

Friday, October 16, 2020

To: New York Community Banks

FROM ICBA

SBA offers EIDL info on PPP platform

Information on Economic Injury Disaster Loan advances is now available on the Paycheck Protection Program Forgiveness Platform for submitted decisions, the SBA said in a [letter to lenders](#) with several updates on processing forgiveness payments. According to the letter, lenders can see if the SBA will deduct an EIDL advance from final forgiveness payments. While borrowers may receive up to a \$10,000 advance payment under the EIDL program, those funds will be deducted from PPP loan forgiveness, leaving some borrowers with a substantial unforgiven balance that must be repaid. ICBA has [urged the SBA](#) to not deduct EIDL advances from PPP loan-forgiveness amounts, which is imposing unexpected debts on small-business borrowers. The arrangement is proving to be a surprise for many given previous SBA guidance indicating EIDL advances do not have to be repaid, but not spelling out the impact on PPP forgiveness. ICBA offers a [guide on SBA lien requirements](#) related to EIDLs and additional information on the federal pandemic response on its COVID-19 [frequently asked questions](#).

[READ SBA LETTER](#)

ICBA continues PPP pressure as Senate plans vote

ICBA [called on](#) Senate Majority Leader Mitch McConnell (R-Ky.) to include Paycheck Protection Program forgiveness simplification in pending stimulus legislation. By simplifying forgiveness for PPP loans under \$150,000, the bipartisan S. 4117/H.R. 7777 would ensure the success of the program is not undermined by an overly complex forgiveness process, ICBA told McConnell. While the latest Senate package is expected to be stopped by a party-line vote and would have to be taken up by the House, ICBA continually works to ensure PPP forgiveness remains a key part of the stimulus debate. To maximize support for forgiveness simplification, ICBA continues calling on [community bankers](#) and [small-business owners](#) to urge Congress to immediately pass the bipartisan legislation. In an op-ed this week on [Medium](#), ICBA President and CEO Rebeca Romero Rainey wrote that forgiveness simplification would allow policymakers to support the economic recovery despite the stalled stimulus talks.

ICBA continues PPP video series

ICBA is continuing its series of videos featuring small-business owners who successfully received Paycheck Protection Program loans from community banks. The series on the updated [banklocally.org](#) features entrepreneurs whose local community banks worked around the clock to process their loans. ICBA is featuring the videos on its social media channels in the coming days with the #BankLocally hashtag and encourages community banks and small businesses to submit their positive stories to [banklocally.org](#).

FROM OTHER SOURCES

- House Speaker Pelosi and Treasury Secretary Mnuchin spoke yesterday and reportedly made progress on resolving differences over a national strategic testing plan for COVID-19. Mnuchin said the White House would accept the proposal with "minor" modifications, according to Pelosi's spokesman, although Senate Majority Leader McConnell (R-Ky.) said that President Donald Trump is "willing to go higher" on a relief package price tag than Senate Republicans are. ([The Washington Post](#)); All the latest from Politico: <https://politi.co/345BdTE>.
- The number of new unemployment claims jumped last week, the latest sign of the toll the pandemic continues to take on the economy. States processed 898,000 new unemployment claims -- up more than 50,000 from the previous week, the largest increase in first-time jobless applications since August. https://www.washingtonpost.com/business/2020/10/15/jobless-claims-increased-898000-sign-recovery-could-be-stalling/?mkt_tok=eyJpIjoiWVdFNE1tTmlNbUZpTm9NeCIsInQiOiI2NVVzcnhDdUJDM1RXX

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- The number of new coronavirus cases in the United States is surging once again after growth slowed in late summer. While the geography of the pandemic is now shifting to the Midwest, cases are trending upward in most states, [the Times reports](#).
- After an ambitious expansion of the safety net in the spring saved millions of people from poverty, the aid is now largely exhausted and poverty has returned to levels higher than before the coronavirus crisis, two new studies have found.
- The National Governors Association (NGA) is [seeking a meeting](#) with President Donald Trump to discuss how the federal government and states can cooperate to distribute future vaccines for the coronavirus. “If you listen to the White House, it could be just a matter of weeks away,” said NGA Chair Andrew Cuomo, who said issues that need to be discussed include: “The delineation of federal and state responsibilities; the funding needs associated with those responsibilities; and the planned supply chain management and vaccine allocation process,” [according to the letter](#).
- There have been [setbacks](#) in the development of several vaccine candidates, and there is [growing](#) worry that President Trump is pushing drug companies and the FDA to curtail the typically lengthy vaccine approval process.

Subject: Regulatory Capital Rule: Temporary Changes to and Transition for the Community Bank Leverage Ratio Framework

Bulletin | OCC 2020-89 October 15, 2020

Regulatory Capital Rule: Temporary Changes to and Transition for the Community Bank Leverage Ratio Framework : Final Rule

To: Chief Executive Officers of All National Banks and Federal Savings Associations; Department and Division Heads; All Examining Personnel; and Other Interested Parties

Summary

The Office of the Comptroller of the Currency (OCC), along with the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation (collectively, the agencies), published a final rule in the *Federal Register* on October 9, 2020, that adopts without change two interim final rules: “Temporary Changes to the Community Bank Leverage Ratio Framework” and “Transition for the Community Bank Leverage Ratio Framework.”¹

Consistent with the interim final rules, the final rule implements a temporary change to the community bank leverage ratio (CBLR) framework, pursuant to section 4012 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and provides a graduated increase from the temporary 8 percent CBLR requirement to the 9 percent CBLR requirement as established under the CBLR final rule published in 2019.² The final rule is effective November 9, 2020.

This bulletin replaces and rescinds OCC Bulletin 2020-33, “Community Bank Leverage Ratio: Interim Final Rules.”

Note for Community Banks

This final rule applies to qualifying community banks³ with less than \$10 billion in total consolidated assets that meet other prudential criteria and opt into the CBLR framework.

Highlights

The CBLR framework provides a simple measure of capital adequacy for certain community banking organizations. In 2019, the agencies issued a final rule establishing the CBLR framework, which became effective January 1, 2020. The final rule published October 9, 2020, adopts the two interim final rules without change and provides that, for purposes of the CBLR framework,

§the leverage ratio requirement is

- 8 percent, effective the second quarter of 2020.
- 8.5 percent, effective January 1, 2021.
- 9 percent, effective January 1, 2022.

§ a bank that elects to use the CBLR framework but temporarily fails to meet all of the qualifying criteria, including the leverage ratio requirement, has a grace period of two calendar quarters to return to compliance provided that the bank maintains a leverage ratio greater than

- 7 percent, effective the second quarter of 2020.
- 7.5 percent, effective January 1, 2021.
- 8 percent, effective January 1, 2022.

§ a bank that has a leverage ratio equal to or less than the grace period minimums must immediately apply the risk-based capital standards.

Further Information

Please contact Benjamin Pegg, Risk Expert, or JungSup Kim, Risk Specialist, Capital Policy, at (202) 649-6370; or Carl Kaminski, Special Counsel, or Daniel Perez, Counsel, Chief Counsel's Office, at (202) 649-5490.

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Related Link

§ [“Regulatory Capital Rule: Temporary Changes to and Transition for the Community Bank Leverage Ratio Framework”](#) (PDF)

¹ Refer to 85 Fed. Reg. 22924 (April 23, 2020) and 85 Fed. Reg. 22930 (April 23, 2020).

² Refer to OCC Bulletin 2019-55, “Regulatory Capital Rule: Capital Simplification for Qualifying Community Banking Organizations: Final Rule.”

³ “Banks” refers to national banks and federal savings associations.

FROM NEW YORK

- New York's statewide unemployment rate fell in September from 12.5 percent to 9.7 percent as the private sector added 75,300 jobs, according to numbers released Thursday by the state Department of Labor. [Read More](#)
- Governor Cuomo called for a meeting of state governors and President Donald Trump to plan for the next stage in the battle against the coronavirus pandemic: distributing a vaccine, [Newsday reports](#).
- New York reported 25,605 total statewide deaths of New Yorkers who tested positive for COVID-19. There were 13 more fatalities in New York yesterday. For more numbers, including the latest statewide and borough-by-borough statistics, [click here](#).
- The number of people hospitalized across the state is below 900 after rising in recent days, [according to the latest state data](#). Statewide rates of infection, however, continue to remain relatively high. Just under 5% of reported tests on Wednesday came back positive in New York City, Rockland County and Orange County – five times the statewide positive rate. This suggests the ongoing increase of COVID-19 cases statewide resembles a ripple more than the third wave that appears to be forming nationwide. “We are headed in the wrong direction, and that’s reflected not only in the number of new cases but also in test positivity and the number of hospitalizations,” [one expert told The New York Times](#).

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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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