

Wednesday, June 16, 2021
To: New York Community Banks

FROM ICBA

ICBA chairman: IRS reporting plan threatens taxpayers

ICBA and the nation's community bankers are deeply concerned with the Biden administration's plan to require financial institutions to report customer bank account information to the IRS, ICBA Chairman Robert Fisher wrote in a [new LinkedIn article](#).

Details: The president and CEO of Tioga State Bank in Spencer, N.Y., wrote that new data-reporting requirements would infringe on the privacy of bank customers, drive customers out of the banking system, create complex new reporting burdens, and expose community banks to penalties for inadvertent errors.

More: "While closing the tax gap can and should be an alternative to raising taxes on Americans, policymakers should emphasize investments in the IRS over regulatory mandates that would harm local communities," Fisher wrote.

Background: The American Families Plan proposes requiring financial institutions to report to the IRS on account flows, including bank loans, on accounts over \$600. ICBA has strongly opposed the proposal since it was issued in April.

READ THE ARTICLE

Treasury awards \$1.25B to CDFI

The Treasury Department [awarded](#) \$1.25 billion in COVID-19 relief funds to 863 Community Development Financial Institutions.

Program: Announced by Vice President Kamala Harris and Treasury Secretary Janet Yellen at the White House, the grants will be provided through Treasury's CDFI Rapid Response Program.

Uses: The grant funds will be used to support eligible activities, such as financial products and services, and to enable CDFIs to build capital and loan-loss reserves.

Recipients: Headquartered in 48 states, the District of Columbia, Guam, and Puerto Rico, award recipients break down geographically as follows:

- Major urban areas: 339 organizations receiving \$478.7 million.
- Small urban areas: 277 organizations receiving \$414.2 million.
- Rural areas: 245 organizations receiving \$353 million.

ARRC welcomes regulator emphasis on LIBOR transition

The Alternative Reference Rates Committee [spotlighted](#) comments from top banking officials last week on the need for financial institutions to transition from LIBOR to an alternate reference rate.

SOFR: The ARRC noted that officials such as Treasury Secretary Janet Yellen, Acting Comptroller of the Currency Michael Hsu, and Fed Vice Chairman Randal Quarles cited the Secured Overnight Financing Rate as a "robust" replacement rate.

Transition: The ARRC—on which ICBA serves—is implementing the LIBOR transition and encouraging the use of SOFR. It also [encourages](#) market participants to continue the transition using currently available tools.

Pending Deadline: The U.K. Financial Conduct Authority has [said](#) it will cease publishing LIBOR for the one-week and two-month settings immediately after Dec. 31, 2021. U.S. regulators last fall [encouraged banks](#) to cease entering new USD LIBOR contracts by that date.

FDIC updates minority bank policy statement

The FDIC board of directors [approved](#) an updated Statement of Policy Regarding Minority Depository Institutions. The updated statement of policy:

- Clarifies the FDIC's expectations for technical assistance.
- Highlights the FDIC's MDI outreach efforts.
- Details terms, reporting requirements, and examination staff considerations.

FDIC proposes amending real estate lending standards

The FDIC [proposed a rule](#) to amend the Interagency Guidelines for Real Estate Lending Policies. The proposal would conform the method for calculating the ratio of loans exceeding supervisory loan-to-value limits with the capital framework established in the Community Bank Leverage Ratio. Comments are due in 30 days.

CFPB: HMDA threshold indicates lending differences

The Consumer Financial Protection Bureau [released a report](#) analyzing differences in lending patterns for lenders below and above the 100-loan closed-end threshold set by the 2020 Home Mortgage Disclosure Act rule.

Findings: According to the report, lenders below the 100-loan threshold appear to make more investment-purpose loans to higher-income borrowers and non-natural person borrowers (such as trusts and corporations). They also provide more loans secured by properties in low- to moderate-income census tracts.

Upshot: CFPB officials said the data could indicate that lenders below the 100-loan threshold are making more loans to investors buying properties in low- to moderate-income census tracts for rental or resale.

Reserve Banks amending electronic access circular

The [Federal Reserve Banks said](#) they are amending Operating Circular 5 on electronic access, effective June 30.

Previous: Section 1.4 of the circular previously required each institution to notify the reserve banks of any monetary or information loss or security incident involving an electronic connection.

New: The revisions expand upon that requirement by providing specific contact information for notifications and describing in more detail the circumstances in which such notice is required.

More: Further, Section 5.0 and Appendix A now require that institutions and their service providers document the requirement to notify the reserve banks via the specific contact information provided.

Builder confidence dips on material prices, shortages

Housing Market Index: Builder confidence in the market for new single-family homes [decreased](#) two points to 81 in June on rising material prices and supply chain shortages, indicating strong demand in a housing market lacking inventory.

Retail Sales: Sales [declined](#) 1.7 percent in May from the month before but remained up 24.4 percent from a year ago.

Producer Price Index: The PPI [increased](#) a seasonally adjusted 0.8 percent in May and was up 6.6 percent over the past year, the largest increase since 12-month data were first calculated in November 2010.

Industrial Production: Total production [increased](#) 0.8 percent in May and was up 16.3 percent from a year ago on increases in motor vehicle assembly and mining.

Business Inventories: Manufacturer and trade inventories [declined](#) 0.2 percent in April but were up 1.3 percent from a year ago.

FROM OTHER SOURCES

- More than 600,000 people have died from the coronavirus in the U.S., according to data from [Johns Hopkins University](#). It's a higher death toll than the number of American soldiers killed in combat during the Vietnam War, World War I and World War II [combined](#). The number represents approximately 15% of the world's total coronavirus death toll, which stands at over 3.8 million.
- There is a state of optimism about the pandemic in the U.S. Because of vaccines, the seven-day average is down to about 14,000 new cases and less than 400 deaths per day. Over 51% of Americans 12 and older are now fully vaccinated. 61% have received at least one dose, according to [CDC data](#). It took nearly four months for the U.S. to go from 500,000 total deaths to 600,000, whereas the country went from 400,000 to 500,000 deaths in a little over 30 days. However: Vaccination rates have also slowed, despite incentives. https://www.axios.com/us-coronavirus-death-toll-june-2b8a2dda-80a0-4d92-8e43-88a145e9f10a.html?stream=top&utm_source=alert&utm_medium=email&utm_campaign=alerts_all
- A research study run by the National Institutes of Health has turned up evidence of possible coronavirus infections in the United States as early as December 2019, weeks before the first documented infection in this country.
- After the Fed's policy-setting committee ends its two-day meeting today, investors will be scrutinizing its policy statement at 2:00 p.m. ET and the press conference with Fed Chairman Powell for any changes to policy messaging or hints at changes to the central bank's \$120 billion in monthly bond purchases -- especially as inflation rises faster than expected and job growth looks more tepid than anticipated. The Fed will also issue fresh economic forecasts from its members for the first time since March. [The New York Times](#).
- U.S. adults spent 27 percent more on gas and 19 percent more on medical care in May compared to January, according to new Morning Consult data. Despite the higher gas prices and increases in car payments and auto insurance, spending on public transportation remained flat. [U.S. Spending Patterns Signal Commitment to Cars and Gas, Brightening Outlook for Suburbs](#). Retail sales dropped, marking a shift in consumer spending from big-ticket items to goods and services related to going out amid business reopenings and higher vaccination rates. Consumers cut spending by 1.3% last month, trimming expenditures on autos, furniture, electronics, building materials and other items, the Commerce Department reported Tuesday. https://www.wsj.com/articles/us-economy-may-2021-retail-sales-11623701250?mkt_tok=ODUwLVRBQS01MTEAAAF9s73f-ofcgRiQtHZAGQ0vqZam1rW9Xuooz1f9mjJTNRKbj-H9LQWJ_Q7Ek72bvXGYKIYPLcsiQuqgU5jZK26hMjKdqGMo7PMtz1IG9mNdPD6J
- The U.S. averted the most dire predictions about what the pandemic would do to the housing market: An eviction wave never materialized, and the share of people behind on mortgages -- after falling steadily for months -- recently hit its pre-pandemic level. However, a moratorium on evictions did little to address the bigger problem: The country is running out of affordable places for people to live. https://www.nytimes.com/2021/06/16/business/affordable-housing-crisis.html?mkt_tok=ODUwLVRBQS01MTEAAAF9s73f-gV1ewWB70zGJP17CkOqEtBz9BUZg4SUnPdSdLgi7z1WCllIuJkxqBxv1obDl_k2-WvkRiD6So7q9UdcTlkNh754tPq1qZOoFBj2gfv6
- Treasury Secretary Janet Yellen will defend President Biden's tax proposals in back-to-back hearings today and tomorrow, and will face lawmakers with competing - and in some cases conflicting - agendas. https://www.rollcall.com/2021/06/15/yellen-to-face-grilling-in-back-to-back-hearings/?mkt_tok=ODUwLVRBQS01MTEAAAF9s73f-gWfuTZqv457UuVoAQaYWptncXHya6bR_BzDz85eTQxpOka20uE4lim35JH9Kb7vfgcJY5ed6H5yobh_qgtvTFLwiygWmTxIlePSGmbz

- The National Association of Realtors today reportedly plans to urge lawmakers to consider a "once-in-a-generation" policy response to a shortage of affordable homes, such as expanding the tax credit program for low-income rental housing and encouraging cities and states to ease limits on housing density. The organization says in its report that the construction of new housing in the last two decades has dropped 5.5 million units short of long-term historical levels. [The Wall Street Journal](#).
- During the worst of the pandemic, many landlords offered deals where ailing retailers paid a percentage of their monthly sales in rent—[rather than a fixed amount](#)—to help them survive. Now, this once temporary way of charging tenants looks poised to outlast Covid-19.

FROM NEW YORK

- Governor Cuomo announced a major update on the state's reopening progress. With 70% of New Yorkers 18 and older now having received at least one vaccine dose, [most of the remaining COVID-19 restrictions would be lifted](#). This means cleaning and disinfection, social distancing, health screenings, and contact tracing will be lifted for retail, food services, offices, gyms, amusement parks, barbershops and hair salons. For details: <https://www.mytwintiers.com/news-cat/top-stories/watch-live-gov-cuomo-makes-new-york-state-reopening-announcement-at-1215-p-m/>
- New York state of emergency remains in place, and with it, many of Cuomo's pandemic powers. [Read More](#)
- Most COVID-19 restrictions have been lifted, marking a significant milestone in the state's fight against the virus, but the state of emergency has remained in place, allowing Cuomo to retain much of his emergency power, [State of Politics reports](#).
- Yankee Stadium will [return to full capacity](#) seating starting Friday.
- Even as COVID-19 hospitalization and death rates have plummeted, things are not back to normal, nor should they be quite yet, not with the highly contagious Delta strain now spreading fast, [the Daily News writes](#).
- Tax revenue for New York state over the last two months were \$4 billion higher than initially projected by budget officials, a report released Tuesday by Comptroller Tom DiNapoli found. [Read More](#)
- New York City's Small Business Administration said thousands of restaurant owners will not get the federal pandemic relief they were counting on because of injunctions blocking the government from prioritizing businesses owned by women and people of color, [Gothamist reports](#).
- Mayor Bill de Blasio has many ideas about how to spend an unparalleled influx of \$22 billion in federal aid heading to New York City. https://www.nytimes.com/2021/06/16/nyregion/de-blasio-coronavirus-pandemic-aid.html?mkt_tok=ODUwLVRBQS01MTEAAAF9s73f-nb4Qr-j9g-oSvFSkWTqG0m0jgOjJNk6WZxG2eUsqsNNlbX55Wz0DyQ6pY4v2-67sbbXDiuH2udMlPzteMOpNG-MgmkpSg6JGuhjEmVr.

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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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