

Thursday, May 27, 2021
To: New York Community Banks

FROM ICBA

Community bank net income rises 77.5%

Community banks reported net income growth of 77.5 percent in the first quarter of 2021 from a year ago, according to the FDIC's Quarterly Banking Profile.

Latest Numbers: Community banks reported:

- Annual net income growth of \$3.7 billion.
- A 45 percent increase in noninterest income driven by a 126.4 percent increase in revenue from loan sales.
- Declines in provision expenses of 78.4 percent from a year ago and 67.9 percent from the previous quarter.
- A decline in net interest margins of 27 basis points to 3.26 percent, the lowest level on record.
- The noncurrent rate for total loans declined 8 basis points to 0.73 percent, while the net charge-off rate declined 7 basis points to 0.04 percent, a record low.

Capital: Community bank equity capital grew 0.7 percent on a 54.6 percent increase in retained earnings. The leverage capital ratio declined 5 basis points to 10.27 percent as growth in average assets outpaced tier 1 capital formation.

Overall Industry: The overall banking industry reported a 315.3 percent net income increase from a year ago and 29.1 percent growth from the previous quarter on lower provision expenses. The share of unprofitable institutions dropped from 7.4 percent a year ago to 3.9 percent.

Deposit Insurance Fund: The DIF balance rose \$1.5 billion from the fourth quarter to \$119.4 billion, and the reserve ratio declined four basis points to 1.25 percent on rising insured deposits.

Mergers and Openings: During the quarter, three new banks opened, 25 institutions were absorbed through mergers, and no banks failed.

[**READ MORE**](#)

ICBA, minority bank council: Remove GSE product restrictions

ICBA and its Minority Bank Advisory Council urged the Treasury Department and Federal Housing Finance Agency to reopen negotiations over the Preferred Stock Purchase Agreements for Fannie Mae and Freddie Mac.

Amendments: The purchase agreement changes would:

- Limit the Fannie and Freddie purchases of single-family loans with at least two “high-risk” characteristics.
- Limit the percentage of investor properties and second homes to 7% of total purchases

Impact: In a [joint letter](#), ICBA and the Minority Bank Advisory Council said the restrictions will:

- Harm low- and moderate-income and minority borrowers.
- Undermine closing the homeownership gap among borrowers of color.
- Constrain Minority Depository Institutions and smaller lenders.
- Counter Fannie and Freddie’s affordable housing obligations.

Recommendations: The groups urged the agencies to:

- Delay implementation of the agreements' product and program restrictions and restart negotiations to remove them.
- Clarify how the restrictions will be tracked and enforced at the lender level.

ICBA updates data privacy guide

ICBA released an updated [guide for community banks](#) on data privacy laws and regulations.

Guide: The guide walks community bankers through some of the more prominent state, federal, and international data privacy laws and will be updated as new laws and regulations are passed.

More: The guide is available in the [Cyber and Data Security Mitigation](#) section of ICBA's [Operational Risk](#) resource center.

IRS issues 1.8M EIPs

The [IRS said](#) it disbursed more than 1.8 million more Economic Impact Payments over the past two weeks.

New Batch: The latest batch—which has a total value of more than \$3.5 billion—includes those with official payment dates through May 26.

Resources: More EIP information is available in FAQs from the [IRS](#) and [ICBA](#) and in the federal [Get My Payment portal](#).

Fed council raises concerns with nonbank charters

Federal Reserve Community Depository Institutions Advisory Council members expressed concerns with special-purpose charters for nonbanks during the group's April 1 meeting, according to the [minutes](#).

Regulation: The council—which includes ICBA community bankers—said “like financial products should be offered under like regulations,” citing special-purpose charters that allow nonbank institutions to avoid oversight.

Payments: The group also said the Federal Reserve should carefully review any applications to the payments system from nontraditional, more lightly regulated institutions.

ICBA Position: ICBA has [called on](#) Congress to intervene in the creation of new limited-purpose bank charters and [urged](#) the Federal Reserve Board to delay granting non-traditional entities access to the payments system until it has adopted a uniform policy.

OCC holding compliance risk workshops for directors

The [OCC released](#) a schedule of free workshops on compliance risk for community bank boards of directors. The examiner-led workshops provide training and guidance on effective compliance risk management, regulations such as the Bank Secrecy Act and the Equal Credit Opportunity Act, and other emerging issues regarding compliance risk.

Fannie issues new QM lender letter

Fannie Mae released a new Lender Letter ([LL-2021-11](#)) on the revised Qualified Mortgage loan definition and other requirements for loans not covered by the QM rule. The letter provides additional details about underwriting and loan eligibility, Desktop Underwriter implementation, and refinance changes.

FROM OTHER SOURCES

- According to two new studies, immunity to the coronavirus lasts at least a year, possibly a lifetime, improving over time especially after vaccination. The findings may help put to rest lingering fears that protection against the virus will be short-lived. Together, the studies suggest that most people who have recovered from Covid-19 and who were later immunized will not need boosters. Vaccinated people who were never infected most likely will need the shots, however, as will a minority who were infected but did not produce a robust immune response.
https://www.nytimes.com/2021/05/26/health/coronavirus-immunity-vaccines.html?mkt_tok=ODUwLVRBQS01MTEAAAF9TM5gyKhP-9vzVvJxvie4-vV2uS1MKJXpHR6zrA195ahAQy-pw9xfhZ4fcIDl2GbmIiapPjwQa3khMUP2wB15OHjFR72NOici0fP7d13KJwru
- The pace of new coronavirus infections in the U.S. fell by nearly 20% over the past week — the fifth straight week of double-digit declines. America's vaccination drive is working, and as it continues to expand, the country "can safely get back to many of its pre-pandemic routines." The U.S. averaged roughly 24,000 new cases per day over the past week, a 20% drop from the week before. Cases have fallen every week since mid-April. 38 states improved over the past week, while only four saw their outbreaks grow. Half of American adults are fully vaccinated, and roughly 62% of adults have gotten at least one shot, according to the CDC. However, as the pandemic continues to rage overseas, the Biden administration will face increasing pressure to export more vaccines now that the virus is so well contained in the U.S. https://www.axios.com/newsletters/axios-vitals-f8c8cc1e-ec11-42f1-bead-951328085cc9.html?utm_source=newsletter&utm_medium=email&utm_campaign=newsletter_axiosvitals&stream=top . . . [Share this map](#).
- In the latest update to "Morning Consult's" *Return to Normal tracking*, for the fourth week in a row, record-high shares of all U.S. adults (64%), Democrats (53 %) and Republicans (77%) said they felt “very” or “somewhat” comfortable returning to their normal routine. [Read more](#).
- Yesterday's COVID-19 aid oversight hearing before the House Small Business Committee turned contentious. Chairwoman Nydia Velázquez (D-Brooklyn) and Ranking GOP Member Blaine Luetkemeyer (R-MO.) noted Treasury Secretary Yellen's absence, despite a requirement for her to appear before the committee in the coronavirus pandemic relief bill. Velázquez criticized Yellen for declining to appear, saying the Biden administration's top economic official was showing "complete disregard" for the law. Republicans on the committee sent a letter to Yellen, pushing her to provide by tomorrow her availability in June to appear before the panel. Read more [here](#) and https://www.politico.com/news/2021/05/26/velazquez-blasts-yellen-testify-ppp-490947?mkt_tok=ODUwLVRBQS01MTEAAAF9TL0BKinOtmxxfq4_N-Fv9jW66eWUKOZIRBYr-T12U1wQ0cD6qKN26dARnht4G3fBvODhMQiI6UPR6uGE5tLNOXuYKWScihOb-KAV0fCdb48.
- SBA Administrator Isabella Casillas Guzman told the House Small Business Committee oversight hearing that many applicants to the government's pandemic relief program for restaurants, bars, caterers and other food businesses will be left empty-handed unless Congress provides more money for the SBA's \$28.6 billion Restaurant Revitalization Fund grant program. The program received more than 372,000 applications, seeking \$76 billion — far more than the fund has available. https://www.nytimes.com/2021/05/26/business/small-business-pandemic-relief.html?mkt_tok=ODUwLVRBQS01MTEAAAF9TL0BKjkBgGmbCIPMthSOsdFgZMZTRp_Rn0SWlpTo_CjEAAQqovbxCE5Zb0UT4Rlc4yFxeW5jfZqn8ltH1saJIZCK2zp5HVmDuyqbquXSRW9yV
- President Biden directed U.S. intelligence agencies to send him a report into the origins of COVID-19 within 90 days amid renewed scrutiny of a theory that it could have started with a laboratory leak in China. The administration is facing pressure on the issue from Capitol Hill: The

Senate just passed a measure that would require the director of national intelligence to declassify information on the origin of the virus. ([The Wall Street Journal](#))

- President Biden will reportedly propose to Congress tomorrow a \$6 trillion budget for fiscal year 2022 in what would be the highest sustained levels of federal spending since World War II. The size of his proposed spending - which would run annual deficits of above \$1.3 trillion over the next 10 years - is driven by his plans to spend on infrastructure and expand the social safety net, while providing only a modest boost to defense spending. [The New York Times](#)
- Federal Reserve Vice Chair for Supervision Quarles said he's open to discussing when the Fed should taper its bond-buying program, the latest high-ranking Fed official to make similar comments. Quarles said that inflation since December would "prove sufficient" to justify slowing asset purchases later in 2021, even "discounting temporary factors," although he acknowledged that the labor market still needs improvement. [Financial Times](#)
- In prepared remarks to the House Appropriations Committee, Securities and Exchange Commission Chairman Gary Gensler said the SEC is considering new rules or guidelines for special-purpose acquisition companies. Gensler also questioned whether the structure of SPACs protects small investors, saying in his written testimony that the "retail public" could be bearing too much of the risk and costs of SPAC deals. [The Wall Street Journal](#)
- Worker filings for jobless benefits likely fell again last week, extending a steady downward trend and adding to signs of a healing labor market as the economy opens more fully. Economists expect the Labor Department to report that initial unemployment claims for regular state programs, a proxy for layoffs, fell last week to 425,000 from 444,000 the prior week. https://www.wsj.com/articles/weekly-jobless-claims-coronavirus-05-27-2021-11622068894?mkt_tok=ODUwLVRBQS01MTEAAAF9TLoBKsjZWHiNlft_Ap9I0MAsFaEBAHjFFTCbPkb_desAMsIsxDQET0aZqKfZwoBpgXSeqUgmg6zMeOJ6Vu_3buYtYF_YU4ZkPsFWzSGqupd
- Few things matter more to the success of the Biden administration than employment and inflation, and few institutions influence those more than the Federal Reserve. Which is why so much is riding on whether Mr. Biden decides in coming months to reappoint or replace its chairman, Jerome Powell, whose four-year term expires next February. https://www.wsj.com/articles/jerome-powells-fate-is-critical-to-biden-presidency-11622034613?mkt_tok=ODUwLVRBQS01MTEAAAF9TLoBKudgPmv963nHOJKBY4sn5fU46rsVk_XYerbZUU4Rs8PmNVFcnfl-qFn5d2XUybejw3i-fNnp-vDMNher7ADqPAHUFdJExyS7lSsLYOkz

FROM NEW YORK

- Rep. Brian Higgins' (D-Erie County) call for Governor Cuomo to invite Canadians to New York to get COVID-19 vaccinations rather than waiting months back home makes good sense in a number of ways, [The Buffalo News writes](#).
- In a city celebrating a vaccine-powered decline in COVID cases, the southern shore of Brooklyn stands out as a landscape of extended suffering and loss. Last month, 47 people died of COVID in the zone stretching from Sea Gate and Coney Island in the west to Sheepshead Bay and Manhattan Beach to the east — accounting for just 1% of the city population but 4% of all virus fatalities, Health Department stats show. <https://www.thecity.nyc/brooklyn/2021/5/26/22455773/southern-brooklyn-covid-death-disinformation-disconnection>

- New York State will raffle off 50 full scholarships — including tuition and room and board — to any public college or university, in an effort to encourage young people to get the COVID-19 vaccine, Gov. Andrew M. Cuomo announced Wednesday. The raffle program will start Thursday and run through July 7. Anyone from 12 to 17 years old who gets their first Pfizer shot during that time will be eligible for the drawings. <https://www.newsday.com/news/health/coronavirus/covid-19-new-york-long-island-vaccine-1.50258464>
- The impeachment investigation into Governor Cuomo is proceeding, but investigators are in no rush. Assembly Judiciary Committee Chairman Lavine insisted that the Assembly will spend as much “as needed” on its impeachment investigation after previously pledging just \$250,000 for the effort, [the New York Post reports](#). [Read More](#)
- Governor Cuomo on Wednesday brushed off the swarm of scandals threatening his political career and his administration, saying he hasn’t changed a thing in the way he — or his staff — conduct themselves behind the scenes. <https://nypost.com/2021/05/26/andrew-cuomo-not-changing-a-thing-despite-mounting-scandals/>

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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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