

May 22, 2020 – Update #1

To: New York Community Banks

## FROM ICBA

### **SBA Issues PPP Form 1502 Guidance**

The Small Business Administration released long-sought guidance on submitting the initial SBA Form 1502 for Paycheck Protection Program loans. Lenders are required to submit the form to report on PPP loans and collect the processing fees on fully disbursed loans. In a new [Procedural Notice](#), the SBA lays out how to create an account with the Fiscal Transfer Agent and use the portal to submit loan information. Lenders must use separate 1502 reports for PPP loans as opposed to regular 7(a) loans.

Under an [interim final rule](#) approved earlier this week, the deadline to submit the initial SBA Form 1502 for PPP loans is now the later of: (1) May 29, 2020, or (2) 10 calendar days after disbursement or cancellation of the PPP loan. That interim final rule also extends the repayment date for the PPP certification safe harbor regarding the borrower's need for the loan. Under that policy, any borrower that applied for a PPP loan prior to April 24 and repaid the loan in full by May 18 will be deemed by SBA to have made the required certification in good faith. ICBA and community bankers have repeatedly called on the agencies to provide needed PPP guidance. Additional PPP guidance and resources are available on [Treasury's PPP webpage](#) and ICBA's [COVID-19 resource center](#).

### **ICBA Issues Recommendations For Next Stimulus Plan**

ICBA provided comprehensive recommendations for Congress to consider including in the next legislative package responding to the coronavirus pandemic. In a [letter to congressional leaders](#), ICBA recommended:

- Paycheck Protection Program reforms to support more flexible spending by small-business borrowers and a straightforward approach to loan forgiveness.
- Bank capital and accounting relief related to COVID-19-related loan losses, the Current Expected Credit Losses accounting standard, the Community Bank Leverage Ratio, and more.
- Liability protection for businesses from COVID-19-related lawsuits.
- A tax exemption for interest on loans secured by agricultural real estate or primary residences in rural communities.
- Extending Fannie Mae and Freddie Mac's qualified mortgage "patch."
- Raising the limit on issuing bank-qualified bonds to expedite low-cost funding for local projects.
- Enhancing support for U.S. agriculture via increased financial assistance, support for USDA loan programs, and regulatory forbearance.

ICBA's complete legislative and regulatory positions and priorities unrelated to COVID-19 are available in its [2020 Policy Resolutions](#). ICBA will continue working with Congress and the Trump administration to implement pro-growth policies. [Read ICBA release](#).

### **ICBA Offers Custom News Release To Promote PPP Success**

To further promote the positive story of community banking amid COVID-19, ICBA released a [customizable news release](#) that community banks can use to communicate their Paycheck Protection Program loan numbers. The custom resource on ICBA's [Tell Your Story Toolkit](#) allows community banks to plug in their PPP data to share their efforts in supporting local small businesses with local news media. ICBA also recently released [new graphic assets](#) that community banks can use to promote their PPP lending, also available on the Tell Your Story Toolkit. The SBA recently reported that lenders under \$50 billion in assets account for nearly 65 percent of approved PPP loans and more than 62 percent of the approved dollar amount.

## **USDA Announces \$1B In B&I Loan Guarantees**

The USDA [said](#) it is making available up to \$1 billion in loan guarantees to help rural businesses meet their working capital needs during the coronavirus pandemic. The B&I loans will have a higher 90 percent guarantee level, and loan terms for working capital will be extended to 10 years, among other enhancements. Producers that are ineligible for Farm Service Agency loans may participate. The USDA also released the [final rule](#) for its \$16 billion in direct payments to farmers and ranchers under the Coronavirus Food Assistance Program and [said](#) it will broaden the use of the Disaster Set-Aside loan provision for eligible farmers with USDA farm loans who are affected by COVID-19.

## **Comptroller Joseph Otting Stepping Down**

Comptroller of the Currency Joseph Otting [announced](#) he will step down from office on May 29. Otting made the announcement a day after the OCC released its [final rule](#) to reform Community Reinvestment Act regulations. First Deputy and Chief Operating Officer Brian Brooks will become acting comptroller. Brooks joined the OCC from Coinbase Inc., where he served as chief legal officer since 2018. He has also served on the boards of Fannie Mae and Avant Inc.

## **Mortgage, Credit Cards Top CFPB Pandemic Complaints**

Mortgage and credit card complaints top the list of complaints the Consumer Financial Protection Bureau has received that mention coronavirus or related terms, according to a new CFPB [report](#). Mortgage and credit card complaints respectively totaled 22 percent and 19 percent of complaints that mention coronavirus terms

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## **FROM THE WHITE HOUSE**

**The U.S. Department of the Treasury and U.S. Small Business Administration released new information regarding the Paycheck Protection Program:**

- [SBA Procedural Notice - Protection Program Lender Processing Fee Payment and 1502 Reporting Process](#)
  - The purpose of this Notice is to inform Paycheck Protection Program (PPP) Lenders of the reporting process through which PPP Lenders will report on PPP loans and collect the processing fee on fully disbursed loans which they are eligible to receive.
- [Interim Final Rule on Second Extension of Limited Safe Harbor with Respect to Certification Concerning Need for PPP Loan and Lender Reporting](#)
- [Interim Final Rule on Second Extension of Limited Safe Harbor with Respect to Certification Concerning Need for PPP Loan and Lender Reporting – Updated 5/20](#)
- [Frequently Asked Questions – Updated 5/19](#)

## **Chair Jerome H. Powell Opening Remarks at "A Fed Listens Event: How is COVID-19 Affecting Your Community?" (HERE)**

- Policies that address the resumption of economic activity are the province of elected officials at all levels of government, in close consultation with public health and medical professionals. But all of us have our own decisions to make as well, and those decisions will depend on public confidence that it is again safe to undertake various activities. From an economic perspective, we hope to learn a lot from your experiences and from what you're hearing from your colleagues, customers, and communities: How they're coping with that uncertainty now, how they're thinking about a future that's harder to plan for, and what matters most as they navigate the path.

## **SBA Administrator: Public-Private Partnerships Will Lead Recovery (HERE)**

- To date, the state's small business sector has received more than \$16.5 billion in emergency capital through the PPP. The forgivable loan program, which helps small businesses cover two

months of payroll and other fixed expenses, helped stabilize more than 114,000 Michigan businesses that have been hammered by lockdowns and necessary social distancing requirements.

## **OTHER UPDATES FROM WASHINGTON/PRESS COVERAGE**

### **Fed: Economy In Unprecedented Downturn**

Federal Reserve Chairman Powell said the U.S. economy is currently in a "downturn without modern precedent," a sentiment echoed by other top Fed officials yesterday who warned that the country faces an unclear path to recovery. Fed Vice Chair Richard Clarida said the economy may need additional help from both monetary and fiscal policy.

### **Senate Leaves For Holiday Recess Without Extending Time Period For PPP Spending**

The *Wall Street Journal* says Senate adjourned for the Memorial Day recess without finalizing an agreement to double the time period in which companies must spend their Paycheck Protection Program loans to 16 weeks. The failure to strike a deal likely means a revision of small-business aid rules won't be passed until next month, but the earliest recipients of PPP loans must spend the funds by May 29.

### **Millions of PPP Loan-Forgiveness Requests About to "Rain on Banks"**

*Bloomberg News* reports that banks are preparing for a flood of applications for loan forgiveness under the U.S. Paycheck Protection Program, marshaling staff to help borrowers navigate a complicated process that recalls the fraught early days of the Covid-19 small-business relief effort. Companies that received PPP funding in early April can start to submit forgiveness applications at the end of May. [https://www.bloomberg.com/news/articles/2020-05-22/millions-of-ppp-loan-forgiveness-requests-about-to-rain-on-banks?mkt\\_tok=eyJpIjoiTkdvE1XVTBNeZsVWdNeSIsInQiOiJpQk2eUdlWVZnZUN0Y1FUcFwvejU4aTZHTnFaSEtVZ0ZWYW15dVwvdURnY3AzNXFNZ1BpMHV2SHk3MEltTE91SG8xTVdHNnZCU3JmaFBnT1VTNk1NUjV0ckhPRUE1bVNmdm4xRTlvd2UxZ3dmTlp0TEFHbE9aRCtIUUVZGT0dUVHVFI0%3D](https://www.bloomberg.com/news/articles/2020-05-22/millions-of-ppp-loan-forgiveness-requests-about-to-rain-on-banks?mkt_tok=eyJpIjoiTkdvE1XVTBNeZsVWdNeSIsInQiOiJpQk2eUdlWVZnZUN0Y1FUcFwvejU4aTZHTnFaSEtVZ0ZWYW15dVwvdURnY3AzNXFNZ1BpMHV2SHk3MEltTE91SG8xTVdHNnZCU3JmaFBnT1VTNk1NUjV0ckhPRUE1bVNmdm4xRTlvd2UxZ3dmTlp0TEFHbE9aRCtIUUVZGT0dUVHVFI0%3D)

### **Housing Market Updates On Home Sales, Mortgage Rates**

According to the *Wall Street Journal*, sales of previously owned homes plunged in April, as the coronavirus pandemic shut down much of the country's economic activity and sellers and buyers stayed on the sidelines. Existing-home sales dropped 17.8% in April, the biggest monthly decline since July 2010, at a seasonally adjusted annual rate of 4.33 million, the National Association of Realtors said Thursday. Meanwhile, The Washington Post reported that mortgage rates fell to near historic lows this week as concerns about the long-term effects of the coronavirus pandemic on the U.S. economy mounted. According to the latest data released Thursday by Freddie Mac, the 30-year fixed-rate average sank to 3.24 percent with an average 0.7 point.

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## **UPDATES FROM NEW YORK**

### **New York State Unemployment Set Records In April**

Monthly records were broken in New York state as the number of unemployed continues to skyrocket and numerous businesses start to close their doors for good. Unemployment rates in New York rose to 14.5 percent in April, according to data released Thursday by the Department of Labor. The unemployment rate in March was at 4.1 percent, which means unemployment grew in that month by 10.4 percent. This is the largest monthly increase since the state started keeping record in 1976. April saw even a higher increase in unemployment than during the Great Depression, where unemployment rose by 10.3 percent in February in 1976. The number of private sector jobs in the state decreased by 1,764,600 or 21.4 percent. This also was the largest monthly employment drop on record for the state. (The national unemployment rate for April: Slightly higher at 14.7 percent.)

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## OTHER SOURCES

### **Top White House Economic Adviser Sounds Less Optimistic Than President**

The White House's top economic official Larry Kudlow expressed uncertainty on Thursday that America's economy would swiftly rebound from the downturn caused by the pandemic, striking a more cautious tone about the recovery than President Trump has in recent days. Kudlow, director of the White House National Economic Council, said there are some "small glimmers of hope" and voiced optimism about a dramatic improvement this summer, but emphasized the virus still poses a unique and unpredictable threat to the nation's economy and that the overall picture appears bleak.

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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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