

Monday, June 1, 2020 (Update # 2)

To: New York Community Banks

IBANYS and a number of community banks operating in the 23rd Congressional District in Western New York participated in another in a series of conference calls with Congressman Tom Reed (R-Western NY, member of the House Ways & Means Committee and Co-Chairman of Bipartisan House "Problem Solvers" Caucus. Also on the call with Rep. Reed was his senior financial services/tax staff person, David Bridges.

The purpose of the call was to get thoughts and comments from bankers regarding PPP and provide an update and discussion on steps moving forward.

Rep. Reed reported House members are working from their Districts, likely through June, but would return to Washington if and when the Senate reaches a position PPP changes and/or on Phase Four, which is likely to address PPP and aid to state and local governments.

However, he did note that there is some talk in D.C. that the House version on PPP changes may actually be acceptable in Senate -- but it is too early to tell. While it could move forward as a stand-alone bill, it still appears more likely that it will be part of a Phase Four bill that will be put together over the next few weeks. He did note the House version of PPP reform was passed with overwhelmingly bipartisan support, and will be sent to the President one way or another -- either on its own, or within the Phase Four package.

Regarding other matters related to COVID-19, Rep. Reed noted that issues related to unemployment must be dealt with, as must the need for additional economic stimulus to get more cash back into the system. He noted some liquidity and recapitalization issues have been seen in the country.

The Congressman expects a Senate version of the Phase Four legislation likely by Mid-June (the House version has already been passed), and he anticipates that a final package can be passed in both chambers and sent to the president by the July 4 holiday.

Rep. Reed then invited comments and questions from the call participants. on such matters as forgiveness guidance, process, applications, etc.

One participant suggested that regarding forgiveness, a presumption of compliance on loans under a certain threshold would be extremely helpful (e.g., perhaps under \$250,000 or under \$350,000). There was also a discussion of the need to simplify the 11-page application, which is not easily navigated. Rep. Reed said he will pursue this with Treasury, and urge that the process and the application be simplified. Mr. Bridges said that while a number of safe harbors had been discussed, he does not believe a threshold for loan compliance has been on the table so far. The average loan size during round two of PPP was approximately \$70,000.

Rep. Reed also commented that to reach a final legislative solution and agreement there often needs to be a "force vehicle", and that the eight-week time period may serve as that kind of leverage to find consensus on the bigger picture.

There was a question about 513-6 reform, and Rep. Reed indicated he believes it will be in Phase Four.

There was a question ton regarding sole proprietor loan forgiveness, and if there is anything further on whether additional guidance on documentation is required? Rep. Reed and Mr. Bridges said far, there is not much context provided beyond the existing guidance, but said they would follow-up.

Rep. Reed then spoke briefly about what he termed "the next world of lending" and on what may be coming down pipeline. He noted the debate over the need for some kind of pandemic risk insurance is beginning to heat up among some financial institutions, and indicated there appears to be some

consideration of a freezing of lending, or of undertaking major capital projects, until there is some protection against next pandemic to mitigate risk. He asked whether there are any concerns about, or signs of, this in the 23rd C.D. but none were expressed by the participants on the call.

Rep. Reed thanked the participating banks for their strong support of local customers and communities, and reiterated he will continue to "have your backs" going forward.

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FROM ICBA

Tell The Senate To Pass PPP Reforms

With the Senate considering Paycheck Protection Program reforms after the House passed its reform bill last week, now is the time for community banks to [urge lawmakers](#) to enact our recommended changes. ICBA is calling on community bankers nationwide to use our [Be Heard grassroots action center](#) to advocate greater PPP flexibility, such as providing small businesses more time to spend PPP funds, reducing how much must be spent on payroll costs, and allowing a forgiveness presumption of compliance for loans of \$1 million or less.

Community bankers like you have worked tirelessly to deliver PPP loans to small businesses. Let's continue our efforts through [strong grassroots outreach](#) to maximize the benefit of these loans to the small businesses and local economies we serve.

This is our best shot to make substantive changes to the PPP, so please act now and rally your community bank colleagues, directors and employees to be heard on Capitol Hill.

-- Rebeca Romero Rainey, President & CEO, ICBA

FROM THE OCC

News Release | NR 2020-73 June 1, 2020

OCC Sounds Warning About Effects of COVID-19 'Lockdowns' on Banking System

WASHINGTON, D.C.—Acting Comptroller of the Currency Brian P. Brooks today expressed concerns about the effects of regional and local responses to COVID-19 on the federal banking system.

In letters to the National League of Cities, the U.S. Conference of Mayors, and the National Association of Governors, the Acting Comptroller of the Currency urged mayors and governors to consider the adverse impact of long-term regional economic shutdown on the nation's banks when making their decisions. "Certain aspects of these local orders," wrote Acting Comptroller Brooks, "potentially threaten the stability and orderly functioning of the financial system the OCC is charged by law to protect."

The letter raises awareness among state and municipal officials of certain risks closely associated with "essentially indefinite" business closures in certain cities and states. Requiring businesses to remain closed decreases businesses' ability to service their debt, thus increasing default risk in the banking system. Lengthy business closures also reduce the value of collateral securing commercial real estate because of increases in burglaries and vandalism of vacant strip malls, storefronts, and the like; in those cities considering cutting off electric, water, and other utilities to businesses that choose to remain open notwithstanding lockdown orders, the degradation of the physical loan collateral exposes banks to higher loss severities. During a period of double-digit unemployment and stresses caused by local responses to COVID-19 to previously safe and sound business and commercial real estate portfolios, actions that exacerbate that risk may prolong and worsen an economic downturn, reduce the availability of credit and capital that would support recovery, and result in safety and soundness issues that are especially significant for smaller community and regional banks with business concentrations in these areas.

"National banks and federal savings associations entered the COVID-19 crisis extremely well capitalized and with strong liquidity," Mr. Brooks wrote. "The President and Congress have relied on a strong banking system to deliver many of the elements of the CARES Act and other relief to support the nation during this difficult period. I ask that your members carefully consider the impact of their lockdown orders on the health and function of our shared national financial infrastructure as they implement the President's guidance to determine when and how to unwind those orders."

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FROM THE WHITE HOUSE

[Summary of Paycheck Protection Program Lending as of 5/30 – Updated 6/01](#)

FROM NEW YORK

Behind The Scenes: Former Top Aides Played Key Role In Cuomo's Pandemic Response

Few in state government are more powerful than the Secretary to the governor, the individual who is traditionally and functionally the closest aide and adviser, and is often entrusted with both delivering the governor's message and seeing that his will is done. When faced with the unprecedented challenges posed by the coronavirus pandemic, Governor Cuomo turned to his past Secretaries Larry Schwartz, Steve Cohen and Bill Mulrow – three men whose relationships with him go as far back as when all were working for former Gov. Mario Cuomo – to help guide the state's response. Schwartz headed up the more immediate efforts of the state, like procuring and distributing health equipment and working with hospitals to expand capacity. Cohen and Mulrow focused on the state's economic recovery and led the commission that developed the New York Forward plan, the document now guiding the state's gradual reopening. [Read more here.](#)

Two more regions of the state are entering the second phase of reopening this week, the governor announced Monday. This will happen in Western New York on Tuesday and the Capital Regional on Wednesday. "All the numbers look good there," Cuomo said. "We're going to run them by our global team to make sure they're as good as we think they are. Five other regions of the state have already begun allowing in-store shopping, professional services and barbering to resume. It remains to be seen whether Long Island and the Mid-Hudson Valley will be able to follow by the time New York City begins the first phase, scheduled to happen on June 8. That timeline means officials have to work fast to figure out [ongoing challenges like public transit](#).

- Here is Gov. Andrew Cuomo's [June 1 coronavirus presentation](#).

IBANYS will continue to provide updates as additional information becomes available. Thank you all for your continued participation and support.

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