

Wednesday, December 2, 2020
To: New York Community Banks

FROM ICBA

Community bank net income rises 10%: FDIC

Community bank net income increased 10 percent in the third quarter from the same time last year, according to the FDIC's [Quarterly Banking Profile](#). The overall banking industry reported a 10.7 percent decline in net income from a year ago following a 173 percent increase from the second quarter. Community banks reported the annual gain despite a 116.6 percent increase in provision expenses, with a 154.2 percent increase in revenue from loan sales driving the improvement. Community banks' net interest margin compressed 41 basis points year-over-year to a record low 3.27 percent, as the decline in average earning asset yields continued to outpace the decline in average funding costs. The banking industry's overall improvement was boosted by a 76.8 percent decline in provision expenses, though the average net interest margin fell by 68 basis points from a year ago to 2.68 percent, a record low. Net interest income declined by a record 7.2 percent, while average return on assets declined to 0.97 percent from 1.25 percent a year ago. The Deposit Insurance Fund balance rose \$1.8 billion from the previous quarter to \$116.4 billion, and the reserve ratio was unchanged at 1.30 percent as deposit growth stabilized. During the third quarter, one new bank opened, 33 institutions were absorbed through mergers, and no banks failed.

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OCC reduces assessments for 2021

The [OCC said](#) it is reducing rates in all fee schedules by 3 percent for the 2021 calendar year. The reduced assessments go into effect Jan. 1 and will be reflected in assessments paid on March 31 and Sept. 30. The 2021 reduction follows the 10 percent reduction to all fee schedules in 2020 and to the General Assessment Fee Schedule in 2019.

Construction spending continues growth in October

Construction spending [increased](#) 1.4 percent in October and was up 3.7 percent from a year ago, the Commerce Department reported. Private construction spending rose 1.4 percent, while public spending rose 1.0 percent.

Manufacturing activity slows in November

Economic activity in the manufacturing sector grew at a slower pace in November, according to the Institute for Supply Management. ISM's manufacturing index [slipped](#) 1.8 percentage points to 57.5 percent on contraction in the employment index and slower growth in new orders and production.

FROM OTHER SOURCES

- More than half of the \$522 billion disbursed under the Paycheck Protection Program went to larger companies, according to new data released by the government in response to a judge's ruling in a lawsuit filed by news outlets, while about 28 percent of the money was given in amounts less than \$150,000. ([The Washington Post](#))
- Momentum around a new economic stimulus package picked up, but it's unclear if Republicans and Democrats are closer to a compromise before the holidays. House Speaker Pelosi and Senate Minority Leader Schumer floated a new, private proposal to Senate Majority Leader McConnell, who circulated [a bill Tuesday](#) to his GOP colleagues he said should become the basis of negotiations. There's a good chance he will try to attach his bill to a must-pass government funding measure, and dare Pelosi and Democrats to try to strip it out or vote it down with a shutdown looming.
- Senate Majority Leader McConnell and the White House largely dismissed a \$908 billion compromise package from a bipartisan group of lawmakers, as Democratic leaders praised but didn't fully endorse it. ([Bloomberg](#))

increased for 21 consecutive days. (The most consecutive days of increased hospitalizations in the spring was seven days.) To view numbers by county: <https://www.wgrz.com/article/news/health/coronavirus/western-new-york-region-hospitalizations-continue-to-increase-erie-county-new-covid-19-cases-exceeds-600-for-monday/71-9c5ee4f9-f491-49fb-acd1-11fc3d272589>

- Albany County saw a new record-high in confirmed positive COVID-19 cases and hospitalizations on Tuesday. https://www.troyrecord.com/news/albany-county-hits-159-new-covid-19-cases-and-76-total-hospitalizations-both-records/article_c20571b6-3403-11eb-ae18-5328a62e0c23.html
- More than 1,000 new COVID-19 cases were reported on Long Island in the past 24 hours as both Nassau and Suffolk continue to get hit by the second wave of the virus. <https://dailyvoice.com/new-york/nassau/news/covid-19-more-than-1000-new-long-island-cases-confirmed-latest-updates-in-nassau-suffolk/798846/>
- The latest state data shows how the coronavirus pandemic is continuing to surge across New York. Daily deaths are at their highest levels since mid-June; all 62 counties are reporting new confirmed cases; and hospitalizations have risen to levels not seen since late May, though they still remain far below the apex reached in early April. Health care workers are increasingly voicing their concerns in upstate and [downstate](#) hot spots alike. [Read more here.](#)
- The [latest data shows](#) the statewide test positivity rate is just four-hundredths of a percentage point away from reaching 5% – the threshold at which public health experts say reopening the economy becomes increasingly imprudent. Cuomo has floated the possibility of a new statewide “pause” on social gatherings, commercial activities and religious services.
- With coronavirus cases rising, New York City [is advising seniors](#) and people with underlying health conditions to leave the house as little as possible — going out only for work, school, or essential trips like medical care and grocery shopping.
- Local government budgets are being pared down in the wake of financial strain from the pandemic and the uncertainty over federal aid. In Central New York, the Onondaga County Executive has reduced expenses by \$84 million in expenses to make the numbers work. [More here.](#)

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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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