

Monday, June 8, 2020

To: New York Community Banks

The New York State legislature is back in session this week, and while there has been much discussion of additional legislation for state chartered institutions related to **mortgage foreclosure/forbearance for commercial and investment properties**, at this point the agenda for the week does not include any new banking bills, just bills regarding criminal justice/policing reform. We will continue to closely monitor the situation as things can change very quickly.

Meanwhile, the residential mortgage forbearance legislation for state-chartered institutions passed in late May is on the Governor's desk awaiting action.

FROM ICBA

ICBA Offers PPP Reform Summary For Borrowers

ICBA [released a summary](#) of the Paycheck Protection Program reform law signed by President Trump on Friday for community banks to share with their small-business borrowers. While further guidance and clarification from the SBA and Treasury is likely, the Paycheck Protection Program Flexibility Act of 2020:

- Extends from eight to 24 weeks the amount of time borrowers have to spend PPP funds while remaining eligible for forgiveness.
- Lowers the amount that must be spent on payroll costs from 75 percent to 60 percent, though there is no forgiveness if payroll is less than 60 percent.
- Extends to Dec. 31 the period in which employers may rehire or eliminate a reduction in employment, salary, or wages that would otherwise reduce the forgivable loan amount.
- Replaces the six-month deferral of payments due under PPP loans with deferral until the date on which the amount of loan forgiveness is remitted to the lender.
- Establishes a minimum maturity of five years for new PPP loans as opposed to the current two-year maturity date.
- Eliminates a provision that makes PPP loan recipients who have such indebtedness forgiven ineligible to defer payroll tax payments.

ICBA strongly advocated additional reforms, such as allowing a forgiveness presumption of compliance for loans of \$1 million or less. ICBA thanks community bankers for their strong grassroots outreach and will continue working with policymakers on PPP flexibilities.

https://www.icba.org/news/news-details/2020/06/05/new-legislation-looks-to-address-ppp-restrictions?utm_campaign=NewsWatch%20Today&utm_medium=email&_hsmi=89104595&_hsenc=p2ANqtz-8qFrgZ2eWRIt9q28JWXOasw-2P3geuAbUy8iN03_CCrFejb4BPaKxET9fceNc0oezUaOOZ0QOFnbbzNikbJuhSYWcd_w&utm_content=89103665&utm_source=hs_email

- **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](#).**

FROM SBA

Joint Statement by SBA Administrator Jovita Carranza and U.S. Treasury Secretary Steven T. Mnuchin Regarding Enactment of the Paycheck Protection Program Flexibility Act

WASHINGTON –SBA Administrator Jovita Carranza and U.S. Treasury Secretary Steven T. Mnuchin issued the following statement today following the enactment of the Paycheck Protection Program (PPP) Flexibility Act:

“We want to thank President Trump for his leadership and commend Leader McConnell, Leader Schumer, Speaker Pelosi, and Leader McCarthy for working on a bipartisan basis to pass this legislation for small businesses participating in the Paycheck Protection Program.

“We also want to express our gratitude to Chairman Rubio, Ranking Member Cardin, Senator Collins, Congressman Roy, Congressman Phillips, and other members of Congress who have helped to create and guide our implementation of this critical program that has provided over 4.5 million small business loans totaling more than \$500 billion to ensure that approximately 50 million hardworking Americans stay connected to their jobs.

“This bill will provide businesses with more time and flexibility to keep their employees on the payroll and ensure their continued operations as we safely reopen our country.

“We look forward to getting the American people back to work as quickly as possible.”

Upcoming Procedures

SBA, in consultation with Treasury, will promptly issue rules and guidance, a modified borrower application form, and a modified loan forgiveness application implementing these legislative amendments to the PPP. These modifications will implement the following important changes:

Extend the covered period for loan forgiveness from eight weeks after the date of loan disbursement to 24 weeks after the date of loan disbursement, providing substantially greater flexibility for borrowers to qualify for loan forgiveness. Borrowers who have already received PPP loans retain the option to use an eight-week covered period.

- Lower the requirements that 75 percent of a borrower’s loan proceeds must be used for payroll costs and that 75 percent of the loan forgiveness amount must have been spent on payroll costs during the 24-week loan forgiveness covered period to 60 percent for each of these requirements. If a borrower uses less than 60 percent of the loan amount for payroll costs during the forgiveness covered period, the borrower will continue to be eligible for partial loan forgiveness, subject to at least 60 percent of the loan forgiveness amount having been used for payroll costs.
- Provide a safe harbor from reductions in loan forgiveness based on reductions in full-time equivalent employees for borrowers that are unable to return to the same level of business activity the business was operating at before February 15, 2020, due to compliance with requirements or guidance issued between March 1, 2020 and December 31, 2020 by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to worker or customer safety requirements related to COVID-19.
- Provide a safe harbor from reductions in loan forgiveness based on reductions in full-time equivalent employees, to provide protections for borrowers that are both unable to rehire individuals who were employees of the borrower on February 15, 2020, and unable to hire similarly qualified employees for unfilled positions by December 31, 2020.

- Increase to five years the maturity of PPP loans that are approved by SBA (based on the date SBA assigns a loan number) on or after June 5, 2020.
- Extend the deferral period for borrower payments of principal, interest, and fees on PPP loans to the date that SBA remits the borrower's loan forgiveness amount to the lender (or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period).
- In addition, the new rules will confirm that June 30, 2020, remains the last date on which a PPP loan application can be approved.

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OTHER SOURCES

What's Next For "Phase Four" Relief Package?

- White House economic adviser Larry Kudlow said in an interview that negotiations on another coronavirus relief package won't even start until next month. "When we go back, the negotiations for the next package would probably be after July 4th weekend," he said. This comes after a better-than-expected jobs report on Friday, which could take the pressure off the GOP to pass another big bill.
- House Republican Leader Kevin McCarthy defended the GOP's decision to hold off on another relief package until they saw whether the last tranche of aid was working ("This is the correct way of going about doing it") but didn't dismiss the need for another relief bill entirely. Two areas he said Republicans want to address: liability protections for employers who reopen businesses and tax incentives to encourage live events and concerts to resume. <https://politi.co/3cKo6Z5>.

Latest On Fed's Main Street Lending" Program

According to *Bloomberg News*, the Federal Reserve's most ambitious and complicated crisis relief program is set to launch in coming days but it is far from certain that the small and mid-sized businesses the \$600 billion "Main Street Lending Facility" is meant to help will come clamoring for loans. Two months into the economic crisis spurred by the novel coronavirus pandemic, some lobbyists, bankers and small business consultants say the loans may be too large to help many struggling businesses and some borrowers are worried about coming under public scrutiny.

People Aren't Visiting Branches. Banks Are Wondering How Many They Actually Need

The *Wall Street Journal* reports that people are visiting bank branches less frequently during the coronavirus pandemic. That could speed up some banks' plans for shutting them down. Branch traffic fell more than 30% in April and the first three weeks of May compared with the same period last year, according to Novantas, a financial-services research firm. Teller transactions dropped 32% in March and April compared with the same period last year.

[https://www.wsj.com/articles/people-arent-visiting-branches-banks-are-wondering-how-many-they-actually-need-](https://www.wsj.com/articles/people-arent-visiting-branches-banks-are-wondering-how-many-they-actually-need-11591531200?mkt_tok=eyJpIjoiTkRJeU9XTTRaamszWWpFMYIsInQiOiJPblwvMldDd3FRZ0pxa0dUSVhtSjdoVHAzak9jVkJF2RHNkVFh4OVluZzRFb01VY3RNMG9vd0s1QWJFMG9tWjVDMnV3MkNYOHUyampRQ1puZEk1TDdkRXRSVEEd2ZXNBWU93TGw2SVVvaREZhWEUzVk4rZXZ5eEREbTJsZlJ3U1RUbGUifQ%3D%3D)

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FROM NEW YORK

- Exactly 100 days since its first case of coronavirus was confirmed, New York City, which weathered extensive hardship as an epicenter of the worldwide outbreak, is set to take the first tentative steps toward reopening its doors on Monday, [the Times reports](#).

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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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