

IBANYS Coronavirus (COVID-19) Update: Thursday, April 2, 2020

Treasury, SBA PPP Updates Still Not Available -- ICBA Provides An Update As Of Thursday Afternoon

ICBA has urged Treasury not to go live with PPP tomorrow because they have not defined the program in enough detail. Community banks are ready and willing to help customers, but Treasury and SBA have not given enough guidance or information to help banks help our communities, and ICBA and Community banks are concerned that there will be chaos tomorrow when this is supposed to go live. However, as of late afternoon there has been no indication of any plan to delay the program's launch.

In a conference call held by late this afternoon by ICBA for state association partners, including IBANYS, it was stated that although they (ICBA) have been told that the new Treasury guidance and new SBA "Standing Operating Procedures (SOPs) were expected to be made available sometime today or tonight for the SBA's Payroll Protection Program set to launch tomorrow morning, nothing has been issued as of 4:30 p.m. Supposedly, the SBA is planning to unveil a newly redesigned portal and streamlined application form for non-SBA banks to expedite the process. However, at this point there are far more questions than answers. The lack of guidance from the Treasury and SBA that is thwarting efforts to move forward. ICBA plans to continue to be very aggressive in objecting to rolling the program out while so many community banks would not be able to participate as they should.

IBANYS will keep you updated if and when new information becomes available from Treasury, the SBA or ICBA on the PPP.

Bankers are encouraged to check ICBA's crisis response center at icba.org that will include FAQs. State associations will continue to be asked to co-sign letters additional ICBA letters to Treasury and the SBA, as was the case today. ICBA is working with both Treasury and the SBA, and also with Congress. It would be helpful if New York community bankers can send the attached letter to your local congressional representatives. It is especially key that New Yorkers on the House Small Business Committee (Antonio Delgado of the Hudson Valley, and Adriano Espaillat of the Bronx) hear your concerns.

The ICBA call also touched on a number of other issues, including possibilities of the FDIC possibly acting to reinstate TAG similar to when it was used during the financial crisis. Other matters discussed the question of whether lenders themselves can be eligible for PPP loans (unlikely, but it is being explored), and mortgage forbearance efforts at the federal level and in the various states.

ICBA Raises Concerns, Provides Suggested Changes On Payroll Protection Program

In a letter to Treasury and the Small Business Administration (see attached), ICBA said the guidelines do not empower all community banks to participate and meet the small-business demand. ICBA President & CEO Rebeca Romero Rainey concluded: "I urge you to amend the guidance so that community banks will be able to use it to help their small business partners and communities." ICBA raised concerns that:

- The 0.5 percent interest rate is below break-even for community banks. Congress allowed up to 4 percent.
- The two-year loan terms are unreasonably short and will hamper borrowers. Congress allowed up to 10-year terms.
- Guidelines on the use of loan proceeds are excessively restrictive.
- The lack of detailed guidance shifts too much liability to the lender.
- Treasury and the Federal Reserve should create a liquidity facility for community banks doing PPP loans.

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Order Recording Of Tomorrow's ICBA Community Bank Briefing

Tomorrow's ICBA briefing on the COVID-19 outbreak, federal banking agency action to date (including the new SBA "Paycheck Protection Program") and the impact to community banks across the country **is sold out. *However, a recording of the briefing will be available 24 hours after the live event and can be ordered through ICBA's website at www.icba.org.** The briefing will include updates from Karen Thomas, ICBA Senior Executive VP, Government Relations & Public Policy; Paul Merski, ICBA Senior Executive VP, Congressional Relations & Strategy and Rebeca Romero Rainey, ICBA President & CEO.

Articles Note Banks Warning Of Chaotic Launch Of SBA PPP Program

- An article in the *New York Times* reported that one day before the SBA's PPP program's scheduled launch on Friday, banks and other lenders the government is relying on to fund loans and vet applicants were still waiting for much of the information they need to participate. They are also nervous about how they — and the government — will handle what is expected to be a huge crush of demand. The article also cited the ICBA letter. <https://www.nytimes.com/2020/04/02/business/small-business-coronavirus-stimulus.amp.html>
- *Politico* also published a similar major article entitled "Banks Warn Of Chaotic Launch Of Small Business Lending Program" <https://www.politico.com/news/2020/04/02/banks-small-business-lending-program-launch-161106>

Unemployment Filings See Historic Spike

According to U.S. Labor Department reports, **6.6 million U.S. workers filed for their first week of unemployment benefits for the week ended March 28, which set a new historic high.** That number far exceeded what many economists had expected, and was more than 3,000% the pre-pandemic levels. Including the prior week's 3.3 million initial claims, **Americans have filed nearly 10 million jobless claims in the last two weeks alone.** That corresponds to **roughly 6% of America's 165 million strong work force, which in turn implies a 9.5% unemployment rate,** according to Citi economist Andrew Hollenhorst. **In New York State, 366,000 people filed new unemployment claims,** compared to an average of 15,845 in 2019. Last week's number was nearly 80,000, but many considered that too low, as the New York State Department of Labor has struggled to field an unprecedented number of calls (over seven million calls came in last week), many New Yorkers complained of not being able to get through to the office and the state's unemployment website repeatedly crashed.

Speaker Pelosi Announces New House Coronavirus Committee

U.S. House Speaker Pelosi announced the creation of a new bipartisan House Select Committee On The coronavirus Crisis, to be chaired by House Majority Whip Jim Clyburn (D-SC). Pelosi said that the new committee would oversee "all aspects" of the federal response to the pandemic, including the spending of \$2.3 trillion stimulus package. The new committee would have subpoena power, granting it significant oversight capability.

Agencies Will Consider Comments on Volcker Rule Modifications Following Expiration of Comment Period

Five federal financial regulatory agencies on Thursday announced that they will consider comments submitted before May 1, 2020, on their proposal to modify the Volcker rule's general prohibition on banking entities investing in or sponsoring hedge funds or private equity funds—known as "covered funds."

The agencies will continue to consider comments to provide interested persons more time to analyze the issues and prepare their comments in light of potential disruptions resulting from the coronavirus. The proposal asked for comments to be submitted by April 1, 2020. The agencies will continue to work together on policy issues as the coronavirus pandemic unfolds.

State Budget Update -- One Day Past The "Deadline"

More than a day past an April 1 deadline, the Legislature appears prepared to pass the remaining part of the state budget, including legislation that would overhaul the state Medicaid program, amend recently-implemented criminal justice reforms, fund public schools and expand paid sick leave. However, as of Thursday morning there had not been an announced of a three-way budget deal between Assembly Speaker Heastie, State Senate Majority Leader Stewart-Cousins and Governor Cuomo. The Senate and Assembly have already passed bills on state debt, revenues, public protection, capital projects and aid to localities. The Assembly has yet to pass legislation dealing with transportation and environmental issues, and another on education (which contains the changes to cash bail), and both chambers still must deal with bills primarily related to education and health care.