

Thursday, January 14, 2021

To: New York Community Banks

Good morning,

Lots of information today, including updates on the PPP from ICBA, and from two of our community banking trade association partners in Texas and Pennsylvania.

Please contact me with any questions you may have: Johnw@ibanys.net.

FROM ICBA

From ICBA President & CEO Rebeca Romero Rainey: The Small Business Administration just [announced](#) that it will reopen the Paycheck Protection Program loan portal to PPP-eligible lenders with \$1 billion or less in assets at 9 a.m. (Eastern time) this Friday, Jan. 15. The SBA also said:

- The portal will fully open to all participating PPP lenders on Tuesday, Jan. 19.
- The reopening applies to both first- and second-draw applications.
- The SBA plans to have dedicated service hours for smaller lenders after the portal fully reopens.

Earlier this week, the SBA granted dedicated PPP access to certain community financial institutions defined in the Economic Aid Act. The SBA has also released resources for the next round of PPP lending, including instructions for accessing the updated lender portal, new application forms for first- and second-draw loans, and procedural notices on approved lender status and reimbursing lenders for EIDL advances deducted from forgiveness amounts.

Additional PPP resources are available here:

- ICBA's next [Community Bank Briefing](#), which is set for 11 a.m. (Eastern time) **TODAY - Thursday, Jan. 14**.
- The [SBA](#) and [Treasury](#) PPP pages.
- ICBA's [PPP and EIP News](#) page.
- The Independent Bankers Association of Texas' [smatrix of PPP updates](#) in the stimulus law.
- [ICBA's summary](#) of the stimulus package's community banking provisions.

The SBA also on Wednesday issued [a new procedural notice](#) on first-draw PPP loan increases following enactment of the Economic Aid Act. The guidance lays out the process for applying for increases in previously approved first-draw loans and how lenders can obtain the additional processing fee.

Thank you for all you are doing at this challenging time. ICBA will continue to keep you informed with the latest information.

FYI:

- Acting Comptroller of the Currency Brian Brooks [said](#) he will step down today and OCC Chief Operating Officer Blake Paulson will take over as acting comptroller. In his eight months as acting comptroller, Brooks has been a strong advocate of federal charters for fintech companies and a narrowly focused payments charter. Paulson is a career bank examiner and has served as chief operating officer since June 2020.
- Most Federal Reserve Districts said economic activity increased modestly in recent weeks, though conditions varied, according to the latest [Beige Book](#). Residential real estate activity remained strong, commercial real estate weakness persisted, loan volumes were largely unchanged, consumer spending was mixed, auto sales weakened, and manufacturing activity continued to recover.

FROM OTHER SOURCES

From the Pennsylvania Association of Community Bankers:

Paycheck Protection Program (PPP) Policy Update – Wednesday, January 13, 2021

SBA, in consultation with the Treasury Department, has recently released guidance:

[Procedural Notice– First Draw Paycheck Protection Program Loan Increases After Enactment of the Economic Aid Act](#) (Released 1/13/21)

For more information and updates, visit [SBA.gov/PPP](https://www.sba.gov/PPP) or [Treasury.gov/CARES](https://www.treasury.gov/CARES)

From the Independent Bankers Association of Texas:

As we near the opening of the PPP loan portal for banks under \$1 billion in assets tomorrow, the Small Business Administration has released an additional [Procedural Notice](#) to address loan increases on First Draw PPP loans. This notice specifically applies to loans that were originated on or before August 8, 2020 and where the borrower is eligible for additional funds under a First Draw loan due to:

- Changes to the Paycheck Protection Program rules;
- The borrower returning all or part of their original PPP loan.

Additionally, the notice addresses *some* frequent questions we have received related to partnerships, seasonal employers, as well as farmers and ranchers, all of which have been affected by changes to the program which may trigger eligibility for additional funds under a First Draw PPP loan. Based on the questions received during yesterday's "Ask IBAT Anything" call, we have pulled out specific information from the notice below.

When may lenders begin processing loan increase on First Draw PPP loans?

Lenders may approve increases on First Draw PPP loans starting on January 25, 2021.

Is a loan that is forgiven eligible for a First Draw PPP loan increase?

If the SBA has remitted a forgiveness payment on the First Draw PPP loan, no loan increase or reapplications are allowed.

Is a loan that has been submitted for forgiveness eligible for a First Draw PPP loan increase?

Yes. Loans that have been submitted for forgiveness, but where SBA has not yet remitted a forgiveness payment are eligible for an increase. . This applies to all PPP loans, including loans to partnerships, seasonal employers and farmers and ranchers.

Must the customer use the same bank for a loan increase on a First Draw loan?

First Draw PPP loan increases can be made only by the lender of record. This is the current owner of the First Draw PPP loan. If the First Draw PPP loan was sold after loan origination, then the Lender of Record is the lender that purchased the loan.

Can a loan that was *fully repaid* be eligible for reapplication?

Yes, if the loan was fully repaid by the borrower returning the original loan amount and the lender reported the loan as "cancelled" or "paid in full" before December 27, 2020. In these instances, the borrower may reapply for a new First Draw PPP loan in an amount for which the borrower is eligible under PPP rules. The Procedural Notice includes directions on changing a borrower's loan status from "paid in full" to "cancelled" to allow the borrower to reapply under the First Draw PPP rules.

Can a borrower that returned part of a First Draw PPP loan apply to receive those returned funds again?

Yes. If a borrower returned part of their First Draw PPP loan (and the SBA has not yet remitted a forgiveness payment), the lender may approve a borrower's request for a loan increase and re-disburse funds equal to the difference between the amount retained by the borrower and the amount previously approved.

Can a borrower that did not accept the full amount of a First Draw PPP loan apply for the additional amount for which they are eligible?

Yes. In these instances the borrower may receive a loan increase up to the amount for which the borrower was originally eligible, if the SBA has not yet remitted a loan forgiveness payment on the original loan. The procedural notice provides details on how these situations should be handled within E-Tran.

Are loans under review by the SBA eligible for First Draw increases?

Where a loan is under review by the SBA, the borrower will be deemed an “unresolved borrower” and will not be eligible for a loan increase until the loan is resolved by the Small Business Administration.

Will lenders receive processing fees for loan increases?

Yes.

Many bankers indicated they have received excellent support from the SBA’s general forgiveness questions email address at PPPforgivenessrequests@sba.gov.

- President-Elect Biden today is expected to unveil his proposed COVID-19 relief package, a \$1 trillion-plus measure that will include funding for \$2,000 in direct stimulus payments, enhanced unemployment benefits and increased vaccine distribution. It is also expected to include aid to small businesses and local and state governments and a new benefit for children in poor and middle-class households, following an effort by House Democrats to expand a child tax credit last year. The first of two parts of the legislation will reportedly include an extension of supplemental federal unemployment benefits and more aid for renters. [The Washington Post](#); [The New York Times](#)
- The federal budget gap widened in the first three months of the fiscal year. The U.S. Treasury Department said Wednesday the deficit from October through December totaled a record \$573 billion, a 61% increase from the same period a year earlier. Government spending continued to outpace revenues; the economy slowly recovers from the pandemic-induced downturn. https://www.wsj.com/articles/u-s-budget-gap-rose-61-in-first-quarter-of-fiscal-2021-11610564411?mkt_tok=eyJpIjoiWIRNd1lqWTVaakV5TUR0aCIsInQiOiIzN1FsRE4wMHk3alZGbVJ4eWR6b24xeTZsOVFFSTRmZWxFeFVMVGw2R3ZVYTBehkdnYUhoWjZpczNITZg0NytaMHNkS1hGNlU4zdFRHRzJRUVH4bGsxMzhIZHg3bUZZZDdEaE90amOraUE5SEhsM1wvbVBZVzVfVnhmNmsrazNPk0cifQ%3D%3D

FROM NEW YORK

- Governor Cuomo reported the latest information on the state’s progress in combatting COVID-19. Additional Cases of UK Variation were identified, bringing the total to 15 Total Known Cases Statewide. There were 8,929 patient hospitalizations statewide; 1,501 patients in the ICU; 924 intubated, and the statewide Positivity Rate is 7.40%. There were 165 COVID-19 Deaths in New York State. For a breakdown of the data on a regional basis: <https://empirereportnewyork.com/governor-cuomo-updates-new-yorkers-on-states-progress-during-covid-19-pandemic-44/>
- **The Fed's Beige Book shows that In the New York District**, the regional economy weakened moderately in late 2020, and the labor market has deteriorated somewhat. This weakness was concentrated in the service sector, where activity has been further constrained by a rise in COVID-19 cases, increased restrictions, and cold weather. Consumer spending declined, with holiday sales down from last year and auto sales weakening. Businesses reported some acceleration in wages and selling prices.
- **In Banking and Finance:** Finance-sector contacts generally reported widespread declines in business activity since the last report. Small to medium sized banks in the District reported higher loan demand across all categories, along with a modest increase in refinancing activity in the final weeks of 2020. Bankers reported tightened credit standards for consumer loans and commercial mortgages and

narrowing spreads across all loan categories. Delinquency rates declined for consumer and C&I loans but rose for commercial mortgages. Finally, contacts reported some increased leniency for delinquent commercial mortgages. **For more information about District economic conditions visit:** www.newyorkfed.org/regional-economy

- Five sites for mass COVID-19 vaccinations will begin accepting appointments and are scheduled to open this week, Gov. Andrew Cuomo's office announced. Read [More](#)
- County leaders on Wednesday renewed their push for direct federal aid as top congressional lawmakers signaled they were also stepping up efforts to help local governments recoup the billions of dollars lost during the pandemic. [Read More](#)
- New York City apartment tenants are more than \$1 billion in debt from missed rent payments during the coronavirus pandemic, according to a new survey measuring the depth of the rent crisis brought on by Covid-19. The debt figure is the most recent indicator that unemployment benefits and federal stimulus packages have so far been inadequate to alleviate the growing financial burden of missed rent payments across thousands of city households. https://www.wsj.com/articles/new-york-city-renters-owe-more-than-1-billion-in-unpaid-rent-survey-finds-11610622000?mkt_tok=eyJpIjoiWIRNd11qWTVaakV5TUR0aCIiInQiOiIzN1FsRE4wMHk3alZGbVJ4eWR6b24xeTZsOVFFSTRmZWxFeFVMVGw2R3ZVYTBehkdnYUhoWjZpczNITzg0NytaMHNkS1hGNlU4zdFRHRzJRUHV4bGsxMzhlZHg3bUZzZDdEaE90amOraUE5SEhsM1wvbVBZVZVftVnhMNMmsrazNPK0cifQ%3D%3D
- The F.B.I. urged police chiefs across the country to be on high alert for extremist activity and to share intelligence on any threats they encounter, as the U.S. government issued a dire intelligence bulletin warning of potential violence ahead of the inauguration, [The New York Times reports](#). New York Attorney General Tish Jamesis [“closely monitoring” threats](#) against the state Capitol in Albany.

#####

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)