

Monday, May 11, 2020

To: New York Community Banks

FROM ICBA

PPP guidance diverges from CARES Act: SBA watchdog

The Small Business Administration's guidance on authorized uses of Paycheck Protection Program loans does not align with the CARES Act, the agency's inspector general reported. The IG report notes that while the law does not set any restrictions on the portion of loans that must be used for payroll, an SBA interim final rule sets a 75 percent threshold. The report also notes that the SBA's maturity term of two years undershoots the law's maximum term of up to 10 years, which could result in an unintended burden to PPP borrowers.

https://www.sba.gov/sites/default/files/2020-05/SBA_OIG_Report_20-14_508.pdf?utm_source=hs_email&utm_medium=email&utm_content=87692689&hsenc=p2ANqtz-YBNrIsY66c1QtPhYpOVVkpPEHBh-ejp0-Njb_M_YhwGq_F33EdkgAjJClvcVLYZX_oTBarkV-Rif3iqd4bZfTck1Jg&hsmi=87693539

PPP lending nears \$190B

The [SBA reported](#) that nearly \$189 billion in loans have been approved during the Paycheck Protection Program's second round. The report provides totals by state, asset size, lender type, and loan size. Lenders with less than \$10 billion in assets neared \$60 billion in approved dollars, or some 32 percent of the second-round total. Those with between \$10 billion and \$50 billion in assets neared \$29 billion (15 percent). ICBA worked to ensure at least \$60 billion of the PPP funds were set aside for community financial institutions. 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. 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. Additional guidance and resources are available on [Treasury's PPP webpage](#) and ICBA's [COVID-19 resource center](#).

SBA emails seek data on repaid PPP loans

The Small Business Administration is distributing emails to Paycheck Protection Program lenders seeking data on loans that have been disbursed and repaid. The emails from SBA Chief of Staff and Associate Administrator William Manger are legitimate and designed to gauge the total volume of cancelled loans to determine the program's remaining funds

Agencies issue policy statement on applying CECL

Federal regulators approved a [policy statement](#) designed to promote consistency in the interpretation and application of the Financial Accounting Standards Board's Current Expected Credit Losses methodology. The interagency policy statement describes the measurement of expected credit losses using the CECL methodology and updates concepts and practices detailed in existing supervisory guidance that remain applicable.

The agencies also finalized [interagency guidance](#) on credit risk review systems. The guidance presents principles for establishing a system of independent, ongoing credit risk review in accordance with safety and soundness standards.

Fed waives fees for various services

The Federal Reserve [recently announced](#) a COVID-19 Federal Reserve Financial Services Customer Assistance Package, which is available May 1 through at least July 31. The package waives several fees related to FedACH and Check Services reports, RDFI alerts, Exception Resolution Service, and paper and manual exception processing. The system is also waiving additional FedLine Solutions fees for new signups.

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OTHER SOURCES -- FEDERAL UPDATES

What's Being Planned For The Next Federal Coronavirus Spending Package?

According to the *Wall Street Journal*, House Democrats are planning to release a new coronavirus spending package as early as this week, with a draft of a bill from House Speaker Nancy Pelosi (D-Calif.) reportedly expected to include more than \$750 billion in state and local government aid and direct support to Americans. Talks with the Trump administration remain stalled, with Treasury Secretary Steven Mnuchin saying that the White House wants to consult with businesspeople and speak with both parties in the next few weeks.

Top Administration Economic Advisers Project 20% Unemployment By June.

The Washington Post reports that two of President Trump's top economic advisers projected Sunday that unemployment will climb as the coronavirus pandemic continues its sweep across the United States, with one official predicting that the unemployment rate will jump to 20 percent by next month. The statements from White House economic adviser Kevin Hassett and Treasury Secretary Steven Mnuchin came three days after the Labor Department reported its highest unemployment figures since the Great Depression, and as the U.S. death toll from the coronavirus surpassed 79,000.

Schumer & Two Colleagues Criticize SBA For Cutting EIDL Loans Without Telling Congress Or Small Business Owners

The Washington Post reports that Senate Democratic Leader Schumer (D-NY) and two of his conference colleagues (Senator Cardin, MD. and Senator Shaheen, N.H.) are criticizing the Small Business Administration for slashing the size of its coronavirus disaster loans without telling Congress or small business owners about the change. According to a May 9 letter to SBA Administrator Jovita Carranza that the newspaper reviewed, the three senators said the SBA has mismanaged an important federal aid program designed to help small businesses weather the economic crisis.

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NEW YORK STATE UPDATES

"A Pivotal Week" Ahead For New York State

New York faces perhaps one of the most pivotal weeks of the pandemic, one that could decide the fate of regional economies and whether they can begin a gradual reopening process. This week could also determine whether the state receives any federal assistance, or will need to determine cuts in areas of state spending in the budget like education to address a "yawning shortfall" in tax revenue. <https://nystateofpolitics.com/state-of-politics/new-york/ny-state-of-politics/2020/05/11/new-york-faces-a-pivotal-week>.

When Will New York Start Reopening?

Governor Cuomo said some regions of the state are ready to start opening in mid-May and plans to confer with county executives and other local officials today. The Governor did not specify which upstate regions might be eligible to reopen and plans to provide an update on restarting plans today. However, downstate is another story.

- The factors that made New York City the U.S. epicenter of the pandemic complicate a return to any semblance of normalcy, and the city is still far from meeting the public health metrics necessary to reopen, according to the *New York Times*. <https://www.msn.com/en-us/news/us/when-will-new-york-city-reopen-the-path-will-be-difficult/ar-BB13RedZ>

NYS Legislature Waiting On Congress Before Developing Their Plan -- Tax Hikes Could Be On Table?

With coronavirus crisis having hit state finances hard, and with revenues falling \$13.3 billion short of level projected in February, leaders of the New York state Legislature say they are waiting to see what Congress does before they develop plans for their own lawmaking session, adding that tax hikes are on the table if additional aid is not forthcoming from Washington, according to the *Wall Street Journal*.

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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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