

Thursday, November 19, 2020

To: New York Community Banks

## FROM ICBA

### **FHFA issues final GSE capital rule**

The Federal Housing Finance Agency [issued its final rule](#) establishing a new regulatory capital framework for Fannie Mae and Freddie Mac. The final rule establishes risk-based capital requirements for the enterprises and is similar to the proposal rule, requiring the GSEs to maintain tier 1 capital over 4 percent to avoid restrictions on capital distributions and discretionary bonuses. However, the FHFA increased capital relief for credit risk transfers, as ICBA advocated in its [comment letter](#) earlier this year. It also reduced capital requirements for single-family mortgage exposures subject to COVID-19-related forbearance and increased the exposure level risk-weight floor for mortgages exposures. In its comment letter, ICBA said it supports the FHFA's efforts to recapitalize the GSEs and offered recommendations to ensure the rule doesn't incentivize excessive risk taking or undermine their operations. ICBA has long supported strong GSE capital levels to protect taxpayers and ensure liquidity in the housing market, and it continues working to support the enterprises' eventual exit from conservatorship.

### **ICBA calling for lame-duck grassroots**

ICBA's Paul Merski this week called on community bankers to [urge Congress](#) to pass much-needed economic stimulus measures during the lame-duck session. In a new [Main Street Matters post](#), Merski said ICBA's efforts to pass Paycheck Protection Program and Economic Injury Disaster Loan Advance reforms continue unabated. Community bankers can use ICBA's [Be Heard grassroots action center](#) to reach their lawmakers and can learn more about the lame-duck session via ICBA's [2020 election analysis](#) and latest [Community Bank Briefing](#).

### **ICBA backs Senate bill to address EIDL-PPP conflict**

ICBA [expressed](#) strong support for Senate legislation that would restore forgiveness for Economic Injury Disaster Loan Advance recipients who also have a Paycheck Protection Program loan. The EIDL Advance Protection Act (S. 4885), introduced by Sen. Marsha Blackburn (R-Tenn.), would address the problem of EIDL advances converting to unexpected debt during the PPP forgiveness process. ICBA Chairman Noah Wilcox and small-business customer Jim Lamke detailed the issue in a recent [op-ed on Medium](#). Community bankers can call on Congress to address the issue in the next economic relief bill via a custom letter to lawmakers on ICBA's [Be Heard grassroots action center](#).

### **CFPB posts video on mortgage forbearance steps**

The Consumer Financial Protection Bureau released a [new video](#) featuring five steps for borrowers seeking mortgage forbearance due to the coronavirus pandemic. The steps include contacting mortgage servicers, asking about CARES Act protections, and learning about what happens after the forbearance period ends.

### **ICBA launches 2021 Business Continuity Plan**

ICBA and the Financial Services Information Sharing and Analysis Center launched a new guide to help community banks revise their business continuity plans given the COVID-19 environment. The [2021 Business Continuity Plan](#) includes best practices for the annual update, pandemic-related activities, and links to helpful resources. [Access the plan](#).

## FROM THE WHITE HOUSE

The U.S. Treasury Department and Internal Revenue Service (IRS) released guidance clarifying the tax treatment of expenses where a Paycheck Protection Program (PPP) loan has not been forgiven by the end of the year the loan was received. Read more [here](#).

- “Today’s guidance provides taxpayers with greater clarity and flexibility... These provisions ensure that all small businesses receiving PPP loans are treated fairly, and we continue to encourage borrowers to file for loan forgiveness as quickly as possible.” - Secretary Steven Mnuchin
- Since businesses are not taxed on the proceeds of a forgiven PPP loan, the expenses are not deductible. This results in neither a tax benefit nor tax harm since the taxpayer has not paid anything out of pocket.
- If a business reasonably believes that a PPP loan will be forgiven in the future, expenses related to the loan are not deductible, whether the business has filed for forgiveness or not. Therefore, we encourage businesses to file for forgiveness as soon as possible.
- In the case where a PPP loan was expected to be forgiven, and it is not, businesses will be able to deduct those expenses.
- [Click here to view the revenue ruling.](#)
- [Click here to view the revenue procedure.](#)

### FROM OTHER SOURCES

- The Senate left town yesterday for the Thanksgiving recess without passing coronavirus relief (or, for that matter, a must-pass government funding bill.) White House Chief of Staff Meadows said it's up to Senate Majority Leader McConnell and House Speaker Pelosi to reach a pandemic relief deal. Pelosi and McConnell have not talked about an aid package since the election. <https://www.politico.com/newsletters/huddle/2020/11/19/trump-puts-republicans-in-a-tough-spot-again-490944?nname=huddle&nid=0000014f-1646-d88f-a1cf-5f46b4be0000&nrid=00000152-f737-dcf0-a7d7-f73fb7700001&nlid=630309>
- The bipartisan "Problem Solvers Caucus" led by New York Republican Rep. Tom Reed (R-Southern Tier) and New Jersey Democratic Rep. Josh Gottheimer called yesterday for the passage of a coronavirus stimulus measure as positive cases are resurgent in every state in the U.S. They want it done sooner rather than later. <https://nystateofpolitics.com/state-of-politics/new-york/ny-state-of-politics/2020/11/19/lawmakers-want-to-end-delay-on-covid-stimulus->
- With coronavirus cases on the rise in all but one state and a newly breached American death toll of 250,000, this would not seem to be the moment for the United States to take a patchwork response to the pandemic – but that’s what it has done, [the Times reports](#).
- The number of people in the hospital with COVID-19 in the U.S. has doubled in the past month and set new records every day this week. As of Tuesday, nearly 77,000 were hospitalized with the virus. 11.5 million Americans have tested positive for the coronavirus, and 250,537 Americans have died. <https://apnews.com/article/ap-top-news-tennessee-coronavirus-pandemic-74a1f0dc3634917a5dc13408455cd895>
- Two more members tested positive for coronavirus. That makes seven members of Congress, as well as a member-elect, who have tested positive over the past week and a half. <https://on.wsj.com/32YHkIu>
- Federal Reserve Bank of New York President John Williams said yesterday that if elected leaders don't deliver new aid for the economy, the path of the recovery will likely be slower than if help were provided. He noted that fiscal aid has "been a critical part of why the economy has recovered as well as it has." <https://www.wsj.com/articles/feds-williams-says-lack-of-fiscal-aid->

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- U.S. homebuilding increased more than expected in October, suggesting the housing market continues to be sustained by historically low mortgage rates even as the economic recovery shows signs of strain amid a resurgence in new COVID-19 infections. Housing starts rose 4.9% to a seasonally adjusted annual rate of 1.530 million units last month, the Commerce Department. [https://www.reuters.com/article/usa-economy-housingstarts/u-s-housing-starts-beat-expectations-in-october-idUSL1N2I32ON?mkt\\_tok=eyJpIjoiWm1Jd1pEazNPR1UyTVRBNSIsInQiOiJhMytkb3BTRXdIWUNBRVZvb0N5Q0ZQNFBjQ3Zwb0hNOXRscw3Y1E1eDBWQ1BiRDJYTE1UQVpaWUVpbHY4aWpcL2FJYUxhdXRZNUF4VU1uMG1qNVZoemNHQTNHS1wvWUN6ZDJCN1NabWlJbkxlZGJmM2VWNG9jWis4blNyYzQybHJUIIn0%3D](https://www.reuters.com/article/usa-economy-housingstarts/u-s-housing-starts-beat-expectations-in-october-idUSL1N2I32ON?mkt_tok=eyJpIjoiWm1Jd1pEazNPR1UyTVRBNSIsInQiOiJhMytkb3BTRXdIWUNBRVZvb0N5Q0ZQNFBjQ3Zwb0hNOXRscw3Y1E1eDBWQ1BiRDJYTE1UQVpaWUVpbHY4aWpcL2FJYUxhdXRZNUF4VU1uMG1qNVZoemNHQTNHS1wvWUN6ZDJCN1NabWlJbkxlZGJmM2VWNG9jWis4blNyYzQybHJUIIn0%3D)

### FROM NEW YORK

- New York City area hospitals are preparing for a significant resurgence of COVID-19 patients, with staffing and worker burnout their primary concerns, [The Wall Street Journal reports](#).
- Schools at either end of the state -- many of which serve students of color and low-income kids -- will be closing down again amid the coronavirus pandemic under an "orange" zone designation due to rising COVID-19 cases. In New York City, schools are closing on the order of Mayor Bill de Blasio weeks after reopening in September. In Western New York, multiple communities are now under an "orange" zone designation that will lead to a shift to remote learning. More coverage [here](#) and [here](#)
- New York City's entire public school system will close, a worrisome signal that a second wave of the coronavirus has arrived. Schools have been open for in-person instruction for just under eight weeks, [The New York Times reports](#). [The schools will shut down starting today as the city's coronavirus case count keeps rising, having hit a 3-percent infection rate that sent the nation's largest school system completely virtual.](#)
- New York City area hospitals [are preparing](#) for a significant resurgence of Covid-19 patients, with staffing and worker burnout their primary concerns.
- New York City is likely heading for increased restrictions as Governor Cuomo speculated about a "tremendous" spike in coronavirus cases after Thanksgiving, warning that the entirety of the Big Apple could soon be designated as an "orange zone," [the Daily News reports](#).
- State tax revenue was down \$3 billion in October compared to this time last year as the COVID-19 pandemic continues to take its toll on New York's finances. [Read More](#)
- New York City Comptroller Scott Stringer took an unprecedented step Wednesday: He [filed suit](#) to make Mayor Bill de Blasio turn over documents key to an investigation of City Hall's COVID-19 crisis response.
- County sheriffs should enforce the 10-person limit on gatherings in home as set by New York, Gov. Andrew Cuomo on Wednesday said. [Read More](#)

- Amid a growing spike in new COVID-19 cases, advocacy groups representing low-income New Yorkers are calling on the state Legislature's leaders to hold an emergency session to enact a COVID-19 relief package, [the New York Amsterdam News 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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