

Friday, November 20, 2020

To: New York Community Banks

FROM ICBA

Treasury declines to extend CARES Act facilities

Treasury Secretary Steven Mnuchin declined to extend the Main Street Lending Program and other CARES Act facilities scheduled to expire Dec. 31, and he asked the Federal Reserve to return the \$455 billion in unused funds to Treasury. In a [letter](#) to Fed Chair Jerome Powell, Mnuchin said that in the "unlikely event" that these programs need to be reestablished in the future, the Fed can request approval from Treasury and funding from Congress. The Fed responded with a statement saying it "would prefer that the full suite of emergency facilities established during the coronavirus pandemic continue" to operate. In his letter, Mnuchin also asked the Fed for a 90-day extension of the Paycheck Protection Program Liquidity Facility and other facilities not funded by the CARES Act.

Treasury addresses deductibility of PPP borrower expenses

The Treasury Department and IRS [issued guidance](#) providing that Paycheck Protection Program borrowers may not deduct expenses if they have a reasonable expectation that the covered loans will be forgiven. Because the guidance applies even to PPP borrowers that have not submitted a forgiveness application by the end of the taxable year, the agencies encouraged borrowers to apply as soon as possible. The agencies said that because businesses are not taxed on the proceeds of a forgiven PPP loan, the ruling results in neither a tax benefit nor tax harm because the taxpayer has not paid anything out of pocket. ICBA has [called on Congress](#) to amend the CARES Act to explicitly provide that PPP loan-forgiveness funds that cover business expenses are tax deductible, as the Small Business Expense Protection Act (S. 3612/H.R. 6821) would do.

FDIC podcast: Community banks have outsized PPP role

The FDIC's latest podcast discusses how community banks are punching above their weight in Paycheck Protection Program lending due to their symbiotic relationships with small businesses. In the podcast, FDIC researchers Diane Ellis and Angela Hinton dig into a recent [FDIC report](#) that used call report data to show that community banks hold a disproportionate share of PPP loans. [Listen to the podcast.](#)

House, Senate bills would address EIDL-PPP conflict

ICBA this week expressed its strong support for House and Senate legislation that would restore forgiveness for Economic Injury Disaster Loan Advance recipients who also have a Paycheck Protection Program loan. [S. 4885](#) and [H.R. 8361](#), introduced by Sen. Marsha Blackburn (R-Tenn.) and Reps. Joe Neguse (D-Colo.) and John Curtis (R-Utah), would address the problem of EIDL advances converting to unexpected debt during the PPP forgiveness process, which is detailed in a recent ICBA [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](#).

Coalition joins ICBA call for PPP relief

A coalition of more than 110 business and financial organizations joined ICBA in [calling for](#) Congress to pass PPP streamlined forgiveness and hold-harmless protections before the end of the year. The groups advocated immediate passage of S. 4117/H.R. 7777, introduced by Sen. Kevin Cramer (R-N.D.) and Rep. Chrissy Houlahan (D-Pa.), to simplify forgiveness for PPP loans under \$150,000 to reduce compliance costs and support the success of the PPP. ICBA's [Be Heard grassroots action center](#) allows community banks to send custom letters urging Congress to pass these and other urgent policies in the next pandemic relief bill.

FROM OTHER SOURCES

- Treasury Secretary Mnuchin said he would not extend most of the emergency lending programs run in tandem with the Federal Reserve, a move the central bank immediately criticized, citing the fragile recovery, [The Washington Post reports](#).

FROM NEW YORK

- In New York, the response to a second wave of COVID-19 has been far more measured than in other parts of the country, with officials banking on a variety of less disruptive, targeted actions, often reliant on voluntary compliance, [the Times reports](#).
- In September, the Governor's Office of Employee Relations -- the office that deals with state employee unions -- extended a telecommuting agreement until the end of the year. A few weeks later, the Public Employees Federation started receiving complaints from members who claimed some state agencies were bringing them back to work in spite of the agreement and in spite of the surge in COVID-19. [Read More](#)
- Assembly Health Committee Chair Richard Gottfried said in a recent interview that New York has come a long way in developing a state response to the coronavirus pandemic, but [there is still legislative work to do](#) in the remaining weeks of the year.
- Restaurants, bars and gyms will be forced to close within a matter of weeks, New York City Mayor Bill de Blasio predicted, a day after he ordered schools closed indefinitely due to a surge in coronavirus cases, [the Daily News reports](#).
- [Officials in Western New York](#) are bracing for closures to take effect under the "orange zone" designation amid rising COVID cases.
- The pace of what had been an improving jobless rate in New York slowed in October as the coronavirus increased. [Read More](#)

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

- **John J. Witkowski, President & CEO (Johnw@ibanys.net; 716.880.0518)**
- **Stephen W. Rice, Director, Communications & Government Relations (Stever@ibanys.net)**