

Thursday, December 17, 2020

To: New York Community Banks

FROM ICBA

SolarWinds: What community banks need to know

The supply chain attack on the SolarWinds Orion Platform and subsequent customer breaches is affecting every corner of the economy, including community banking, ICBA President and CEO Rebeca Romero Rainey wrote.

In a [message to community bankers](#), Romero Rainey offered a breakdown of key facts about the event:

- The attack took place between March and June 2020 and has pushed malicious code to an estimated 18,000 customers.
- The Cybersecurity and Infrastructure Security Agency [issued an alert](#) and an [emergency directive](#) encouraging affected organizations to use available detection countermeasures.
- The Department of Homeland Security and FS-ISAC are holding calls today, Dec. 17, on the attack. The [FS-ISAC call](#) is scheduled for 10 a.m. (Eastern time), followed by the [DHS call](#) at noon.
- The Treasury Department is seeking feedback from financial institutions that have ever run the compromised SolarWinds Orion systems at OCCIP-Coord@treasury.gov or anonymously through FS-ISAC at sharingops@fsisac.com.
- ICBA will continue updating its [Cyber and Data Security](#) resources section with the latest information.

[READ THE MESSAGE](#)

FDIC study: Community banks critical to key economic areas

The FDIC [issued a new study](#) that found community banks serve a critical role in providing access to credit in several key areas of the U.S. economy, particularly commercial real estate, small businesses, and agriculture. The FDIC study confirmed that, relative to the broader banking sector, community banks continued to report positive financial performance during the COVID-19 pandemic. Key findings include:

- Voluntary mergers between unaffiliated institutions were the primary cause of the decline in the number of insured depository institutions between 2012 and 2019.
- Regulatory burdens affect some banks' decisions to enter or exit the industry and the distribution of residential mortgage holdings across banks of different sizes.
- Community bank CRE, small-business, and agriculture lending far exceed their relative size within the overall banking industry.
- Community banks are successful in areas with growing economies and populations while they continue meeting the credit needs of less economically vibrant areas.
- Community banks with higher loan-to-asset ratios and those facing greater competition were greater technology adopters.

Multi-pronged grassroots push on stimulus talks

With stimulus negotiations coming down to the wire, ICBA continues calling on community bankers to make a final push for an economic relief package by:

- [Telling Congress](#) to pass top stimulus priorities, including PPP reforms.
- [Urging lawmakers](#) to address the EIDL advance debt trap.
- Enlisting affected small-business customers to [push for an EIDL fix](#).

Community bankers can enlist small-business customers on the EIDL push by passing along [this link](#) and letting them know the time to act is now.

Fed holds rates, raises economic projections

The Federal Open Market Committee [voted](#) to hold benchmark interest rates near zero and to continue buying Treasury securities and agency mortgage-backed securities by at least \$120 billion per month. The

Fed also raised its [projections](#) for 2021 median GDP growth from 4.0 percent to 4.2 percent and reduced the expected unemployment rate from 5.5 percent to 5.0 percent.

Fed extends U.S. dollar repo facility

The Federal Reserve [extended](#) its temporary U.S. dollar liquidity swap lines and temporary repurchase agreement facility for foreign and international monetary authorities through Sept. 30, 2021. These facilities were temporarily established in March 2020 to ease strains in global dollar funding markets due to COVID-19.

FROM OTHER SOURCES

- Leaders on Capitol Hill are haggling over details of a \$900 billion COVID-19 relief bill they hope to attach to the \$1.4 trillion omnibus spending bill to fund federal government agencies through the fiscal year. need to pass another stopgap bill to avoid a temporary government shutdown. For all the latest on the emerging aid package: <http://politi.co/34kFdze>.
- The relief package would include another round of stimulus checks between \$600 and \$700 for millions of Americans, hundreds of billions of dollars in aid to small businesses and unemployed Americans and tens of billions for other priorities such as vaccine distribution and schools. ([The Washington Post](#))
- The Fed presented a relatively optimistic picture of the economy after a meeting of the central bank's rate-setting committee, saying the economy will shrink by 2.4% this year compared to three months ago when officials predicted it could drop as much as 3.7%. Fed Chair Powell did warn "the coming months are going to be challenging." The committee said the Fed made no adjustment to rates, and reassured investors it would still support the economy and continue to make monthly purchases of at least \$120 billion in U.S. government debt and mortgage-backed securities "until substantial further progress has been made." ([Politico](#))
- America's governors seethed on Wednesday over news that a much-anticipated federal stimulus package will not include a bailout for local governments - and accused Washington of abandoning states and cities. https://www.politico.com/news/2020/12/16/coronavirus-stimulus-state-local-aid-447191?mkt_tok=eyJpIjoiWWpBd1pUWtBZemN4TURjMiIsInQiOiJWU5QRIVtaStQcG8wS0dKWUVITzByd1Q1VDdieWF2TDJ6cHRjYjRHY1diNnBTdUN6TFRNNHhaS2tlTndQUFIIRGQrNG1UZ003TnhcL21KcWZIU2s5VEFsMTZhYkNHbDJRMlBtampUK095U3I3VDU5ZEplMlVYMke2Q1pqUThzMnoifQ%3D%3D
- The U.S. economy lost a bit of momentum in December as it endured a rise in virus infections, while Europe's economy steadied as some restrictions were eased. https://www.wsj.com/articles/europes-economy-steadies-as-vaccine-hopes-cheer-businesses-11608118223?mkt_tok=eyJpIjoiWWpBd1pUWtBZemN4TURjMiIsInQiOiJWU5QRIVtaStQcG8wS0dKWUVITzByd1Q1VDdieWF2TDJ6cHRjYjRHY1diNnBTdUN6TFRNNHhaS2tlTndQUFIIRGQrNG1UZ003TnhcL21KcWZIU2s5VEFsMTZhYkNHbDJRMlBtampUK095U3I3VDU5ZEplMlVYMke2Q1pqUThzMnoifQ%3D%3D
- Layoffs likely remained high last week, adding to the evidence the economy is slowing amid rising coronavirus infections and tighter business restrictions. Economists expect 808,000 workers sought unemployment benefits last week, down from 853,000 a week earlier. https://www.wsj.com/articles/weekly-jobless-claims-coronavirus-12-17-2020-11608169231?mkt_tok=eyJpIjoiWWpBd1pUWtBZemN4TURjMiIsInQiOiJWU5QRIVtaStQcG8wS0dKWUVITzByd1Q1VDdieWF2TDJ6cHRjYjRHY1diNnBTdUN6TFRNNHhaS2tlTndQ

FROM NEW YORK

- New York reported 28,097 total statewide deaths of New Yorkers who tested positive for COVID-19. There were 95 more fatalities in New York on Dec. 15. There were 6,097 Patient Hospitalizations statewide; 1,098 Patients were in the ICU; 611 were Intubated. The statewide positivity rate is 6.21%. For more numbers, including the latest statewide and citywide statistics, [click here](#).
- The state is projecting that statewide hospitalizations will reach about 11,000 by next week – roughly two-thirds of its April apex – with thousands more deaths. Four out of five hospital beds in the city are currently occupied and Governor Cuomo has said a shutdown of non-essential businesses would happen if state data shows that 90% of total hospital capacity would be reached within three weeks. Some elected leaders, like [New York City Mayor Bill de Blasio](#), as well as [public health experts](#), have suggested the state needs to move much quicker to close non-essential businesses. [Read more here](#).
- The [latest state data shows](#) COVID-19 caseloads are surging back to the heights reached last spring. Statewide hospitalizations are at their highest levels since May 15 and daily deaths are now hovering around 100 per day. Eight out of 10 regions in the state are reporting test positivity rates above 5%, with the percentage of occupied hospital beds highest in New York City, Long Island and the Mohawk Valley, according to [data released by Cuomo](#) yesterday afternoon. COVID-19 caseloads in the [former national epicenter of the pandemic](#) are increasingly exceeding the reopening thresholds the state imposed months ago.
- About 4,000 people (and [1,500 health care workers](#) in the five boroughs) have already been vaccinated for the coronavirus in recent days, and the state has [received 87,750 doses](#). Most of these Pfizer vaccines are expected to go to nursing home residents and staff. The Governor said an additional 346,000 more doses of a second vaccine developed by Moderna are coming “soon”.
- Hospitals across the state will serve as [regional vaccination hubs](#) when Phase Two of the [five-part distribution process](#) begins inoculating essential workers and vulnerable people [at the end of January](#). Vaccines, however, will not end the pandemic anytime soon, so the [state has some new directives](#) aimed at expanding hospital capacity.
- Governor Cuomo downplayed the idea of a special yearend session to raise revenue, saying tax hikes should be dealt with only in the budget process. After reports that federal aid to states is unlikely to be included in a new coronavirus relief package, Cuomo noted: "At this rate, we're going to need tax increases. . .to determine how much of a tax increase, you have to do that in the budget, because a tax increase is only one mechanism to close the hole. You have a \$15 billion hole in the budget. We need \$15 billion. . .how are we going to fill the rest of the hole?" https://www.politico.com/news/2020/12/16/cuomo-downplays-raising-taxes-447070?mkt_tok=eyJpIjoiWWpBd1pUWtBZemN4TURjMiIsInQiOiJWUWU5QRIVtaStQcG8wS0dKWUVITzByd1Q1VDdieWF2TDJ6cHRjYjRHY1diNnBTdUN6TFRNNHhaS2tITndQUFIIRGQrNG1UZ003TnhcL21KcWZIU2s5VEFsMTZhYkNHbDJRMIBtampUK095U313VDU5ZEpIMlVYMke2Q1pqUThzMnoifQ%3D%3D
- As State legislators are [getting ready to reconvene](#) in the coming months to pass tax increases, Governor Cuomo says they would be better off doing the whole state budget process as well. Otherwise, he says, the best path forward is to [front \\$1.5 billion](#) to organizations needing cash flow while hoping that a Democratic White House will come through with new aid before the April 1 state budget deadline. Assembly Speaker Carl Heastie [swiftly responded](#).

- Assembly Republicans want their Democratic colleagues to rescind the emergency powers granted to the governor last spring. “Since March, Governor Cuomo has used his expanded emergency powers to implement, and then extend, numerous directives,” reads [the Dec. 15 letter](#) to Speaker Heastie and Senate Majority Leader Stewart-Cousins. “We believe this grossly exceeds his executive authority.”
- State legislators could overrule the governor at any time by passing a joint resolution by a simple majority, and Democrats have grown increasingly vocal about putting their own legislative stamp on issues like [extending an eviction moratorium](#), but legislative leaders have not said anything about revoking Cuomo’s powers anytime soon.
- In the second quarter of 2020, total wages paid in New York State declined by \$12.5 billion (7.4%) in comparison to the second quarter of 2019, according to new data from the U.S. Bureau of Labor Statistics. This is due primarily to the historic loss of 1.9 million jobs in March and April, with a limited employment rebound in May and June. Total wages in accommodation and food services declined nearly 60% (\$3.5 billion) from the prior year’s second quarter. Other New York industries with large declines included construction, retail and wholesale trade, and arts, entertainment and recreation sectors. Three sectors with comparatively higher compensation—*finance and insurance*, information, and professional and technical services—saw overall wages increased in the second quarter compared to a year earlier, as did the government sector.

...For a comprehensive analysis by State Comptroller DiNapoli's office of all the details: <https://www.osc.state.ny.us/reports/osdc/retail-sector-new-york-city-recent-trends-and-impact-covid-19>

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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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