

Thursday, June 4, 2020

To: New York Community Banks

As we all proceed toward reopening and try to find the new normal, there is still a voluminous amount of data being circulated.

We are doing our best to cull through it all, and provide you with the key developments in our updates.

Please let us know if there is anything in particular you would like us to include, and as always, we welcome any suggestions and comments you may have on our updates.

-- John

FROM ICBA

Senate Passes House PPP Reform Bill

The Senate approved House legislation to address restrictions on the Small Business Administration's Paycheck Protection Program, sending it to President Donald Trump to be signed into law.

The Paycheck Protection Program Flexibility Act of 2020 (H.R. 7010) included provisions to (1) extend from eight to 24 weeks the amount of time borrowers have to spend PPP funds, (2) lower the amount that must be spent on payroll costs from 75 percent to 60 percent, and (3) extend the June 30 rehiring deadline.

ICBA strongly advocated for the Senate to advance additional reforms to increase flexibility for lenders and borrowers, such as allowing a forgiveness presumption of compliance for loans of \$1 million or less. ICBA thanks community bankers for their strong grassroots outreach in advocating for needed reforms and will continue working with policymakers to advance the best PPP flexibilities.

(Note: The Senate passed the House bill despite the fact that it needs a technical fix, as none of the loan will be forgiven if the borrower cannot meet the 60 percent payroll calculation. The bill also does not simplify the complicated forgiveness process by providing a streamlined/simplified forgiveness application for smaller loans or a presumption of compliance. However, there is recognition that technical fixes are needed, and a simplified forgiveness process is warranted. ICBA will continue to advocate for, and IBANYS will continue to support, recommendations in CARES Act 2.0, and will urge Congress to press Treasury/SBA to make fixes administratively.)

ICBA Testifies On Inclusive Lending, PPP Reform

ICBA [testified](#) before Congress on promoting inclusive lending during the coronavirus pandemic by community development financial institutions, minority depository institutions, and other community banks. At the House Subcommittee on Consumer Protection and Financial Institutions [hearing](#), ICBA Minority Bank Council Vice Chairman James Sills said the Paycheck Protection Program has been a good fit for his customer profile, though reforms are needed. The president and CEO of M&F Bank in Durham, N.C.—a CDFI and MDI—expressed support for House-passed provisions that provide small-business borrowers more flexibility in spending PPP funds. He also called for additional changes to the PPP, such as allowing a presumption of compliance for loans of \$1 million or less with borrower certification.

Community Banks Still Tops For Small Biz: Fed Survey

Community banks remain the most highly favored lender by small businesses, according to the Federal Reserve Banks' latest [Small Business Credit Survey](#). The survey found that 79 percent of community bank small-business loan applicants were satisfied with their experience, compared with 66 percent at large banks, 63 percent at finance companies, and 54 percent at online lenders. Further, community banks' net satisfaction score of 73 percent continued to lead as it has in recent years, topping large banks by 15 points, finance companies by 23 points, and online lenders by 36 points.

CFPB Offers Temporary Credit Card Disclosure Relief

The Consumer Financial Protection Bureau [announced](#) temporary and targeted flexibility for credit card issuers regarding electronic provision of certain disclosures during this pandemic. The relief applies to Regulation Z, which requires creditors to provide written disclosures to consumers for account opening and temporary rate or fee reductions.

Fed Expands Access To Municipal Liquidity Facility

The Federal Reserve Board [expanded](#) access to its Municipal Liquidity Facility. Under the new terms, all U.S. states will be able to have at least two cities or counties eligible to directly issue notes to the MLF regardless of population. The program will offer up to \$500 billion in lending to states and municipalities to help manage cash-flow stresses caused by the coronavirus pandemic.

USDA Outlines Support For Rural Communities

The USDA [outlined](#) its resources and actions to help rural communities affected by the pandemic, including its COVID-19 Federal Rural Resource Guide and summary of key service changes to increase the use of telehealth. USDA's Risk Management Agency separately [spotlighted](#) new support for dairy farmers and other providers.

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FROM NEW YORK/OTHER SOURCES

Here is Gov. Andrew Cuomo's [June 3 coronavirus presentation](#).

- The pandemic is no longer dominating the Governor's daily press conferences, but [the change in programming](#) all depends on the state continuing its remarkable progress in containing the coronavirus. Daily fatalities are down to a few dozen per day, hospitalizations continue to decrease across the state, and most of the state is moving through the second phase of reopening, according to the [latest regional scorecard for reopening](#).
- The risk of a second wave of infections, however, has grown in recent days as people gather in mass protests across the state. "I know it's not on the front pages today," Cuomo told reporters at a Wednesday press conference in Albany. "If you're going to protest intelligently, remember – the COVID virus is still out there."
- Anthony Wilkinson, president of the National Association of Guaranteed Government Lenders, told the Pandemic Response Accountability Committee that confusing guidelines from the federal government held back the PPP and put the banks making the loans at risk. Wilkinson's statements were made at the first public event for the Pandemic Response Accountability Committee, which is made up of inspectors general from more than a dozen government agencies and one of several oversight bodies set up in the CARES Act. ([Bloomberg](#))
- The *Washington Post* reports that nearly half of commercial retail rents were not paid in May. Companies as big as Starbucks say the financial devastation from the shutdown has left them unable to pay their full property bills on time.

Most Federal Pandemic Relief Direct Assistance Is Spent Or Committed

The Wall Street Journal reports that nine weeks after Congress approved its largest-ever economic relief measure to counter the coronavirus pandemic, most of the direct cash assistance aimed at keeping the economy afloat has been spent or committed. The Cares Act included a projected \$1.2 trillion in direct aid, ranging from expanded unemployment benefits and forgivable business loans to cash payments for households, hospitals, cities and states.

1.87 Million Americans Filed For Unemployment Last Week

According to *Axios*, the coronavirus pandemic is still a historic strain on the labor market, though the pace of unemployment applications continues to slow. The number of jobless applications has steadily declined

after peaking at a high of 6.9 million in late March. For comparison, the record number of filings before the pandemic was set in 1982, when 695,000 people filed for unemployment. The headline figure also doesn't include people who filed for unemployment under a new program created by the CARES Act that extends benefits to gig and self-employed workers. The May jobs report Friday morning will give a better picture of how many workers were out of a job last month. The unemployment rate is estimated to spike to 19.8%.

OCC May Soon Begin Easing Lenders' Margin Requirements

The acting head of the Office of the Comptroller of the Currency, Brian Brooks, said that as soon as this month, the agency could again begin to ease lenders' margin requirements by billions of dollars. The OCC, the Fed and the Federal Deposit Insurance Corp. are also close to finalizing an overhaul of the Volcker Rule's restrictions on bank involvement in certain investment funds. ([Bloomberg](#))

New York's Financial Future

- New York's finances continue to remain in limbo as [President Donald Trump holds off on negotiating](#) a new round of federal stimulus funding for states that took a big economic hit during the pandemic. With a multi-billion-dollar deficit facing the state, the Cuomo administration suggested last month that it would release details by the end of May on sweeping cuts public schools, health care and local governments. Now, it appears that nothing concrete will be announced for at least the next month as the governor holds out hope for tens of billions in new federal aid.
- The Wall Street Journal reports that the [Trump administration is still considering its options](#) and hoping that a so-called "V-shaped" recovery (despite the federal government's [new projection of a much longer economic slump](#)) will somehow materialize in the coming weeks. Congressional Republicans, meanwhile, are now suggesting that negotiations on a new federal stimulus package will stretch into the mid-summer. "My personal belief is we will do something before the August break – that's about the right timing," said U.S. Sen. Roy Blunt of Missouri, a member of GOP leadership.
- States and local governments would receive hundreds of billions of dollars in new aid under legislation passed last month by the U.S. House. Democrats, who control the House, also want to extend enhanced unemployment benefits and give individual Americans a fresh round of so-called stimulus checks. Republican leaders have called the bill "dead on arrival" in the GOP-controlled U.S. Senate, but have signaled a willingness to negotiate.
- The financial situation facing upstate cities like Buffalo, Rochester, Albany and Syracuse is bleak. "We're in a fiscal crisis right now," Syracuse Mayor Ben Walsh told *Spectrum News*. There are a number of cities in New York state with fiscal years that start on July 1. They include Buffalo, Rochester, Syracuse, Amsterdam, Auburn, Corning, Watertown, White Plains and Yonkers. Lackawanna and Rensselaer have fiscal years that begin at the end of July. <https://nystateofpolitics.com/state-of-politics/new-york/ny-state-of-politics/2020/06/04/many-ny-cities-face-financial-crises-without-federal-aid>

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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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