

Monday, May 4, 2020

To: New York Community Banks

## FROM ICBA

### **SBA Issues Procedures On PPP Whole-Loan Sales**

The Small Business Administration on Friday released guidance for Paycheck Protection Program lenders on selling whole PPP loans.

According to the SBA procedural notice <https://www.sba.gov/sites/default/files/2020-05/5000-20024.pdf>, loans must be sold to lenders that have signed loan guarantee agreements. SBA's prior written consent is not required for whole-loan sales, though originating lenders must immediately notify SBA's Office of Credit Risk Management.

Also Friday, the IRS released a notice <https://www.irs.gov/pub/irs-drop/n-20-32.pdf> on deductibility for federal income tax purposes of certain otherwise deductible expenses incurred in a taxpayer's trade or business when the taxpayer receives a PPP loan.

Specifically, the IRS notice clarifies that no deduction is allowed if the payment of the expense results in forgiveness of a covered loan under the CARES Act and the income associated with the forgiveness is excluded from gross income for purposes of the law.

Community bankers who continue to have trouble with the SBA's E-Tran and SBA Connect Lender Gateway portals can direct assistance questions to the SBA at 833-572-0502 or [cls@sba.gov](mailto:cls@sba.gov).

Additional guidance and resources are available on [Treasury's PPP webpage](#) and [ICBA's COVID-19 resource center](#).

### **Community Banks Make More Than Half Of PPP 2.0 Loans: SBA**

The SBA said lenders have made 2.2 million loans worth more than \$175 billion during the second round of the Paycheck Protection Program, for an average loan size of roughly \$79,000. Loans of \$50,000 and under made up nearly 71 percent of all second-round loans.

According to the April 27-May 1 data <https://www.sba.gov/sites/default/files/2020-05/PPP2%20Data%2005012020.pdf>, lenders with less than \$10 billion in assets made nearly 39 percent of the loans, which are worth more than \$55 billion, or nearly 32 percent of the total dollar value. Lenders with between \$10 billion and \$50 billion in assets made nearly 15 percent of the loans, worth nearly \$28 billion, or some 16 percent of approved dollars.

ICBA, affiliated state associations, and community bankers worked to ensure at least \$60 billion of the PPP funds were aside for community financial institutions, including at least \$30 billion for institutions under \$10 billion in assets and another \$30 billion for those with between \$10 billion and \$50 billion in assets.

Community banks may continue to submit loans to be funded by the remainder of the \$250 billion in general funds authorized for the second phase of the PPP.

In a joint statement <https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/joint-statement-administrator-jovita-carranza-and-secretary-steven-t-mnuchin-success-paycheck>, Treasury Secretary Steven Mnuchin and SBA Administrator Jovita Carranza said the agency has processed more than 3.8 million loans for more than half a trillion dollars of economic support since the April 3 launch of the PPP.

### **States With More Community Banks Fared Better Under PPP: Study**

States with a bigger percentage of community banks had a significantly larger number of Paycheck Protection Program loans reach small businesses, according to a study covered by Fox Business. <https://www.foxbusiness.com/money/small-businesses-received-less-coronavirus-aid-in-states-dominated-by-big-banks-report-finds>. Nearly three times as many PPP loans were issued in the 10 states with the most community banks per capita, compared to the 10 states with the fewest, according to the study from the Institute for Local Self-Reliance.

<https://ilsr.org/banking-consolidation-ppp-report/>

### **Senators Seek Borrower Guidance On Loan Forgiveness**

Sens. Doug Jones (D-Ala.) and Tim Scott (R-S.C.) called on the Treasury Department and SBA to provide guidance on loan forgiveness for small businesses that have applied for Paycheck Protection Program loans. In a letter to the agencies, the senators said forgiveness terms are ambiguous, noting that borrowers are responsible under the CARES Act for determining whether PPP proceeds were used as Congress <https://www.jones.senate.gov/imo/media/doc/05.01.20%20Jones-Scott%20Letter%20to%20SBA%20Treasury%20on%20Forgiveness%20Guidance%20-%20FINAL.pdf> intended.

### **Webinar With COVID-19 Reg Update Available For Download**

ICBA's latest webinar on the COVID-19 response is available for download. At the complimentary Community Bank Briefing, ICBA staff experts addressed the second round of Paycheck Protection Program funding, the latest guidance from the SBA and Treasury, Economic Impact Payment distribution, and more.

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### **Manufacturing Activity Sinks 7.6% In April**

Economic activity in the manufacturing sector **contracted** by 7.6 percentage points in April, according to the Institute for Supply Management's manufacturing index. The index declined to 41.5 percent from 49.1 percent in March. The indexes of new orders, production and employment each decreased by more than 15 percentage points.

### **Construction Spending Improves In March**

Construction spending rose 0.9 percent in March and was up 4.7 percent from the same time a year ago, the Commerce Department **reported**. Private construction was up 0.7 percent, while public construction increased 1.6 percent.

### **SBA Answers A Forgiveness Question:**

**Regarding the issue of forgiveness**, some community banks have noted the CARES Act describes the covered period as February 15 thru June 30. If a PPP loan funds after May 6, that would push the eight-week forgiveness period into July. The question was raised, *"Can the forgiveness period go into July, or do all forgiveness periods end on June 30 regardless of when the loan was funded?"* IBANYS pursued an answer, and SBA Upstate New York Deputy Director Dan Rickman, who **responded: "The covered period you're referencing is relevant for applications and for the rehiring provisions. Forgiveness is 8 weeks from disbursement."**

### **State Legislators Discussing How/When To Get Back To The 2020 Session**

State lawmakers will hold two public hearings in the coming weeks to assess the effects of the pandemic on communities of color and on small businesses, they are seeking ways to address the coronavirus crisis and get back to business in a stalled legislative session amid a growing chorus of critics calling for action after weeks of pitching bills, holding webinars and attending virtual rallies. Senate Majority Leader Stewart-Cousins and assembly Speaker Heastie expressed a desire to restart the legislative session soon in

some capacity. Democratic majority conferences have met remotely to discuss legislative priorities, which could indicate there could be movement soon. **Read the full article in the New York Daily News:** [https://www.nydailynews.com/news/politics/ny-lawmakers-coronavirus-bills-stalled-legislative-session-20200503-yzmoq44pzjdllfpdus6kvdbj3u-story.html?utm\\_source=First+Read+Newsletters&utm\\_campaign=10628fbdae-EMAIL\\_CAMPAIGN\\_2020\\_05\\_04\\_10\\_41&utm\\_medium=email&utm\\_term=0\\_252d27c7d1-10628fbdae-34718972&mc\\_cid=10628fbdae&mc\\_eid=e55c2af3e3](https://www.nydailynews.com/news/politics/ny-lawmakers-coronavirus-bills-stalled-legislative-session-20200503-yzmoq44pzjdllfpdus6kvdbj3u-story.html?utm_source=First+Read+Newsletters&utm_campaign=10628fbdae-EMAIL_CAMPAIGN_2020_05_04_10_41&utm_medium=email&utm_term=0_252d27c7d1-10628fbdae-34718972&mc_cid=10628fbdae&mc_eid=e55c2af3e3)

- Meanwhile, New York state lawmakers will hold two public hearings in the coming weeks to assess the effects of the pandemic and the subsequent economic shutdown on small businesses, farms, minority communities, communities of color and the government's response to help them. The Legislature has not been in Albany since the passage of the state budget a month ago, and plans to hold the hearings largely through video conference technology.

### **State Budget Division Explains How New York Is "Staying Afloat"**

*Newsday* reports on a 463-page document released by Cuomo's budget division outlines how the state is staying afloat, showing dire projections about the tax revenue decline across categories such as sales tax (nearly 20%), lottery (21%) and gaming (34%). Read the full article: [https://www.newsday.com/news/health/coronavirus/new-york-budget-deficit-covid-19-1.44310672?utm\\_source=First+Read+Newsletters&utm\\_campaign=10628fbdae-EMAIL\\_CAMPAIGN\\_2020\\_05\\_04\\_10\\_41&utm\\_medium=email&utm\\_term=0\\_252d27c7d1-10628fbdae-34718972&mc\\_cid=10628fbdae&mc\\_eid=e55c2af3e3](https://www.newsday.com/news/health/coronavirus/new-york-budget-deficit-covid-19-1.44310672?utm_source=First+Read+Newsletters&utm_campaign=10628fbdae-EMAIL_CAMPAIGN_2020_05_04_10_41&utm_medium=email&utm_term=0_252d27c7d1-10628fbdae-34718972&mc_cid=10628fbdae&mc_eid=e55c2af3e3)

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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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