

Tuesday, November 9, 2021
To: New York Community Banks

FROM ICBA

Quarles stepping down from Fed board

Randal Quarles [submitted](#) his resignation as a member of the Federal Reserve Board, effective at the end of December.

Background: Quarles, who has been a board member since October 2017, served as the board's first vice chair for supervision. Quarles has also served as chair of the Financial Stability Board, with his three-year term ending on Dec. 2.

IRS reporting press push continues

The community banking industry continued its media push against the IRS bank reporting proposal, which remains a threat even after it was recently [left out](#) of the framework guiding Democratic discussions. **Op-ed:** In the Biloxi [Miss.] [Sun Herald](#), Mississippi Bankers Association President and CEO Gordon Fellows said proposed tweaks to the plan will not ease community banker opposition. **Ongoing Efforts:** [Reuters reported](#) last week that Treasury and Sens. Tom Carper (D-Del.), Angus King (I-Maine), and Mark Warner (D-Va.) are pressing to include the plan in the Senate's version of the reconciliation bill—illustrating its continued threat. **IRS Grassroots:** Community bankers can continue [calling their members of Congress](#) and [rallying consumers](#) in opposition to the proposal. **Tax Hikes:** Meanwhile, ICBA continues encouraging community bankers to use its [Be Heard resource center](#) to speak out against numerous tax increases included in the budget reconciliation bill's draft framework.

Treasury targets ransomware operators

The Treasury Department [announced](#) a new round of coordinated actions as part of the federal government's response to ransomware.

Designations: The Office of Foreign Assets Control designated and targeted with sanctions:

- Chatex, a virtual currency exchange, for facilitating financial transactions for ransomware actors.
- Ukrainian Yaroslav Vasinskyi and Russian Yevgeniy Polyanin for perpetuating Sodinokibi/REvil ransomware incidents.

Advisory: Additionally, the Financial Crimes Enforcement Network updated its [ransomware advisory](#) with information on current trends, typologies, recent incidents, and red flags. **More**

Resources: ICBA which is [encouraging](#) a comprehensive approach to unregulated platforms, offers a [complimentary workshop](#) at 1 p.m. (Eastern time) tomorrow, Nov. 10, on cyber incident management and [more information](#) on cyber and data security resources.

OCC's Hsu lays out climate questions for megabank boards

Acting Comptroller of the Currency Michael Hsu said there are five questions large bank boards should ask to promote climate risk management practices at their banks.

Remarks: Speaking at OCC headquarters, [Hsu said](#) large bank boards should ask:

- What is our overall exposure to climate change?
- Which counterparties, sectors, or locales warrant our heightened attention and focus?
- How exposed are we to a carbon tax?
- How vulnerable are our data centers and other critical services to extreme weather?
- What can we do to position ourselves to seize opportunities from climate change?

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

- Community banks are experts at monitoring risk and do not need more regulation to manage potential climate risks.
- ICBA will oppose any climate risk regulation that adversely affects community banks.

Fed's Bowman raises concerns with nonbank mortgage lending

Federal Reserve Governor Michelle Bowman expressed concern with differences in prudential oversight of banks and nonbanks in the mortgage market. **Remarks:** Speaking in Washington, [Bowman said](#) the mortgage finance system must have a place for both banks and nonbanks to serve the varying needs of different customers. But like activities should be treated in a like manner, she said, reiterating concerns with financial stability risks they could pose.

Webinar tomorrow on credit union mission creep

ICBA Chairman Robert Fisher will participate in a [National Taxpayers Union webinar tomorrow](#) on the “rise of bank-like credit unions.” **Details:** Scheduled for **1 p.m. (Eastern time) tomorrow, Nov. 10**, the webinar will feature two panel discussions on credit union taxation and regulation, mission creep, acquisitions of community banks, and other concerns. [Register here.](#)

Blog: Community bank PPP response topped larger lenders

Small Business Administration data show that community banks led the financial services industry in Paycheck Protection Program loans responding to the COVID-19 pandemic, according to a [new ICBA blog post](#). **Details:** In the new post, ICBA economist Noah Yosif [breaks down data](#) detailing how:

- Community banks assumed an outsized role in originating PPP loans.
- Community banking growth stemmed largely from PPP loan originations.

Recent: Released as part of a three-part series on final PPP data, a [previous post](#) from Yosif shows how community banks drove lending in the earliest weeks of the program.

Banks largely easing loan standards: Fed survey

Respondents to the Federal Reserve's October [senior loan officer survey](#) reported for the third quarter:

- Easier standards and stronger demand for commercial and industrial loans to large and middle-market firms.
- Easier standards and unchanged demand for C&I loans to small firms.
- Easier standards for all commercial real estate loan categories.
- Stronger demand for multifamily loans and for loans secured by nonfarm nonresidential properties.
- Unchanged demand for construction and land development loans.
- Easier standards and weaker demand for most categories of residential real estate loans.
- Easier standards and mixed demand for consumer loans.
- Weaker demand for C&I and credit card loans compared with the end of 2019.

Fed's Clarida: Inflation rate 'more than moderate overshoot'

Federal Reserve Vice Chair Richard Clarida [said](#) that while most excess inflation will prove to be transitory, the inflation rate is more than a "moderate overshoot" of the Fed's 2% long-run objective. "I would not consider a repeat performance next year a policy success," he said.

Employment rebounds despite supply chain: video

Last week's employment report exceeded expectations despite continued supply chain and inflationary pressures, according to the latest weekly video from ICBA Securities and Vining Sparks. The video also details the Federal Reserve's announcement on monetary policy tightening. [Watch the video.](#)

FROM OTHER SOURCES

- Americans are increasingly likely to believe returning to normal life is only a low to moderate risk as Delta cases plummet, according to the latest installment of the [Axios/Ipsos Coronavirus Index](#). "People are starting to re-engage with their regular activities. They're not as worried about getting COVID." The findings indicate a clear shift over time on Americans' attitudes about COVID. 44% said returning to normal life is a large to moderate risk — down from 56% in mid-September and the lowest since the Delta surge began. Fewer people (38%) reported requirements by their state or local government to wear masks in all public places, down from 43% two weeks earlier and the lowest since early August.
- This scenario is playing out in the stock market, where stocks are at all-time highs, with onetime pandemic-era winners as a big exception, [Axios' Courtenay Brown reports](#). "At-home workouts and remote learning are out. Travel and gyms are in."
- This isn't necessarily translating to good news for the Biden administration yet, [Axios' Margaret Talev writes](#). While 67% of the respondents were "confident" in the administration's ability to distribute the COVID-19 vaccine quickly, only 45% said they are confident in the administration's ability to "ensure the economy recovers quickly" after COVID. [Share this story.](#)
- The White House said businesses should move forward with President Biden's vaccine and testing requirements for private businesses, despite a federal appeals court ordering a temporary halt to the rules. https://www.cnn.com/2021/11/08/biden-vaccine-mandate-white-house-tells-business-to-go-ahead-despite-court-pause.html?mkt_tok=ODUwLVRBQSO1MTEAAAGAo8b_N12SCDGX-N5Oz5gwMyWTTiE3zcIKXOMDtpndFFgsAiWJr4QI_PVJ3pOif7VUaJjBNFPQUP6-rbHTXz2JKc471cnGGmziXpcqgfSVQhQ-. . . [The New York Times](#)
- President Biden is trying to showcase sunny economic indicators, but Americans aren't convinced, [Axios Capital](#) author Felix Salmon [reports](#). Between now and midterms — a year from this week — Democrats need to get credit for America's economic strength, or risk massive losses in Congress.
- Economic health is undeniable, both for the country and for households. The economy is expected to grow 5.7% this year. **Almost 6 million jobs** were created between January and October. The unemployment rate is just 4.6%. The [quit rate](#), a barometer of workers' optimism, hit a record high 2.9% in August. **Average earnings** are up 3.5% this year to \$31 per hour. **Stocks hit a new record high** every day last week — and yesterday, too — and are up more than 30% year-to-date.
- 56% of voters think the country is on the wrong track, up from 39% in June, per the [Harris Poll](#). **The Gallup economic confidence index** is now at -25, down from positive territory in June. A White House official says some of the economic pessimism comes from supply-chain issues, which are contributing to the soaring [price of cars](#) and other goods.

- The N.Y. Times' Neal Irwin wrote Sunday: "[A]fter decades in which the availability of jobs (or lack thereof) drove economic sentiment, inflation now appears to have become the more powerful force." The most salient price for most consumers — gas — is up 62% over the past year, to \$3.42 per gallon. The inflation rate, released tomorrow, is expected to come in at an eye-popping 5.8% year-on-year. [Share this story.](#)
- The potential for U.S. public health to worsen as the Covid-19 pandemic continues is one of the greatest near-term risks to the financial system, the Federal Reserve said, while noting that asset prices are susceptible to large declines should investor sentiment shift. https://www.wsj.com/articles/fed-says-u-s-public-health-among-biggest-near-term-risks-to-financial-system-11636405657?mkt_tok=ODUwLVRBQS01MTEAAAGAo8b_N0aNdzDoLPiRvzQA9LYCMI Vw3aNEPowqAhqbHprSTwTepdgKdyzjgBmsqeFIPOKLtcv-UHKKqORC4vTnPv1T1XPzkm2YDewECneNgnN
- Randal Quarles, who finished serving a four-year term as the Fed's vice chair for supervision in mid-October, will resign from the Fed at yearend, even though he could have remained on the Fed board until 2032. Quarles said it was important to him that the changes he made at the Fed, which he often referred to as fine-tuning or refining and which his critics said weakened protections, were "durable." [The Washington Post](#)
- Fed Governor Lael Brainard reportedly interviewed for the Fed Chair job last week. While economists expect President Biden to renominate Fed Chairman Powell, two people familiar with the matter said the White House has floated the possibility with some members of the Senate Banking Committee that another candidate could be nominated. [Bloomberg](#)
- Community banks, minority lending institutions and credit unions face greater risks of cyberattacks and damage from data breaches, a group of experts told lawmakers recently. The smaller institutions are asking Congress to plug holes in laws that exempt retailers and other entities that handle financial information for smaller banks from data security regulations. https://www.rollcall.com/2021/11/09/small-banks-facing-greater-cyber-risks-urge-congress-to-act/?mkt_tok=ODUwLVRBQS01MTEAAAGAo8b_N6dpbPfOLieZGUNQr2syFaQrypimiBRCv6HloV5bxJa5AKppPtCoz1YEKVVXQBD06xLlepXIUz1axOOeeFG5saRVN5YPLtGGUuMTJ98L
- A number of rank-and-file House Republicans are reportedly pushing to strip committee assignments from 13 GOP lawmakers who voted for Biden's bipartisan infrastructure bill, causing turmoil for the party's leaders. Along with three retiring lawmakers, the list of House Republicans who backed the legislation include some of the party's committee and subcommittee leaders, including Rep. John Katko of New York, who also voted for Trump's second impeachment. [Punchbowl News](#)

FROM NEW YORK

- [The COVID-19 numbers are headed](#) in the wrong direction across Upstate New York. In Oswego County, the positivity rate is above eight percent, according to the Centers for Disease Control and Prevention.
- [Broadway is extending](#) its COVID-19 vaccination and mask requirements through the end of February.
- New York City Mayor de Blasio announced that city workers and contractors will get additional paid sick time to get their children vaccinated against Covid-19. The administration is also moving to get legislation quickly passed in the City Council that would require private sector employers to give their workers the extra sick time. Almost 17,000 children ages 5 to 11 have received their first Covid-19 vaccine since shots for kids kicked off on Thursday, and public

schools began giving the shot to their students Monday morning. [City offers sick leave to parents for kids' vaccines](#)

- Consumers' short-term inflation expectations reached a record high in October, according to survey results released Monday by the Federal Reserve of New York. Heads of households surveyed by the New York Fed expected consumer prices to rise by a median of 5.7% over the next year, according to the bank's October Survey of Consumer Expectations. https://thehill.com/policy/finance/580603-consumer-inflation-expectations-reach-new-high-fed-survey?mkt_tok=ODUwLVRBOS01MTEAAAGAo8b_N-vCq3cC3456m16HZLkIoclNX5Fd66RzwOatDyL0NaPBsCqzQPKj7EVrzjrHvy2z_YXNWIBRnztmGnoCzVsIJCUSMZHUg3IoQ1CDcKO
- Western New York leaders celebrate the return of Canadian tourists. After roughly 20 months separated by the border, Canadian citizens began lining up Monday morning to drive into the United States. [Read More](#)
- Congress passed President Joe Biden's \$1 trillion infrastructure bill, but perhaps the most interesting aspect of the vote was the [New York lawmakers who crossed party lines](#), with two Democrats voting against it and four Republicans voting for it
- Former state Department of Financial Services Superintendent Maria Vullo has created a campaign committee to raise money for a likely attorney general bid in 2022, [the Times Union reports](#).
- According to the Oct. 29-Nov. 7 polling, 50% of New York voters approve of Gov. Hochul's job performance, up 6 percentage points from responses gathered during her first 10 days in office. Hochul's approval rating among New York voters is just below that of President Biden (54%) and Senate Democratic Leader Schumer (52%), and just above Democratic Sen. Gillibrand (47%). 29% disapprove of how she has handled her job, up 14 points over the course of about 11 weeks. The increasing disapproval has been driven by independents (34% approve, 35% disapprove) and Republicans (58 percent disapprove 27% approve). <https://morningconsult.com/2021/11/08/kathy-hochul-approval-rating/>
- Gov. Hochul is offering some financial relief to New York's hospitality and tourism industries in the form of grants and direct payments to those still feeling the economic consequences of the COVID pandemic, [the Daily News reports](#).
- State Attorney General James says that Section 8 tenants who are seeking emergency rental assistance should have their evictions halted during the process and that late payment fees during national emergencies should be eliminated, [State of Politics reports](#).
- Voters have won at least one small political victory in the wake of last week's thumping of Democrats: Hochul has vowed not to raise taxes – and you can bet her pledge was inspired by the election in neighboring New Jersey, [The Wall Street Journal writes](#).
- New York State appears to be...[saving money?!](#)

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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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