as New York community banks move forward in dealing with the impact of COVID-19 on their banks, employees, customers and communities.

We have attached the following documents for your review:

- A summary of the CARES Act's impact on Treasury/SBA's Payroll Protection Program.
- A summary of the CARES Act's provisions for community banks.
- ICBA's letter to Treasury Secretary Mnuchin and Small Business Administration (SBA) Administrator Jovita Carranza listing a number of concerns regarding the Payroll Protection Program (PPP) and urging them to make changes to the guidelines before the PPP goes live.

Conference Call With Chairs Of NYS Senate Banks Committee & U.S. House Subcommittee on Consumer Protection & Financial Institutions

IBANYS and a number of New York community banks will participate in a conference call tomorrow with the Chairman of the NYS Senate Banks Committee James Sanders (D-Queens) and Congressman Greg Meeks (D-Queens), member of the U.S. House Financial Services Committee who chairs its Subcommittee on Consumer Protection & Financial Institutions. The purpose of the call is to discuss with Senator Sanders and Rep. Meeks COVID-19 related issues banks may have faced during this pandemic, and possible legislation that may be needed.

Will There Be A "Phase Four"? What Might Be Included?

Just days after the approval of the \$2-trillion-plus coronavirus economic stimulus package, Congress has begun considering what to do next to address the pandemic. While there was unanimity on the basic contours for the Phase Three bill, it does not appear there is anything close to that on a possible Phase Four at this point. Any future package which is likely at least several weeks away from being passed, as Congress is not scheduled to return to Washington until at least April 20.

[Here is a summary of press reports on what some of the leaders in D.C. are saying about a Phase Four stimulus bill \(source: Los Angeles Times\):](#)

- President Trump said Tuesday he would like a \$2 trillion infrastructure bill. His plan is reportedly \$2 trillion over 10 years. (The president didn't say publicly the spending was over 10 years.)
- Speaker Pelosi said her priorities include infrastructure spending, community health centers, clean water, broadband, mobility, education and housing. Her framework is reportedly \$760 billion over five year
- Treasury Secretary Mnuchin: "The president very much wants to rebuild the country. And with interest rates low, that's something that is very important to him. We've been discussing this for the last year, with the Democrats and the Republicans. I've had ongoing conversations with [Ways and Means Chairman] Richie Neal on this. We'll continue to have those conversations. So, we expect there will be more bills. And we think it is a great time now to invest in infrastructure."
- Senate Majority Leader McConnell: "What I disagree with the speaker on is she's already saying we need to work on Phase Four. Well look, the current law has not been in effect for even a week ... may need a Phase Four, but we're not even fully into Phase Three."

Some Food For Thought & Cautionary Tales

As you know, we are talking to a good many people across our industry and country during this challenging time. Here are a few opinions and thoughts that have arisen during these discussions. We believe these viewpoints cover matters that should be kept in mind as we move forward during this crisis. . .items to be categorized as THINGS TO THINK ABOUT!

- In this case, banks are not viewed as “the bad guys” - right now! Banks have been asked to assist, and for now we are riding on the white horses in a rescue mission. Our horses may change color if the economy does not bounce back and businesses and consumers default in large numbers on other loans during the next year or two. We just want to document and be diligent in portfolio management so banks don’t run the risk of being criticized.
- Know Your Customer requirements are the same as they are for any loan – we need to stay diligent on KYC!
- Banks that approve a large number of fraudulent deals will get hammered later, even if they followed all of the rules, so you have to do the first bullet point right
- BSA – Marijuana Related Business - MRB and Money Service Business - MSB's) – file SAR's check with compliance officers before you do one of these for either business
- Fair lending/CRA – There is always the possibility of being criticized after the act and when the dust settles. Banks should make sure they do some CRA type PPP loans to businesses in low to moderate income areas. While we can’t predict the future, things could change if there was a change in the administration.
- Documentation – This is very important. While requirements are minimal, you need to have a closing checklist and a checklist for the forgiveness with appropriate documentation. Also, SBA needs to approve the bank to participate in the program if you were not already an SBA approved lender
- State law – capital limits, concentration limits, legal lending limit – will state regulator provide temporary waiver on all three of these items.

Some of these deals with current matters, while others are more “food for thought” -- cautionary tales to be filed away and not forgotten as we go forward.