

Monday, September 21, 2020

To: New York Community Banks

## FROM ICBA

### **FDIC working on PPP asset-threshold impact: McWilliams**

The FDIC is exploring options to address the impact of Paycheck Protection Program loans on regulatory asset thresholds, FDIC Chairman Jelena McWilliams [told ICBA](#). Responding to ICBA's call for federal regulators to exclude PPP loan balances from bank and bank holding company thresholds, McWilliams said the FDIC appreciates this concern and is considering targeted adjustments to mitigate unintended consequences from PPP lending.

In its [letter](#), ICBA said the agencies should quickly amend regulations so the PPP won't push community banks over regulatory thresholds, subjecting them to additional burdens. ICBA noted that while it has already asked [House](#) and [Senate](#) lawmakers to pass legislation directing the agencies to exclude PPP loans from asset thresholds, regulators are already authorized to do so. ICBA will continue working with regulators and Congress to ensure community banks are not punished for their leading role in supporting small businesses during the coronavirus pandemic.

### **Fed updates FAQs on Main Street Lending Program**

The Federal Reserve Board [updated](#) its frequently asked questions on the Main Street Lending Program to clarify expectations regarding lender underwriting. The revised FAQs emphasize that lender underwriting should look back to the borrower's pre-pandemic condition and forward to their post-pandemic prospects. The FAQs also clarify supervisory expectations for program lenders.

### **ICBA seeks PPP accounting simplification**

ICBA asked the federal banking regulators to allow community banks to recognize Paycheck Protection Program fees as income in their call reports due to the program's complex accounting arrangement. In a [letter](#), ICBA said the program's unconventional lending arrangement requires banks to recognize almost all income under the program through the origination fee, not the yield on the investment. Recognizing the income on bank balance sheets immediately, rather than over the life of the loan, reflects the dependence on SBA loan forgiveness and will help strengthen community bank balance sheets.

### **Hearings this week on Treasury, Fed pandemic response**

Congress is in session this week. The House Financial Services and Senate Banking committees have hearings scheduled for tomorrow and Thursday, respectively, on the Treasury Department and Federal Reserve response to the coronavirus pandemic.

### **USDA expands food assistance program**

The USDA [announced](#) up to an additional \$14 billion in direct payments for agricultural producers who continue to face market disruptions due to the coronavirus pandemic. Signup for the second round of Coronavirus Food Assistance Program funds runs through Dec. 11.

## FROM OTHER SOURCES

- “Supreme Court Fight Complicates Coronavirus Aid Talks, Spending Bill,” by WSJ’s Andrew Duehren and Kristina Peterson: <https://on.wsj.com/2RKD9d9>.
- Without announcement, the Centers for Disease Control and Prevention issued new guidance that said the coronavirus spreads mostly through the air, and that indoor settings with poor ventilation increase viral spread. The agency had previously stated that COVID-19 spreads between people

within about six feet of one another through propulsion of exhaled droplets and by surface transmission: touching something that has the virus on it, and then touching one's face or mouth. ([Los Angeles Times](#))

- U.S. economic activity fell more sharply in the second quarter of this year than during any other quarter in history. It's also going to *grow* more sharply in the third quarter of this year than during any other quarter in history, Axios chief financial correspondent Felix Salmon [writes](#).
- The Federal Reserve on Wednesday released an optimistic [forecast](#) for how the economy is going to fare this year.
  - In June, when coronavirus cases were declining quite quickly, the Fed expected that we would end the year with unemployment at 9.3%, and saw the economy shrinking by 6.5%.
  - Today, with coronavirus deaths still at their June levels, the Fed sees 2020 ending with unemployment at 7.6%, and an economy that has shrunk by just 3.7%. That's still terrible, of course, for workers who are out of a job and businesses that are fighting for survival.

Wall Street has seen a similar turnaround in growth expectations:

- Quarterly GDP growth is measured on an annualized basis. On that basis, economic forecasters in April expected the third quarter to see a bounceback on the order of 13%.
  - By June, the forecast had improved to 18%. Now, they expect third-quarter GDP to grow by an astonishing 25.2%.
- The Federal Reserve clarified that in its Main Street Lending Program, federal examiners would have more flexibility in evaluating loans originating from the program, agreeing with the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corp on the matter. So far, the Main Street Lending Program hasn't had much uptake, with banks extending only slightly more than \$1.5 billion as of Wednesday, out of a possible \$600 billion. ([The Wall Street Journal](#))
  - Large states in the Northeast and West logged some of the highest unemployment rates in the nation in August, while many of their Southern and Midwestern neighbors saw lower rates of joblessness despite significant coronavirus outbreaks over the summer. The jobless rate in more than half of states was below the national average of 8.4% in August, according to a Labor Department report that provides details on the job market in all 50 states. [https://www.wsj.com/articles/jobless-rates-in-northeast-west-are-highest-in-nation-11600447829?mkt\\_tok=eyJpIjoiT1dJME5UQXpZemMyWVdRMiIsInQiOiJEaHJETW9FRDQ3M1RyRmlPNXpCM0VCbFpySTFkNU9ndzRrZHkrS1pNdTNjdGxHMUVWUXRvTVFveWxDWDdRWIJybUx3MGc4U09Db1c0VXBVYm5hT3paK2piVzJrNVpiVnlLK0U1d2JiMnhzQ3d4ejJCVzU1QlpCdE96eEx2ajVHcCj9](https://www.wsj.com/articles/jobless-rates-in-northeast-west-are-highest-in-nation-11600447829?mkt_tok=eyJpIjoiT1dJME5UQXpZemMyWVdRMiIsInQiOiJEaHJETW9FRDQ3M1RyRmlPNXpCM0VCbFpySTFkNU9ndzRrZHkrS1pNdTNjdGxHMUVWUXRvTVFveWxDWDdRWIJybUx3MGc4U09Db1c0VXBVYm5hT3paK2piVzJrNVpiVnlLK0U1d2JiMnhzQ3d4ejJCVzU1QlpCdE96eEx2ajVHcCj9)

## FROM NEW YORK

- **The Governor's Executive Order (see attached) extends moratorium on eviction of commercial tenant & foreclosure of commercial mortgage until 10/20/20.**
- State Comptroller DiNapoli said the \$150 billion federal Coronavirus Relief Fund (CRF) could have been better aimed to the localities, especially New York City, that suffered the most severe impacts from the novel coronavirus, instead of being based on the most recent U.S. Census Bureau population data. DiNapoli released an [analysis](#) that found the communities with high

infection rates have spent most of their CRF while other communities with low infection rates at the time the aid was given have not.

- New York State Comptroller Thomas P. DiNapoli said that state tax receipts are \$3.2 billion lower than last year, as he released the State Cash [Report](#) for August. DiNapoli noted state tax receipts of \$4.3 billion in August were \$309.3 million above the latest projections by the state Division of Budget (DOB), but \$219.1 million below collections in August 2019.
- Sales tax revenue, a major funder of local governments, dropped nearly 8% in August from a year ago because of the pandemic, but the monthly losses are easing statewide, according to state Comptroller Thomas DiNapoli, [Newsday reports](#).
- Many of New York City's biggest hotels closed their doors in March when the coronavirus wiped out tourism and business travel. The shutdowns were supposed to be temporary, but six months later, with no potential influx of visitors in sight, a wave of permanent closures has begun. <https://www.nytimes.com/2020/09/21/nyregion/nyc-hotels-closing.html>
- As the rest of the country begins to see some employment rebound following staggering job losses at the height of the pandemic, New York's own recovery lags behind, [The City reports](#). While the national unemployment rate is 8.4%, New York's is nearly double that, at 16%.
- New York reported 25,428 total statewide deaths of New Yorkers who tested positive for COVID-19. There was 1 more fatality in New York yesterday. For more numbers, including the latest statewide and borough-by-borough statistics, [click here](#).
- [Infection levels statewide](#) remain relatively low as the country as a whole [passes 200,000 deaths](#) from the pandemic. State officials and public health experts are still warning of another wave of COVID-19 cases as people begin spending more time indoors, but the biggest hotspots in the state and the nation are college campuses. [A new online dashboard](#) grades the reopening process at individual institutions. [The New York Post reports](#) that private universities like Fordham and Yeshiva are flunking the test, Stony Brook University is getting an A, and Columbia University and the SUNY system have room for improvement.
- Interviews with historians, public policy experts, political scientists, two former governors and others, especially his fellow lawmakers, indicate Cuomo has grown remarkably powerful, whether in comparison to past New York governors or the current governors of other states. Throughout the COVID-19 pandemic, he has concentrated his authority more than any time in his administration, overseeing details of the shutdown earlier this year and micro-managing the state's reopening. <https://webcache.googleusercontent.com/search?q=cache:yvG3KzknBikJ:https://www.timesunion.com/news/article/How-Andrew-Cuomo-became-maybe-the-most-15553216.php+&cd=1&hl=en&ct=clnk&gl=us>

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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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