

Friday, April 17, 2020

To: New York Community Banks

We have a number of updates to share this morning, from ICBA, the OCC, the Small Business Administration, the Federal Reserve, the FDIC, New York State and various other sources.

John

FROM ICBA

Tell Congress To Approve New PPP Funds

With the SBA's Paycheck Protection Program officially out of funds, ICBA is urging community bankers to tell Congress <https://icba.quorum.us/campaign/25772/> to immediately approve additional funding for the small-business program. Community bankers can use ICBA's "Be Heard Grassroots Action Center" <https://icba.quorum.us/campaign/25772/> to tell policymakers to immediately approve at least \$250 billion in new PPP funds. The customizable grassroots alert <https://icba.quorum.us/campaign/25772/> also calls on lawmakers to dedicate 25 percent of program funds to community banks with \$50 billion or less in assets. ICBA's other suggested reforms include more workable loan terms, more flexibility in the timing of loan disbursements, expanded PPP loan uses, a robust lender safe harbor, and suspending "beneficial ownership" rules.

FROM THE FEDERAL RESERVE

Fed's PPP Liquidity Facility now operational

The Federal Reserve said its Paycheck Protection Program Liquidity Facility is fully operational and available to provide liquidity to eligible financial institutions. <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200416a.htm>. The facility provides liquidity by extending credit at a rate of 35 basis points on a non-recourse basis to eligible financial institutions that originate PPP loans, taking the loans as collateral at face value.

FROM THE FDIC

FDIC postponing signage modernization

The FDIC said it will temporarily postpone its efforts to modify its signage and advertising requirements due to the COVID-19 pandemic. <https://www.fdic.gov/news/news/press/2020/pr20052.html>. The comment deadline was previously set for this Monday, April 20. The agency said it remains committed to modernizing these rules at a future date.

FROM THE SMALL BUSINESS ADMINISTRATION

From: Shoudy, Valerie A. <valerie.shoudy@sba.gov> Friday, April 17, 2020

Please find attached SBA Procedural Notice 5000-20020 "Implementation of Section 1112 of the CARES Act, Subsidy for Certain Loan Payments, for the 7(a) and 504 Loan Programs"

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) was enacted to provide emergency and immediate national economic relief and assistance across the American economy, including to small businesses, workers, families, and the health-care system, to alleviate the severe economic hardships and public health threat created by the 2019 Novel Coronavirus pandemic. Under section 1112 of the CARES Act, SBA will provide debt relief to borrowers in the 7(a), 504, and Microloan Programs. The purpose of this Notice is to address the implementation of Section 1112 for the

7(a) and 504 Loan Programs. SBA addressed the implementation of section 1112 for the Microloan Program in a separate notice. *See* SBA Procedural Notice 5000-20015, effective 04/08/2020.

In accordance with section 1112(c), SBA will pay the principal, interest, and any “associated fees” that Borrowers owe on a “covered loan” in a “regular servicing status” to 7(a) Lenders and Certified Development Companies (CDCs) for a 6-month period. SBA will make these payments in accordance with the criteria and procedures described within the Notice. The attached notice lists significant changes to the SOP. Please carefully review the Notice in its entirety for the full details.

THIS NOTICE DOES NOT APPLY TO THE PAYROLL PROTECTION PLAN (PPP) LOANS (PPP)

The Notice contains the following sections:

Section A. Definitions.

Section B. Implementation of the Six-Month Period of Payments.

Section C. Loans on Deferment.

Section D. Waiver of Statutory Limits on Maximum Loan Maturities.

For 7(a) Loan reporting, Section B.1.a.ii provides information with respect to the CARES Act menu of the 1502 Dashboard on the Fiscal Transfer Agent’s (FTA) website (<https://colsonservices.bnymellon.com>). Lenders will have the option to perform loan level data entry or upload portfolio information utilizing the Section 1112 Excel template available on the FTA website. For the first monthly payment, Lenders may begin to submit this information on April 16, 2020.

This update is emailed to lenders as requested. If you are not interested in receiving our notifications, please respond to this e-mail and we will remove your name from our distribution list.

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FROM THE OCC

[Ask the Regulator Webinar: Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus](#) --April 24, 2020, 3:00 p.m.

The federal financial institution regulatory agencies will host an interagency webinar on Friday, April 24, 2020, at 3 p.m. ET. This Ask the Regulators session will address the accounting and regulatory reporting implications of the revised interagency statement issued on April 7, 2020, including clarifying the interaction between current accounting rules and section 4013 of the CARES Act, supervisory considerations on past due and nonaccrual regulatory reporting, and regulatory capital implications. To accommodate the participation of as many financial institutions as possible, **we ask each institution register no more than two representatives to attend the live session.** We strongly encourage participants to use the webinar audio on their computer for the best experience. **Register here:** <https://www.webcaster4.com/Webcast/Page/583/34317>. We encourage participants to submit questions in advance via email at asktheregulators@stls.frb.org. Webinar materials will be archived for future viewing. **For information, 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

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FROM NEW YORK STATE

State's Fiscal Future "Depends On Re-Opening For Business, Getting Fed Assistance For State & Local Governments"

State Comptroller DiNapoli said the state's fiscal future very much depends on how soon the state can reopen for business and if there will be federal assistance for the state and local governments, noting: "My real concern is how we get through the next few months." With businesses being shut down and tax filings being delayed until July, the cash flow coming into the state will most likely be limited. "One of the big impacts obviously is all the emergency expenditures we're having to make to buy the personal protective equipment, ventilators, we've been approving emergency expenses I think we are over \$700 million now." Also, May and June are usually big payout months for the state: Around \$9 billion usually goes to school aid payments during those two months, with the biggest chunk coming out in just a few weeks. This year's budget does allow for changes to be made in how much schools, localities, and more get paid depending on how much revenue is coming into the state, but that doesn't change the need for not only schools but local governments. "The state is going to be facing some tough decisions just as New Yorkers with their home budgets are facing some tough decisions."

New York's Latest Unemployment Update

Another 400,000 New Yorkers filed unemployment insurance claims last week after the state in March saw its biggest drop in jobs since 2009. A total of 1.2 million benefit claims have now been completed within the last five weeks, but the state is still processing some. Melissa DeRosa, the Governor's top aide, said there are still 275,000 claims that are outstanding, citing the latest data from the week ending April 11 posted by the State Department of Labor Thursday. Statewide unemployment during March reached 4.5 percent, up from 3.7 percent in February--the biggest employment drop since April 2009. By way of comparison, during the entirety of the 2008 crash, New York State lost 300,000 jobs.

DOL data shows that overall, New York City outranked every other region in the state, with 521,112 initial claims filed. Long Island came in second with 176,539 claims and the Hudson Valley followed in third with 110,602 claims.

- The accommodation and food services industries have been the hardest hit, with 248,355 claims filed between March 14 and April 11
- Retail followed with 162,356 claims
- Healthcare and social assistance clocked 131,204 claims.

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OTHER RESOURCES

Covid Loan Tracker

We received the following from another state's community banking trade association:

"Let's track together. We are a group of small business owners concerned about our businesses and the timeline for receiving loans from the government via the SBA. <https://www.covidloantracker.com/>

Siena Poll: Upstate Business Leaders Split Over Long -Term Damage e from Pandemic

A new Siena College Poll Found that only a third of upstate business leaders expect the New York economy will return to the way it was prior to the coronavirus pandemic within the next six months; only five percent of businesses have not suffered due to the virus and the virtual shutdown of the state's economy as a result of preventing the spread. Overall, the business leaders were split over what the long-term damage will be from the virus to the economy: 35 percent of CEOs think their business will recover within half a year; 25 percent by the end of the year, and Thirty-five percent do not expect a recovery until 2021.

CBO: Coronavirus Relief Package Will Add \$1.8 Trillion To Federal Deficit

The massive \$2.2 trillion coronavirus relief package will add \$1.8 trillion to the federal deficit over a 10-year period, according to the Congressional Budget Office. The CBO score is slightly lower than the bill's price tag because some of the aid takes the form of loan guarantees. As Caitlin Emma explains, "[the] most expensive chunks of the bill include about \$377 billion in small business grants and loans, \$293 billion in direct payments to Americans and \$268 billion in expanded unemployment benefits." The bill, known as the CARES Act, was the largest-ever federal stimulus package.

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IBANYS will continue to provide updates as additional information becomes available. Thank you all for your continued participation and support.

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- **Stephen W. Rice, Director, Communications & Government Relations (Stever@ibanys.net)**