

Thursday, September 9, 2021  
To: New York Community Banks

## FROM ICBA

### Community bank net income rises 28.7%

Community banks reported net income growth of 28.7% in the second quarter from the same period last year, according to the FDIC's [Quarterly Banking Profile](#).

**Latest Numbers:** Community banks reported:

- Annual net income growth of \$1.9 billion.
- A 7.2% increase in net interest income from a year ago on lower interest expenses and higher commercial-and-industrial loan interest income.
- A 4.3% increase in noninterest income from last year.
- A decline in net interest margins of 26 basis points to 3.25%.
- Declines in provision expenses of 98.1% from a year ago and 88.2% from the previous quarter to 0.18% of net operating revenue, a record low.
- The noncurrent rate for total loans declined 5 basis points to 0.68%, while the net charge-off rate declined 8 basis points to 0.05%.

**Capital:** Community bank equity capital grew 3% during the quarter, though the leverage capital ratio declined 13 basis points to 10.14% as growth in average assets outpaced tier 1 capital formation.

**Overall Industry:** The overall banking industry reported a 281% net income increase from a year ago on further economic growth and improved credit conditions.

**Deposit Insurance Fund:** The DIF balance rose \$1.2 billion from the first quarter to \$120.5 billion, and the reserve ratio increased 2 basis points to 1.27%.

**Mergers and Openings:** During the quarter, three new banks opened, 28 merged with other FDIC-insured institutions, and none failed.

**Credit Unions:** Separately, the National Credit Union Administration [said](#) federally insured credit unions reported 126.8% net income growth in the second quarter from a year ago on growth in other operating income and a decline in loss provisioning.

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### ICBA urges House panel to reject IRS monitoring plan

Ahead of a House Ways and Means Committee [markup](#) starting today, ICBA reiterated its opposition to any proposal that would require banks to report customer account information to the IRS.

**Letter:** In a [letter to the panel](#) before it starts working to advance a major spending bill that could include the IRS proposal and pass with a simple majority, ICBA cited its [poll results](#) showing 67% of voters oppose the plan and 64% do not trust the IRS to monitor their account information.

**Campaign:** Meanwhile, ICBA continues calling on community bank customers and other consumers to [contact Congress](#) in opposition to the plan. More than 30,000 consumers have sent more than 100,000 custom messages to lawmakers as part of the campaign.

**Resources:** ICBA offers community bankers [customizable email text and social media content](#) to spread the word about the IRS plan among their customers and communities.

**More:** ICBA President and CEO Rebeca Romero Rainey details the multi-faceted consumer campaign—including ICBA's custom resources—in a post on [Main Street Matters](#) and [LinkedIn](#).

### ICBA urging grassroots outreach on reconciliation tax hikes

While the IRS campaign continues, ICBA is also calling on community bankers to [speak out against](#) a comprehensive package of tax increases on community banks and their customers.

**Background:** As part of its \$3.5 trillion budget-reconciliation package, Congress is considering proposals to raise rates on pass-through shareholders and C corporations, cap the Section 199A deduction, increase the capital gains tax, and impose capital gains at death.

**Grassroots:** ICBA's [Be Heard grassroots action center](#) allows community banks to send customizable messages to their lawmakers opposing these proposed tax hikes.

**Joint Letter:** In a [joint letter](#) to House Ways and Means Committee Chairman Richard Neal (D-Mass.), ICBA and other business groups urged opposition to any measures that would raise taxes on Main Street employers.

### **ICBA issues position paper on climate change regulation**

ICBA released a [new position paper](#) on the potential impact of new climate change regulations on community banks.

**Details:** The white paper spotlights legislative and regulatory climate change efforts and says:

- Community banks are experts at monitoring the risk of their lending and investment portfolios and do not need more regulation to manage their potential climate risks.
- ICBA will oppose any climate risk regulation that adversely affects community banks and their ability to support their communities and customers. [Read the Paper.](#)

### **OCC proposes rescinding CRA rule**

The OCC [issued proposed rules](#) to rescind its May 2020 Community Reinvestment Act rule and replace it with interagency rules adopted in 1995.

**Previous:** The OCC [in July](#) said it would rescind the CRA rule and work with other agencies on a joint rulemaking, which the FDIC and Federal Reserve Board affirmed in a separate [statement](#).

**ICBA Position:** ICBA [expressed support](#) for the OCC announcement after previously [supporting](#) the agency's May announcement that it would reconsider the rule.

### **Growth slips on Delta variant, supply chain: Beige Book**

Economic growth downshifted slightly to a moderate pace in early July through August, according to the Federal Reserve's [Beige Book](#) of regional conditions.

**Growth Sectors:** The stronger sectors of the economy include manufacturing, transportation, nonfinancial services, and residential real estate.

**Slowdown Factors:** The deceleration in economic activity was largely attributed to a pullback in dining out, travel, and tourism—reflecting safety concerns due to the COVID-19 Delta variant—as well as weak auto sales due to supply disruptions.

- **(NOTE: For more information about the New York District economic conditions visit: [www.newyorkfed.org/regional-economy](http://www.newyorkfed.org/regional-economy))**

### **Consumer credit rises 4.7% in July**

Consumer credit increased at a seasonally adjusted annual rate of 4.7% in July, the Federal Reserve [said](#). Revolving credit, which includes credit card spending, increased at an annual rate of 6.7%. Non-revolving credit, such as auto and student loans, rose 4.1%.

### **FHFA releases fair lending, housing goal data**

The Federal Housing Finance Agency [released](#) several sets of demographic data related to Fannie Mae and Freddie Mac fair lending and housing goals activities. The data include application approvals and loan acquisitions by race and ethnicity as well as the distribution of 2018-2020 loan purchases by race, ethnicity, and state.

### FROM OTHER SOURCES

- President Biden today is expected to detail his administration's plan to put pressure on private businesses, federal agencies and schools to enact stricter vaccination mandates and testing policies, as the Delta variant continues its spread across the U.S. The country's daily average caseload is over 150,000 for the first time since late January, overwhelming hospitals in hard-hit areas and killing roughly 1,500 people a day.  
[https://www.nytimes.com/2021/09/08/us/politics/biden-vaccine-mandate-speech.html?mkt\\_tok=ODUwLVRBQS01MTEAAAF\\_aYQRo1NMi\\_Wp\\_d7rPRefNOSRIEe1G\\_MIH\\_GSXxjq2Eh4nTmt3NtRABexnE9lWM3bkJ1K-Bu3mqeZqmOfLs8clwiQ8fUGQU6FUOvp\\_Svnm7n](https://www.nytimes.com/2021/09/08/us/politics/biden-vaccine-mandate-speech.html?mkt_tok=ODUwLVRBQS01MTEAAAF_aYQRo1NMi_Wp_d7rPRefNOSRIEe1G_MIH_GSXxjq2Eh4nTmt3NtRABexnE9lWM3bkJ1K-Bu3mqeZqmOfLs8clwiQ8fUGQU6FUOvp_Svnm7n)
- Dr. Fauci says Americans are getting infected with COVID at 10 times the rate needed to end the pandemic, and that the longer it takes to end this pandemic phase, the bigger the chance we'll end up with a "[monster variant](#)" dangerously transmissible and that eludes vaccines. He warned: "[W]e're still in pandemic mode, because we have 160,000 new infections a day... That's not even modestly good control... In a country of our size, you can't be hanging around and having 100,000 infections a day... You've got to get well below 10,000 before you start feeling comfortable."  
[https://www.axios.com/fauci-no-control-covid-a2572210-dbdb-48b0-aa2e-92e8e9fcd69a.html?utm\\_source=newsletter&utm\\_medium=email&utm\\_campaign=newsletter\\_axiosam&stream=top](https://www.axios.com/fauci-no-control-covid-a2572210-dbdb-48b0-aa2e-92e8e9fcd69a.html?utm_source=newsletter&utm_medium=email&utm_campaign=newsletter_axiosam&stream=top) *Keep reading.*
- New coronavirus infections held steady across the U.S. as falling case rates in a few hot spots in the South were offset by increases elsewhere. The overall COVID case rate increased less than 1% over the last two weeks, but hospitalizations increased 4% in the same time frame, and the seven-day rolling average of deaths rose 29%. The country is averaging about 1,500 deaths a day for the first time since March: daily death totals have more than quintupled since the start of August, per [the New York Times](#).
- On average, about 152,000 Americans have tested positive for COVID-19 each day nationwide over the past two weeks. States around the country have reported that COVID surges are increasing the strain on hospital systems. This week, Idaho hospitals [begin rationing health care](#) amid COVID surges, and Wisconsin hospitals said their [ICU beds are in short supply](#).
- Kids now make up more than a quarter (26.9%) of new weekly COVID-19 cases nationwide, according to the [American Academy of Pediatrics](#).
- The Delta variant continues to show us there is still a long road ahead with this pandemic. As the AP put it: [The summer of hope is ending in gloom](#). [Share this story](#).
- Acting Comptroller of the Currency Michael Hsu called rescinding and updating the CRA Rule in conjunction with the Fed and FDIC a "top priority" for the OCC. [Reuters](#)
- Wall Street is widely expecting Fed Chairman Powell will be renominated by President Biden for another four-year stint. Investors say his potential renomination would provide a needed sense of stability as the central bank prepares to pull back its emergency-level support.  
[https://www.reuters.com/business/investors-betting-stable-choice-powell-renomination-fed-2021-09-09/?mkt\\_tok=ODUwLVRBQS01MTEAAAF\\_aWsLMXOH7luDP-D6PoCV0ke3tkXY4ATe143Dftk2a-Y-D-rp9mKV5KDZEggfk\\_oycfUKoxC1B5BOKh\\_jmyBKnlDR2rSWEQ8jD0yBdKKNNo96](https://www.reuters.com/business/investors-betting-stable-choice-powell-renomination-fed-2021-09-09/?mkt_tok=ODUwLVRBQS01MTEAAAF_aWsLMXOH7luDP-D6PoCV0ke3tkXY4ATe143Dftk2a-Y-D-rp9mKV5KDZEggfk_oycfUKoxC1B5BOKh_jmyBKnlDR2rSWEQ8jD0yBdKKNNo96)

- Treasury Secretary Janet Yellen told lawmakers they will likely need to raise or suspend the debt limit by the end of October in order to avoid default. Democrats have reportedly discussed tying an increase in the debt limit to government funding, which is set to expire at the end of this month. [Roll Call](#)
- A Treasury Department report says the wealthiest 1% of Americans aren't paying as much as \$163 billion in owed taxes per year, and adds that the IRS needs additional funding to hire and train agents to review complicated tax filings and "access" information about opaque income streams - like proprietorship and partnership income - that accrue disproportionately to high earners." [The New York Times](#)
- Bank of America Corp. -- among the biggest collectors of overdraft fees -- is taking another step away from such fees. BOA debuted a new service that automatically moves customers' money to avoid overdrafts. [https://www.bloomberg.com/news/articles/2021-09-08/bofa-debuts-program-to-move-further-away-from-overdraft-fees?mkt\\_tok=ODUwLVRBQS01MTEAAAF\\_aWsLMSr3kY1QceqPHxvIK7uob3PVsccr\\_BiVeSAnAqXKyJS2nTCYrDnOuBekyTzpXQNKeA04ovKBThbF3BthWnaUHPzWLKhUMb7tIwKaKmBg](https://www.bloomberg.com/news/articles/2021-09-08/bofa-debuts-program-to-move-further-away-from-overdraft-fees?mkt_tok=ODUwLVRBQS01MTEAAAF_aWsLMSr3kY1QceqPHxvIK7uob3PVsccr_BiVeSAnAqXKyJS2nTCYrDnOuBekyTzpXQNKeA04ovKBThbF3BthWnaUHPzWLKhUMb7tIwKaKmBg)

### FROM NEW YORK

- All 62 counties in New York state are now seeing “high” transmission of [Covid-19](#) — that's up from 15 counties a month ago, and zero counties eight weeks ago. The CDC says people should wear masks indoors, even if they're vaccinated, in areas with “substantial” (orange areas on [map](#)) and “high” (red) transmission of [Covid-19](#). More than 95% of U.S. counties are now in the red zone.
- Governor Hochul is not ruling out mandating coronavirus vaccinations for middle- and high-school students in New York, as their inoculation rates remain troublingly low despite the fall semester being around the corner, [the Daily News reports](#).
- New York's COVID-19 vaccine mandate for health care workers has ignited concerns that nearly 130,000 unvaccinated staff at hospitals and nursing homes will soon lose their jobs, potentially triggering a workforce crisis as delta variant cases surge, [Gannett Albany reports](#).
- The pushback on New York's mask mandate in schools and the recent lawsuit filed by two Syosset Hospital nurses against the state's vaccine requirement for health care workers are proof of the importance of clear-cut, legally ironclad requirements, [Newsday writes](#).
- Former NYC Mayor Bloomberg joined Governor Hochul at the Sept. 11 memorial, where they expressed confidence the city would bounce back from the Covid-19 pandemic as it did from the terrorist attacks two decades ago. However, Bloomberg said the new governor may have to lose some friends to make it happen. “[Michael Bloomberg: How New York City Can Bounce Back, Again](#)”
- Advocates in support of a fund that provides aid to workers who were not included in several rounds of federal stimulus payments during the COVID-19 pandemic will call for changes to the application process, and are expected to call for more funding next year in the state budget for the program. [Read More](#)
- New York Fed President Williams -- who holds a constant vote on monetary policy and is foremost among the central bank's 12 regional policymakers -- "hinted" it might be possible for the Fed to begin removing support for the economy before the end of the year even if the job market grows at a lackluster pace in coming months. He said he had been looking at the cumulative level of employment progress rather than month-to-month changes.

[https://www.nytimes.com/2021/09/08/business/economy/fed-williams-taper.html?mkt\\_tok=ODUwLVRBQS01MTEAAAF\\_aWsLMe8QNztK-cGWRzuCJUvaqJ2N\\_7tuFd19n5HomUKQOpzyzFdeJ1QL5aA5VP7bNgb4nJTGgJlkyTEw-P3BzzOk8yplodMZqMzSv\\_nvjviC](https://www.nytimes.com/2021/09/08/business/economy/fed-williams-taper.html?mkt_tok=ODUwLVRBQS01MTEAAAF_aWsLMe8QNztK-cGWRzuCJUvaqJ2N_7tuFd19n5HomUKQOpzyzFdeJ1QL5aA5VP7bNgb4nJTGgJlkyTEw-P3BzzOk8yplodMZqMzSv_nvjviC)

- Assembly Speaker Heastie's pick to serve a three-year term on the state's Cannabis Control Board is Adam W. Perry, a well-known Buffalo attorney. The board is charged with regulating the marijuana industry. <https://www.timesunion.com/state/article/Buffalo-attorney-is-Heastie-s-pick-for-Cannabis-16443255.php>
- Governor Hochul made 11 appointments [to her administration's press and operations teams](#), many of whom are currently working for her or have in the past.

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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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