

Wednesday, February 24, 2021

To: New York Community Banks

We wanted to share two important items with you this morning -- information we received from ICBA, and from the Small Business Administration:

- ICBA has joined 17 banking and consumer organizations in a letter to House and Senate leadership urging the inclusion of language exempting the third round of economic impact payments from garnishment in the American Rescue Plan Act of 2021. (*Please see letter attached.*) Unless this language is included, depository institutions will be obligated to comply with court orders and forced to pay some creditors who attempt to garnish and freeze bank accounts. This language mirrors ICBA-supported language included in the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 affecting the second round of economic impact payments.
- **Please join SBA's Office of Capital Access for a webinar TODAY- Wednesday, Feb. 24th - from 3:00 - 3:45 Eastern. Topic: Implementation of Section 1112 first round and second round adjustments to subsidy debt relief.** *This call is related to guidance for Non-PPP loans as provided by SBA in SBA Procedural Notice [5000-20095](#).* The Implementation of Section 1112 first round and second round adjustments to subsidy debt relief is a call for 7a and 504 Lenders. **Please join us for a webinar via Microsoft TEAMS on Wednesday, Feb. 24th - from 3:00-3:45 Eastern.**

NO registration, instead: Click on this [link](#) on Wednesday, Feb. 24th at 3:00 Eastern to join the webinar. . .or:

https://teams.microsoft.com/l/meetup-join/19%3ameeting_MTJhYmQ2MTgtMGZjOS00Mzk4LWI0ZDEtNDg1MmU2NzQ3NTU4%40thread.v2/0?context=%7b%22Tid%22%3a%223c89fd8a-7f68-4667-aa15-41ebf2208961%22%2c%22Oid%22%3a%2268475c28-7e65-4615-a3f9-884a2defab69%22%2c%22IsBroadcastMeeting%22%3a%22true%7d

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I encourage you to take a moment to review these items.

-- John

FROM ICBA

Community banks again outperform industry: FDIC

Community banks reported net income growth of 21.2 percent in the fourth quarter from a year ago and a 3.6 percent increase in 2020 from the year before, according to the FDIC's Quarterly Banking Profile.

2020 Numbers: Community bank provision expenses increased 141.6 percent in 2020, while net operating revenue increased 10.8 percent on a 33.7 percent gain in noninterest income. The full-year pretax return on assets ratio declined by 13 basis points to 1.31 percent in 2020 because of an increase in average assets.

Fourth Quarter: A 159.1 percent increase in income from loan sales drove community banks' improved quarterly net income and offset a 38.1 percent increase in provision expenses. Net interest margin narrowed by 30 basis points from a year ago, while community banks experienced an 18.4 percent quarterly increase in total deposits.

Capital: Community banks also posted strong capital numbers, including a 10.3 percent average leverage ratio, 11.2 percent average Community Bank Leverage Ratio, and 14.4 percent tier-1 risk based capital ratio.

Overall Industry: The overall banking industry reported a 9.1 percent net income increase from a year ago and a 36.5 percent decline from 2019. The share of unprofitable institutions remained relatively stable from a year ago at 7.3 percent, with the average return-on-assets ratio rising to 1.11 percent from 0.97 percent in the third quarter.

Deposit Insurance Fund: The DIF balance rose \$1.5 billion from the third quarter to \$117.9 billion, and the reserve ratio declined from 1.30 percent to 1.29 percent on rising insured deposits.

Mergers and Openings: During the fourth quarter, three new banks opened, 31 institutions were absorbed through mergers, and two banks failed.

[READ MORE](#)

CFPB announces plans to rethink QM rules

The Consumer Financial Protection Bureau said it expects to propose a rule to delay its Qualified Mortgage rule's July 1 mandatory compliance date.

QM Rules: In a [statement](#) and [blog post](#) from CFPB Acting Director Dave Uejio, the bureau also said it is considering whether to initiate a rulemaking to revisit the QM rule and a separate rule creating a new category of "seasoned" QMs.

GSE Patch: The CFPB also indicated that the "GSE patch," which exempts Fannie Mae and Freddie Mac mortgage loans from parts of the QM rule, will remain in effect until a new mandatory compliance date is set.

Background: The CFPB's general QM rule replaces the 43 percent DTI limit with an approach based on loan pricing. The "seasoned" QM rule would allow non-QM mortgages to "season" into QMs based on strong performance over 36 months.

ICBA Position: ICBA has repeatedly expressed concerns with the QM rule's use of loan pricing to determine the borrower's ability to repay a loan, which favors the largest mortgage lenders. Instead, ICBA has advocated a hybrid approach that retains a range of DTI thresholds.

ICBA urges garnishment exemption for EIPs

ICBA and other groups [urged Congress](#) to include language in the next stimulus package exempting the third round of Economic Impact Payments from garnishment.

Background: Unless this language is included, depository institutions will be obligated to comply with court orders and forced to pay some creditors who attempt to garnish and freeze bank accounts.

More: This language mirrors ICBA-supported language included in the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 affecting the second round of EIPs.

Take Action: With Congress considering the next pandemic relief package, ICBA is calling on community bankers to urge lawmakers to make needed improvements to the Paycheck Protection Program. [Contact Congress today.](#)

FROM OTHER SOURCES

- COVID-19 vaccine makers told Congress to expect a big jump in the delivery of doses over the coming month, and the companies insist they will be able to provide enough shots for most Americans to get inoculated by summer. [By the end of March, Pfizer and Moderna expect to have](#)

sent the U.S. government 220 million vaccine doses, up from the roughly 75 million shipped so far. Plus, a third vaccine, from Johnson & Johnson, is expected to receive approval from U.S. regulators soon. State health officials say demand for inoculations still vastly outstrips the limited weekly shipments sent by the federal government.

https://apnews.com/article/drug-executives-congress-vaccine-supply-deb7cbd379a05f4f106e2a88165a7354?utm_source=Sailthru&utm_medium=email&utm_campaign=AP%20Morning%20Wire&utm_term=Morning%20Wire%20Subscribers

- Federal Reserve Chairman Powell said at a Senate Banking Committee hearing the Fed is not planning to change its policy on bond buying and other measures to help the economy, noting the recovery is "a long way from our employment and inflation goals, and it is likely to take some time for substantial further progress to be achieved." Powell did not comment specifically on the Biden administration's proposed \$1.9 trillion economic stimulus package, but said there hasn't been a strong correlation recently between larger budget deficits and inflation. ([Bloomberg](#))
- The proposed \$1.9 trillion COVID-19 relief package would provide \$350 billion to help pandemic-hit state and local governments balance their budgets -- more than twice the amount approved last year. Urban, Democratic-led states like Connecticut, New York and Massachusetts that took drastic steps to stop the coronavirus' spread would get about three times as much money per person as they did in the March 2020 package.
https://www.reuters.com/article/us-health-coronavirus-usa-states-analysis/analysis-urban-states-come-out-ahead-rural-states-get-less-in-bidens-covid-19-relief-bill-idUSKBN2A0183?mkt_tok=eyJpIjoiWkdGaVl6bGpNRFptWkdVeSIsInQiOiIiIjE5cVFwY0U2SDUwcnBYWms5Tm5FWjBjQkIDeGtGREE1QUx3ank4aVRvakVjeFwvaUkwWUxSRFAwTjdHMFQRUDRXV1p4VHBiQ0dyMjF1MUFSMk4waU0ybDhQOG5YekI1TVFGaHBpNUdlldFhDQUIXUGhZRjVGMmpWVGfTaU9IQ1A5ZjEifQ%3D%3D
- The proposed \$1.9 trillion COVID-19 relief bill continued to take shape Tuesday, with suspense over whether the minimum wage increase would survive. House Budget Committee Chairman Yarmuth has assembled an initial 138-page draft manager's amendment full of changes to the 592-page version his committee approved on Monday, including the submissions of three committees that didn't mark up their portions previously.
https://www.rollcall.com/2021/02/23/house-democrats-prep-changes-to-coronavirus-relief-package/?mkt_tok=eyJpIjoiTXpneVIXWXdZMkU0TVRjNSIsInQiOiIiIjE5cVFwY0U2SDUwcnBYWms5Tm5FWjBjQkIDeGtGREE1QUx3ank4aVRvakVjeFwvaUkwWUxSRFAwTjdHMFQRUDRXV1p4VHBiQ0dyMjF1MUFSMk4waU0ybDhQOG5YekI1TVFGaHBpNUdlldFhDQUIXUGhZRjVGMmpWVGfTaU9IQ1A5ZjEifQ%3D%3D
- U.S. bank profits fell 36.5% in 2020 from the prior year as banks set aside massive amounts to guard against potential losses, but the industry showed signs of strengthening in the fourth quarter as the economy begins to recover from the pandemic. The industry posted \$147.9 billion in profits in 2020, a sharp decline from record 2019 profits, according to the FDIC.
https://www.reuters.com/article/us-usa-fdic-results/u-s-bank-profits-fell-36-5-in-2020-on-pandemic-concerns-fdic-idUSKBN2ANIOC?mkt_tok=eyJpIjoiWkdGaVl6bGpNRFptWkdVeSIsInQiOiIiIjE5cVFwY0U2SDUwcnBYWms5Tm5FWjBjQkIDeGtGREE1QUx3ank4aVRvakVjeFwvaUkwWUxSRFAwTjdHMFQRUDRXV1p4VHBiQ0dyMjF1MUFSMk4waU0ybDhQOG5YekI1TVFGaHBpNUdlldFhDQUIXUGhZRjVGMmpWVGfTaU9IQ1A5ZjEifQ%3D%3D
- President Biden's nominees to lead the SEC (former CFTC Chair Gary Gensler) and the CFPB (FTC member Rohit Chopra) will testify virtually before the U.S. Senate Banking Committee March 2, according to the Committee's website. The hearing will mark the next step in their nomination process. <https://www.banking.senate.gov>

FROM NEW YORK

- Governor Cuomo updated New Yorkers on the state's progress during the ongoing COVID-19 pandemic. 18 new cases of the "UK variant" were identified in New York -- to date, there are 154 known cases of the UK variant in New York State. A second "South African variant" has been identified in Nassau County. 5,977 patients were hospitalized statewide; 1,176 patients were in

the ICU; 799 were intubated; the statewide positivity rate was 4.23%; there were 86 COVID-19 deaths in the state.

- The coronavirus pandemic has had a tremendous impact on New York's economy. Although there has been job growth in certain areas, the state is still climbing out from record unemployment. Acting Commissioner of Empire State Development Eric Gertler said Tuesday the state is proposing a Restaurant Return-to-Work Tax credit be included in this year's upcoming budget, which would give tax credits to restaurants that were forced to close if they were in a designated red, orange, and yellow zone. The proposal outlines a \$5,000 tax credit per employee or up to \$50,000 for each restaurant. [Read More](#)
- A devastating mix of job losses, revenue declines and rent delinquencies is plaguing small-business owners in Brooklyn, according to a year-end survey conducted by the borough's Chamber of Commerce, [Crain's New York Business reports](#).
- Polls from Siena College, Morning Consult and Marist College all show a downward trend in voter approval for Governor Cuomo, but none indicate Democrats in New York, who have a 2 to 1 enrollment advantage over Republicans, are ready to turn their backs on the Governor -- who is facing two federal investigations as well as calls to rescind his emergency pandemic powers after it was revealed that his administration had purposely withheld nursing home death data from legislators. <https://nystateofpolitics.com/state-of-politics/new-york/ny-state-of-politics/2021/02/24/cuomo-polls-show-governor-down--but-not-out>
- Meanwhile, New York Democratic strategists, operatives and progressives view NYS Attorney General Letitia James as an appealing primary challenger to Governor Cuomo, they tell Axios. https://www.axios.com/cuomo-challenger-letitia-james-bd12814a-8245-4a18-8a23-9db56133ad1e.html?utm_source=newsletter&utm_medium=email&utm_campaign=newsletter_axiosneakpeek&stream=top

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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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