

**Saturday, May 9, 2020**

To: New York Community Banks

Hope everyone is staying safe and healthy.

Our IBANYS Saturday update includes information from the White House, OCC and on New York State actions that we wanted to share with you.

John

### **FROM THE WHITE HOUSE**

Throughout the coronavirus pandemic, President Trump has supported the farmers, ranchers, fisherman, and producers who put food on America's kitchen tables.

- Today, USDA approved \$1.2 billion in contracts to support both American producers and communities in need through the [USDA Farmers to Families Food Box Program](#).
- Yesterday, President Trump signed an [Executive Order](#) and announced \$300 million to assure America's competitiveness in the seafood industry and to support fishermen and related businesses hurt by the coronavirus.
- Last month, President Trump issued an [Executive Order](#) to ensure that meat and poultry processors continue operations to the maximum extent possible.
- The President authorized \$16 billion in funding to counter economic losses during the pandemic for farmers, ranchers, and food producers.
- The Administration has provided small agricultural businesses access to capital through the Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) program.

[Summary of Paycheck Protection Program Round 2 Data](#) – *Updated 5/8*

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>

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### **FROM THE OCC**

#### **OCC Releases PPP Listening Sessions**

On April 14, 2020, the OCC issued [News Release 2020-53](#) announcing the Office of Innovation's facilitation of three listening sessions to discuss issues and potential solutions relating to the [Paycheck Protection Program](#) (PPP) as established by the [Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#).

The overarching purpose of holding the listening sessions was to maximize the PPP's chance of success by identifying positive solutions to implementation problems that banks had raised to the OCC.

Summaries of these listening sessions are available by clicking the following links:

- [Summary of the OCC's Paycheck Protection Program Listening Session on Payroll Verification](#) (PDF)
- [Summary of the OCC's Paycheck Protection Program Listening Session on Fraud Identification](#) (PDF)
- [Summary of the OCC's Paycheck Protection Program Listening Session on Backend Processes](#) (PDF)

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**Current Expected Credit Losses: Final Interagency Policy Statement on Allowances for Credit Losses-- Bulletin | OCC 2020-49 May 8, 2020**

**To Chief Executive Officers of All National Banks, Federal Savings Associations, and Federal Branches and Agencies; Department and Division Heads; All Examining Personnel; and Other Interested Parties**

**Summary**

The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the National Credit Union Administration today issued the “Interagency Policy Statement on Allowances for Credit Losses.”

This bulletin rescinds OCC Bulletin 2019-48, “Current Expected Credit Losses: Notice and Request for Comment on Proposed Interagency Policy Statement on Allowances for Credit Losses.”

**Note for Community Banks**

The “Interagency Policy Statement on Allowances for Credit Losses” applies to all OCC-supervised banks,<sup>1</sup> consistent with each bank’s current expected credit loss (CECL) methodology effective date.

**Highlights**

**The “Interagency Policy Statement on Allowances for Credit Losses”**

- explains the measurement of allowances for credit losses under the Financial Accounting Standards Board’s (FASB) Accounting Standards Update (ASU) 2016-13, “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” as well as the updates issued since June 2016 (collectively, FASB ASC Topic 326).<sup>2</sup>
- describes the
  - design, documentation, and validation of CECL methodologies.
  - maintenance of appropriate allowances for credit losses under the new accounting standard.
  - responsibilities of boards of directors and management.
  - responsibilities of examiners when reviewing the allowances for credit losses.

**Background**

FASB ASC Topic 326 replaces the incurred loss methodology for financial assets measured at amortized cost and off-balance-sheet credit exposures with the CECL methodology. FASB ASC Topic 326 also modifies the accounting for impairment of available-for-sale debt securities.

Because of the change in accounting standards, the federal financial regulatory agencies revised the existing policies for the allowance for loan and lease losses. The “Interagency Policy Statement on Allowances for Credit Losses” will replace the following when FASB ASC Topic 326 becomes effective for each bank:

- OCC Bulletin 2006-47, “Allowance for Loan and Lease Losses (ALLL): Guidance and Frequently Asked Questions (FAQs) on the ALLL.”
- OCC Bulletin 2001-37, “Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions: ALLL Methodologies and Documentation.”

FASB ASC Topic 326 is effective beginning in 2020 for public business entities that meet the definition of a Securities Exchange Commission (SEC) filer, except for entities that are eligible to be small reporting companies as defined by the SEC. The effective date for all other banks is 2023. Until FASB ASC Topic 326 becomes effective for a bank, it must continue to follow current U.S. generally accepted accounting principles on impairment and the allowance for loan and lease losses. The bank should continue to refer to OCC Bulletin 2006-47 and OCC Bulletin 2001-37 until the applicable effective date of FASB ASC Topic 326.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. Section 4014 of the CARES Act permits an optional delay in implementing FASB ASC Topic 326 until the earlier of

- the date when the coronavirus disease (COVID-19) national emergency is declared over by the President, or
- December 31, 2020.

### **Further Information**

Please contact Amanda Freedle, Senior Accounting Policy Advisor, Office of the Chief Accountant, at (202) 649-6280.

Grovetta N. Gardineer  
Senior Deputy Comptroller for Bank Supervision Policy

### **Related Link**

- [“Interagency Policy Statement on Allowances for Credit Losses” \(PDF\)](#)

### **Credit Risk : Interagency Guidance on Credit Risk Review Systems -- Bulletin | OCC 2020-50 May 8, 2020**

*To Chief Executive Officers of All National Banks, Federal Savings Associations, and Federal Branches and Agencies; Department and Division Heads; All Examining Personnel; and Other Interested Parties*

### **Summary**

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the National Credit Union Administration (collectively, the agencies) today issued the “Interagency Guidance on Credit Risk Review Systems.” This interagency guidance reflects current credit risk review practices.

This bulletin rescinds OCC Bulletin 2019-49, “Credit Risk Review: Notice and Request for Comment on Proposed Interagency Guidance on Credit Risk Review Systems.”

### **Note for Community Banks**

The “Interagency Guidance on Credit Risk Review Systems” applies to the OCC’s supervision of community banks.<sup>1</sup>

### **Highlights**

The interagency guidance

- discusses a system of independent, ongoing credit review designed for sound management of credit risk.
- describes appropriate communication regarding the performance of a bank’s loan portfolio to management and the board of directors.
- replaces and rescinds attachment 1 to the 2006 “Interagency Policy Statement on the Allowance for Loan and Lease Losses.” Attachment 1, “Loan Review Systems,” contained the agencies’ credit risk review guidance. Refer to OCC Bulletin 2006-47, “Allowance for Loan and Lease Losses (ALLL): Guidance and Frequently Asked Questions (FAQs) on the ALLL.”

### **Further Information**

Please contact Beth Nalyvayko, Bank Examiner, Commercial Credit Risk, Bank Supervision Policy, at (202) 649-6670.

Grovetta N. Gardineer  
Senior Deputy Comptroller for Bank Supervision Policy

### **Related Links**

- [“Interagency Guidance on Credit Risk Review Systems”](#) (PDF)  
1 “Banks” refers to national banks and federal savings associations. Federal branches and agencies of foreign banking organizations may choose to, but are not required to, maintain allowances for credit losses on a branch or agency level.
- [Federal Financial Regulatory Agencies Issue Interagency Policy Statement on Allowances for Credit Losses and Interagency Guidance on Credit Risk Review Systems](#)

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### **FROM NEW YORK STATE**

#### **Governor Further Explains Reopening Process, Extends Guidelines & Emergency Regs For Pandemic Until June 7**

According to Nick Reisman of *State of Politics*, New York’s “pause” is still set to end for some sectors of the economy — including construction, manufacturing and retail for curbside pickup — on May 15, but the reopening will be done on a regional basis for areas of the state that meet benchmark criteria for testing, declining COVID-19 hospitalizations, hospital capacity at no more than 70 percent and the availability of contact tracers. An executive order will be issued to certify that regions have met that criteria and can begin the first phase of reopening.

The Governor also issued an executive order extending guidelines and emergency regulations for the pandemic until June 7. To read the executive order, click on the link provided.

<https://www.governor.ny.gov/news/no-20228-continuing-temporary-suspension-and-modification-laws-relating-disaster-emergency>.

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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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