

To: New York Community Banks

IBANYS and a number of local community banks operating within New York's 23rd Congressional District (Western NY/Southern Tier) participated in a conference call with Congressman Tom Reed regarding the PPP and the soon-to-be released forgiveness rules. Rep. Reed is a member of the House Ways & Means Committee and co-chairs the bi-partisan congressional "problem solvers" caucus.

Summary of Conference Call

Rep. Reed and his financial services aide David Bridges provided an update on the current situation.

- The PPP is going forward, with approximately \$188 billion in loans having been approved during round two, and approximately \$130 billion still available.
- The major item still outstanding remains the final forgiveness guidelines from SBA. It is expected very soon, as it has been undergoing a "bureaucratic review."
- Several participating bankers thanked Rep. Reed for his continued outreach and support of community banks -- including the "carve out" for community banks in Round Two of the PPP.
- Phase Four -- the next federal relief/recovery spending package -- will now likely not see serious discussion until around June 1, with a June 15 potential target date for action. Some in Congress and administration want to see what happens next regarding unemployment, the reopening of the economy in a number of states, etc. There is some concern that Phase Four should not be rushed, with nearly \$10 trillion in government assistance already, and with a number of state and local budgets being on the front burner.
- Rep. Reed said he believes Phase Four will likely be more partisan than the previous packages. He indicated this week House Democrats appear likely to put forward a partisan "marker" proposal that will potentially include some provisions (e.g., full forgiveness of rent and/or mortgage payments, etc.) that will never have any chance of being in the final Phase Four package.
- There was a discussion regarding some borrowers "sitting on the cash" of the loans -- waiting to see final forgiveness guidelines, looking at a phased reopening.
- There is still uncertainty and some concern about the two-year payback window for PPP loans not forgiven but converted to broader loans at 1% interest. An extension of that payback window would be welcomed.
- Rep. Reed said the focus and potential investigations into PPP use and abuse is and should be on the few "bad actors" whose performance is evident in the data -- and not on all the good actors such as community banks who have been stepping up and doing what's needed for their local small businesses and communities throughout the crisis.

Rep. Reed said he and staff are traveling through the 23rd Congressional District this week, trying to do everything possible to ensure the region is prepared and ready to meet the criteria to reopen its economy as of May 15 in a phased-in approach as defined by the Governor.

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According to *Axios Pro Rata*, **The Paycheck Protection Program no longer seems likely to run out of funds, as daily loan approvals have slowed to less than \$2 billion per day.**

- **What happened:** Politicians and pundits, led by Treasury Secretary Steve Mnuchin, moved the goalposts. It no longer matters if you can qualify for such a loan, per the original rules. It only matters if the loan is worth enduring media floggings and government threats — all without promised clarity into loan forgiveness.
- **By the numbers:** The SBA reports that \$188 billion of the refreshed \$311 billion pot was spoken for as of last night, representing loans to 1.2 million small businesses. The average loan size between PPP and PPP2 has fallen from \$206,000 to \$73,000.
- **SBA has implemented the program as intended.** That's the top-line finding of an Inspector General report [released Friday](#), which had been requested by congressional Democrats.

-- The IG did identify some areas for SBA to improve, including having lenders prioritize underserved and rural markets. But, again, overall it felt SBA was meeting its mandate.

Criticism of larger loan recipients has been bipartisan, with Mnuchin going so far as to threaten investigations and criminal investigations.

- The common denominator has been frustration that smaller businesses without established banking relationships were shut out of the original PPP, and that it could happen again.
- That's why Mnuchin said all would be forgiven if larger recipients just poured their money back into the pool.

The bottom line: Moral suasion worked, judging by the current loan pace. But if PPP 2 ends up with plenty of cash in the till, and unemployment keeps growing, there could be boomerang questions about why some businesses were discouraged from applying for loans that could have kept people on payrolls.

State Attorneys General Want Changes Made To PPP

A group of more than twenty state attorneys general (including New York's AG Letitia James) wrote a letter to congressional leadership expressing concerns over the ongoing implementation of the Paycheck Protection Program (PPP) and suggested a number of changes they want made as part of any additional funding for the program. We have attached the letter for your convenience.

Mnuchin: Administration Is Looking At Changes To PPP

The Wall Street Journal reports that Treasury Secretary Mnuchin said that the government will consider how to change the small-business lending program to help restaurants and others participate. Restaurants and other small businesses have said they can't retain or rehire workers because they must remain closed due to the coronavirus pandemic, which means they can't meet the 75 percent threshold for the share of the Paycheck Protection Program loan that must go to workers for it to be forgiven. Meanwhile, Reuters reports that Mnuchin also doesn't believe the U.S. will need to buy back debt, is comfortable with the country spending large sums of money now because of low interest rates. Treasury considered longer maturities before it announced a new 20-year bond to extend maturities, which the department found had robust demand.

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The Latest On Reopening New York's Economy

- Governor Cuomo, in his briefing today, indicated that several regions in upstate New York have met the qualifications to reopen amid the coronavirus pandemic. The "New York on Pause" order goes through May 15, at which time, regions that meet certain criteria can begin to reopen. Those that do not, will have stay at home orders extended through June 1. Businesses across New York are set to reopen in four separate phases based on how essential they are and what potential risk they present to the spread of the virus. The Finger Lakes, Mohawk Valley and Southern Tier regions have met guidelines to reopen, while the Central New York and North Country regions are still short on a handful of benchmarks. **Here's how each region stands as of today:** <https://twitter.com/ZachReports/status/1259877012216446982?s=20>
- **“Regional Control Rooms” composed of local leaders will monitor progress in the various regions across the state. Here is who the Governor appointed:** <https://twitter.com/ZachReports/status/1259874290134122498?s=20>.
- He also announced all retail businesses will be able to perform curbside pickup and drop-off going forward, and essential retail businesses will continue to operate under their current protocols. The state will also allow low-risk professions such as landscaping, low-risk outdoor recreational activities and drive-in movie theaters to reopen.

To access the Governor's full briefing from Monday, May 11, use the link provided below.
https://www.scribd.com/document/460924230/NYS-Gov-Andrew-Cuomo-May-11-coronavirus-presentation?mc_cid=6c680e0a22&mc_eid=e55c2af3e3

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New Polling On Coronavirus Confidence Level

“A new Monmouth poll asked the question, How confident are you that the country will be able to limit the impact of the outbreak over the next few weeks: Very confident: 16%; Somewhat confident:34%; Not too confident: 25%;Not at all confident: 25%. The poll also found that 40% of Americans know someone who has gotten the virus.

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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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