

Wednesday, August 26, 2020

To: New York Community Banks

FROM ICBA

Community Bank Net Income Rises In Q2: FDIC

Community bank net income increased 3.2 percent in the second quarter from the same time last year, according to the FDIC's [Quarterly Banking Profile](#). The increase contrasts with the overall banking industry's 70 percent decline in net income, due to the economic impact of the coronavirus pandemic. More than half of community banks reported higher net income despite a 273.2 percent increase in provision expenses. The increase was driven by gains on the sale of loans (up 142.2 percent) and securities (up 130.7 percent). Community banks reported year-over-year loan growth of 13.5 percent, driven by Paycheck Protection Program lending. The net interest margin for community banks decreased 17 basis points year-over-year to 3.51 percent, as the decline in average earning asset yields outpaced the decline in funding costs.

The banking industry's overall decline in net income was driven by lower levels of business activity and consumer spending, uncertainty about the path of the economy, and the low-interest-rate environment. These factors contributed to higher provisions for loan and lease losses, a decrease in net interest margins, and a slight decline in asset-quality metrics.

The Deposit Insurance Fund balance rose \$1.4 billion from the previous quarter to a record \$114.7 billion. The reserve ratio declined 9 basis points to 1.30 percent due to an influx of more than \$1 trillion in new deposits.

During the second quarter, one new bank opened, 47 institutions were absorbed through mergers, and one bank failed.

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FHFA Changes Course On New GSE Fee

ICBA welcomed an announcement by the Federal Housing Finance Agency delaying the Fannie Mae and Freddie Mac Adverse Market Refinance Fee and exempting smaller loans. Following an ICBA grassroots and media campaign, the [FHFA announcement](#) delays the 0.5 percent fee on refinance mortgages from Sept. 1 to Dec. 1. It also exempts loans with balances below \$125,000 and the Fannie Mae HomeReady and Freddie Mac Home Possible affordable refinance products. The FHFA said the fee is needed to cover projected losses of at least \$6 billion at the government-sponsored enterprises caused by coronavirus-related renter and borrower protections. In a [news release](#), ICBA said the delay will give borrowers and lenders time to close and fund loans already in process, while the exemption for lower-balance loans will help keep them affordable. ICBA immediately pushed back against the fee when it was announced earlier this month, including via an [American Banker op-ed](#) and a grassroots campaign that generated more than 3,700 messages to policymakers. ICBA thanks all the community bankers who have weighed in.

CFPB seeking feedback on impact of CARD Act rules

The Consumer Financial Protection Bureau [issued](#) a request for information about the impact of rules implementing the CARD Act of 2009. The 10-year review is required under the Regulatory Flexibility Act. The CFPB is seeking input on the economic impact of the rules on small entities and whether the regulations should be amended or rescinded. It is also seeking feedback on how the consumer credit card market is functioning, a review it is required to conduct every two years.

FROM OTHER SOURCES

- *The American Banker* reports that "the FDIC's quarterly report shows the extent of the pandemic's hit to bank profits. The \$18.8 billion in net income was 70% less than a year earlier, as the uncertain economic picture and new accounting rules drove a sharp rise in provisions for future

losses. <https://www.americanbanker.com/news/fdics-quarterly-report-shows-extent-of-pandemics-hit-to-bank-profits>.

- A federal program meant to help small businesses hurt by the coronavirus pandemic may have sent more than \$1 billion to places it shouldn't have gone, according to a Bloomberg Businessweek analysis of Small Business Administration data. In some parts of the country the SBA approved far more \$10,000 Economic Injury Disaster Loan (EIDL) grants than the number of eligible businesses, the analysis found. The epicenter was six adjacent congressional districts in the Chicago area, where 81,000 grants were approved even though there are only 19,000 eligible recipients. https://www.bloomberg.com/news/articles/2020-08-26/small-business-administration-sends-1-billion-to-places-it-shouldn-t-have-gone?srnd=premium&mkt_tok=eyJpIjoiWVdWbE1EQTFZbVJrWm1RMCIIsInQiOiJ6ZjlGb0ZrM0RCRIHYW9vU2JqbFFJaDhwaTBpamFjRkZ2b00zT2d6bTVuWWWhyYTNBa1psbThpejJxUll1VWw3QWZcL3BnRWVvRHRGNmRiQXRJY3oyVU05NXI3ajJoalFQanpnUXpkYlhuaGVcd2ZXcEVtUVhrMWhCO0dzemtrcTgifQ%3D%3D
- With Wall Street preparing for more of its traders and bankers to return to offices next month, a shift underway at JPMorgan Chase may have lasting implications for the entire industry. Workers in the firm's corporate and investment bank, an industry heavyweight with 60,950 employees, will cycle between days at the office and at home, keeping the ability to work remotely on a part-time basis. https://www.cnn.com/2020/08/25/jpmorgan-will-have-staff-cycle-between-office-and-remote-work-in-a-move-that-may-remake-wall-street.html?mkt_tok=eyJpIjoiWVdWbE1EQTFZbVJrWm1RMCIIsInQiOiJ6ZjlGb0ZrM0RCRIHYW9vU2JqbFFJaDhwaTBpamFjRkZ2b00zT2d6bTVuWWWhyYTNBa1psbThpejJxUll1VWw3QWZcL3BnRWVvRHRGNmRiQXRJY3oyVU05NXI3ajJoalFQanpnUXpkYlhuaGVcd2ZXcEVtUVhrMWhCO0dzemtrcTgifQ%3D%3D
- The number of Americans newly diagnosed with the coronavirus is falling — a development experts say most likely reflects more mask-wearing but also insufficient testing — even as the disease continues to claim nearly 1,000 lives in the U.S. each day, [the Associated Press reports](#).
- State and local governments from around the country on Tuesday urged the Federal Emergency Management Agency to not end reimbursement expenses for personal protective equipment and disinfectants. [Read More](#)

FROM NEW YORK

- New York reported 25,297 total statewide deaths of New Yorkers who tested positive for COVID-19. There were 2 more fatalities in New York yesterday. For more numbers, including the latest statewide and borough-by-borough statistics, [click here](#).
- The state has gone 18 straight days with less than 1% of testing results coming back positive for the coronavirus, and no deaths were reported in New York City on Monday, according to the latest state data. Western New York, however, [continues to be an outlier](#), with infection rates that are roughly double the state average in recent days. A total of 55 new cases were reported in Erie County on Monday, which is the highest for any locality besides the 231 positive cases reported in New York City.
- The Ithaca area, home to colleges and universities, was the only metropolitan area in the state with an unemployment rate below 10% last month, while New York City continues to have the highest unemployment rate of 20% in July. Ithaca's unemployment rate stood at 9.9%, the labor statistics show, while New York City continues to have the highest unemployment rate of 20% in July. New York's economy nosedived in March as businesses and workplaces shutdown to prevent the spread of the coronavirus pandemic in the state. The statewide unemployment remained 15.9% in July, though labor officials have said the economy added private sector jobs as more businesses begin to reopen. [State of Politics reports](#). <https://nystateofpolitics.com/state-of-politics/new-york/ny-state-of->

[politics/2020/08/25/ithaca-area-has-lowest-unemployment--nyc-highest](https://www.forwardny.com/politics/2020/08/25/ithaca-area-has-lowest-unemployment--nyc-highest)

- Governor Cuomo announced five states—Alaska, Arizona, Delaware, Maryland and Montana—have been removed from New York State’s COVID-19 travel advisory. Guam has been added. He also noted New York State has had a rate of positive tests below 1 percent for 18 straight days. Yesterday, 2 deaths were reported from COVID-19, matching the state’s previous low. No deaths were reported in New York City. The governor also updated New Yorkers on the state’s progress during the ongoing COVID-19 pandemic. <https://empirereportnewyork.com/governor-cuomo-announces-five-states-removed-from-covid-19-travel-advisory-requiring-14-day-quarantines/> The number of new cases, percentage of tests that were positive and many other helpful data points are always available at [forward.ny.gov](https://www.forwardny.com).
- New York State was approved by the federal government for a \$300 a week supplemental payment for unemployed residents. New York is among 30 states to enter the program. It will provide additional help to unemployed New Yorkers amid the COVID-19 pandemic. The timeline for when the money will flow is uncertain, the NYS Department of Labor said it will work to get the unemployment help out as soon as possible. <https://webcache.googleusercontent.com/search?q=cache:DR105Jl-zl8J:https://www.democratandchronicle.com/story/news/politics/albany/2020/08/25/new-york-approved-300-week-unemployment-when-will-it-come/5630949002/+&cd=10&hl=en&ct=clnk&gl=us>
- State legislators are gearing up for a potential session in September to perhaps address the state's finances. There is talk of new revenue-raisers, including eliminating rebates the state now provides on stock transfers; imposing higher income taxes on people with more than \$1 million in annual income; and creating a new tax on super wealthy people with more than \$1 billion in assets.. Large spending cuts are not a route lawmakers want to take so deep into the fiscal year and so close to election day. “It’s true that everybody has been holding their breath until they turn blue to not cut the budget ... or to do what we can to make Washington deliver like it needs to,” state Senate Finance Chair Liz Krueger told The Buffalo News. “We’re getting closer and closer to the ‘everything blows up moment.’” https://buffalonews.com/news/state-and-regional/govt-and-politics/the-clock-is-ticking-on-resolving-new-york-states-sky-high-deficit/article_e7dc2b3a-e3d3-11ea-9fef-8bad32fe9c7c.html#tracking-source=home-top-story-1
- The economic shutdown triggered by the COVID-19 pandemic has resulted in an astonishing \$14 billion budget deficit in New York, with projections of up to \$30 billion by 2022, according to New York Governor Andrew Cuomo. In efforts to minimize the cash flow crunch and increase capital funding of the state’s economy, state legislators have turned to the New York City real estate market for relief. Most relevant is the revival of the “pied-à-terre” property tax surcharge on qualifying non-primary residences within the state. <https://www.natlawreview.com/article/covid-19-real-estate-revival-new-york-pied-terre-tax>; Please [click here](#) to access the full text of the proposed Senate Bill S44A.
- Nine years after he led the Committee to Save New York, former Gov. David Paterson is the public face and leader of a new group, the Campaign for New York's Future, that wants to boost New York's economy, but is opposed to increasing taxes, [State of Politics reports](#). New York was facing a deep and long-lasting recession. Jobs were disappearing. There were calls to increase taxes on New York's wealthiest residents. But a group formed composed of business and civic leaders who instead supported the approach Gov. Andrew Cuomo was taking: Find ways of controlling spending, don't increase taxes. That was 2011 and the Committee to Save New York. [Read More](#)

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

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