

Welcome

For the best experience today:

- ✓ Log in using Chrome or Firefox as your browser.
- ✓ Turn your computer speakers on and the volume up (audio for this program is only delivered through your computer speakers).
- ✓ Use the Q&A widget to ask questions.
- ✓ Contact inxpowebcastingsupport@west.com with technical issues.
- ✓ Add ABA@theonlinexpo.com to your address book to ensure you receive all webinar communications.
- ✓ Allow pop-ups and redirects from <https://onlineexperiences.com>.

**This webinar is not eligible for Continuing Education credits.*

**This webinar will be recorded with permission and is furnished for informational use only. Neither the speakers, contributors nor ABA is engaged in rendering legal nor other expert professional services, for which outside competent professionals should be sought. All statements and opinions contained herein are the sole opinion of the speakers and subject to change without notice. Receipt of this information constitutes your acceptance of these terms and conditions.*

Welcome

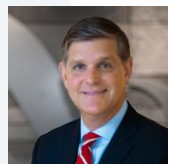


Rob Nichols

President and CEO
American Bankers Association

Agenda

- Debt Guarantee Authority – Alison Touhey
- Treasury / Fed Lending Facilities – Shaun Kern
- SBA Lending Programs – Dan Martini
- Mortgage Forbearance – Ginny O’Neill
- Troubled Debt Restructuring Relief / CECL Delay – Mike Gullette
- Credit Reporting – Jess Sharp
- Direct Stimulus – Jess Sharp
- Banks as Employers (Families First / CARES Act) – Jonathan Thessin
- What’s Next (Round 4 and 5?) – James Ballentine
- Q&A – Peter Cook



Peter Cook

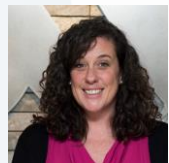
Chief Communications Officer

pcook@aba.com

Debt Guarantee Authority

Section 4008: FDIC Guarantee Authority

- Provides Congressional authority for the FDIC to guarantee the obligations of solvent insured depository institutions and their affiliates, through December 31, 2020.
 - Amends Section 1105 of Dodd-Frank
 - Fee based; must not use the deposit insurance fund
 - FDIC will design the program to fit the current circumstances
- NCUA granted authority to increase the share insurance coverage on any non-interest-bearing transaction account in any federally-insured credit union.



Alison Touhey

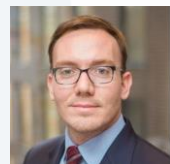
VP, Bank Funding Policy

atouhey@aba.com

Treasury / Federal Reserve Lending Facilities

Title IV – Section 4003

- Airlines & National Security Funds (\$46 Billion)
 - First Priority
- Businesses, States and Municipalities (\$454 Billion)
 - Broad Discretion (loans, guarantees, investments in FRB programs or facilities)
 - Terms & Conditions Forthcoming
 - Mid-Sized Business Assistance
 - Main Street Lending Program
 - Previewed on March 23
 - Section 4003(c)(3)(D)(ii)



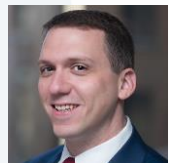
Shaun Kern

Senior Counsel, Prudential Regulation & Asset Management

skern@aba.com

SBA Lending Program

- Paycheck Protection Program (PPP)
 - \$350 bill for 100% guaranteed 7(a) loans to cover payroll costs, interest on mortgage payments, rent obligations, and utilities through June 30, 2020.
 - Applies to businesses with fewer than 500 employees, business meeting SBA size standards, independent contractors, and certain nonprofits (501(c)(3)s and veteran owned 501(c)(19)).
 - Vastly expands authorized lenders to provide these PPP loans
 - Maximum loan size is 250% of average monthly payroll costs with a cap of 1 year
 - Interest rate capped at 4% with a loan term cap of 10 years



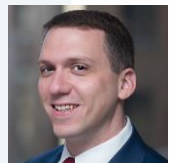
Dan Martini

VP, Congressional Relations & Public Policy

dmartini@aba.com

SBA Lending Program

- Paycheck Protection Program (PPP)
 - Lender receives a 5%, 3%, or 1% processing fee within 5 days of loan disbursement based on loan size
 - Borrower allowed up to one-year deferment on loan payments
 - 8 weeks of covered expenses will be forgiven by SBA and paid to the lender plus interest
 - Remaining balance of loan will carry 100% guarantee for the duration of the loan
- Expect forthcoming guidance from the U.S. Small Business Administration (SBA) on the specific mechanics of the PPP



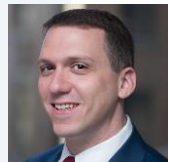
Dan Martini

VP, Congressional Relations & Public Policy

dmartini@aba.com

SBA Lending Program

- \$17 billion for six months of principal and interest payments on existing 7(a) loans
- Increase in Express Loans limit to \$1 million through December 21, 2020
- Authorizes \$265 million for SBA's Entrepreneurial Development Programs
- Authorizes \$10 billion for additional Emergency Injury Disaster Loans (EIDLs)



Dan Martini

VP, Congressional Relations & Public Policy

dmartini@aba.com

Mortgage Forbearance (§ 4022)

- Requires mortgage servicers of government-backed loans to grant up to 180 days of forbearance to borrowers who request it and also make affirmation of financial hardship due to COVID-19.
- Must be extended up to another 180 days if the borrower so requests.
- Restricts servicers from assessing penalties, fees, or extra interest during the forbearance period.
- Forbearance requirements are limited to guaranteed or insured loans and therefore pose no direct impact on pure portfolio lenders



Ginny O'Neill

EVP, Regulatory Compliance and Policy

voneill@aba.com

Mortgage Forbearance (§ 4022)

- Servicers may not initiate judicial or non-judicial foreclosure process or move for foreclosure judgments during the 60-day period beginning on March 18, 2020.
- The long-term forbearance requirements raise liquidity concerns for non-bank servicers.
- However, forbearance requests may challenge bank capacities, depending on scope of need.



Ginny O'Neill

EVP, Regulatory Compliance and Policy

voneill@aba.com

TDR Accounting: Background

- “Troubled Debt Restructurings”: An Accounting Term
 - To borrowers in “financial difficulty”
 - Concessions that “would not otherwise be considered”
- Reported TDRs impact nonaccrual status, past due reporting, impairment measurement, regulatory capital calculations, collateral qualifications, examination criticism
- Reporting is very difficult, at the time of modification and thereafter



Mike Gullett

SVP, Tax and Accounting

mgullett@aba.com

TDR Acctg: Temporary Relief in CARES Act

- Election to Temporarily Suspend TDR Accounting
- Begins March 1, 2020
 - Ends earlier of December 31 or 60 days after end of “Emergency Period”
- Applies for term of loan modification
 - Must be related to COVID-19
 - Loan could be not more than 30 days past due on December 31, 2019
 - Agencies will defer to judgment of bank to suspend
 - Bank must maintain modification records



Mike Gullett
SVP, Tax and Accounting
mgullett@aba.com

TDR Acctg: 3/22 Interagency Guidance

- Addresses accounting, nonaccrual status, past due reporting, discount window eligibility, examination criticism
- Emphasizes only deferrals, extensions, and delays
 - 6-month delays/deferrals will not be questioned as to TDR status
- Dates are open-ended
 - Emphasizes past due status at the time modification programs, rather than December 31, 2019
- ABA pursuing reconciling CARES Act to Interagency guidance



Mike Gullette

SVP, Tax and Accounting

mgullett@aba.com

CECL Standard Developments

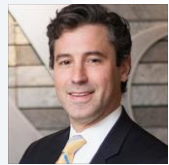
- CARES Act
 - CECL accounting not required until earlier of December 31 or end of “Emergency Period”
 - ABA pursuing practical impacts of effective dates.
- Regulatory Capital Relief Proposal
 - 5 year transition period
 - Phase-in starts after year 2, three year amortization thereafter
 - 100% of “Day 1 difference” to R/E, +25% of increases to allowance



Mike Gullette
SVP, Tax and Accounting
mgullett@aba.com

Credit Reporting

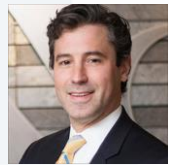
- Initial proposals included significant restrictions
 - Could have led to unforeseen consumer impacts such as a deterioration of information needed to extend credit
- Final provision more balanced
 - Customers that are in an accommodation arrangement related to COVID-19 will be reported as current, except those accounts already in charge-off.
 - This language is an improvement, but it is important that credit reporting agencies provide options for lenders to flag that the account is in accommodation. The credit reporting agencies have said this is already possible.



Jess Sharp
EVP, Advocacy & Innovation
jsharp@aba.com

Direct Stimulus Payments

- **Basic Eligibility:**
 - Must earn less than \$75,000 or \$150,000 jointly to receive full amount.
 - Between \$75,000 and \$99,000, payment amount is reduced pro rata. No payments to individuals making more than \$99,000. Numbers double for joint filers.
- **Signals from Administration that electronic payments are preferred. ABA agrees.**
 - ACH for 2018 or 2019 tax filers. ABA encouraging IRS to provide an opportunity for consumers to provide/update their account information.
 - Electronic means through banks including prepaid cards, and debit push through card networks.
- **Paper checks only if no other choice, and additional fraud protections necessary.**
 - Work with Treasury to minimize fraud, enhance authentication measures and chargeback rights for banks
 - Use of Remote Deposit Capture or ATM deposits can limit person-to-person contact but carries fraud risk.
- **Treasury has said they expect to send the first payments within three weeks.**



Jess Sharp
EVP, Advocacy & Innovation
jsharp@aba.com

Paid Leave Provisions

- Applies to employers with fewer than 500 employees
- Takes effect on April 1; ends on December 31
- Dept. of Labor expected to issue final agency action by April 1
- Tax Credit for 100% of wages paid under Families First Coronavirus Response Act
- Limited small business exemption



Jonathan Thessin

Senior Counsel, Regulatory Compliance and Policy

jthessin@aba.com

Paid Leave Provisions

- Paid FMLA Leave (“Public Health Emergency Leave”)
 - Applies to employee “unable to work (or telework)” due to leave to care for child under 18 years of age if school or place of care is closed
 - First 10 days of leave is unpaid
 - Remainder of 12 weeks is paid at rate of 2/3 employee’s regular rate



Jonathan Thessin

Senior Counsel, Regulatory Compliance and Policy

jthessin@aba.com

Paid Leave Provisions

- Paid Sick Leave (“Emergency Paid Sick Leave Act”)
 - If employee is quarantining or caring for individual who is quarantining, employee is paid at greater of (1) regular rate, or (2) minimum wage. Maximum is \$511 per day and \$5,110 in aggregate for each employee.
 - If employee is caring for a child under 18 years of age if school or place of care is closed, employee is paid 2/3 of the greater of (1) regular rate, or (2) minimum wage. Maximum is \$200 per day and \$2,000 in aggregate for each employee.



Jonathan Thessin

Senior Counsel, Regulatory Compliance and Policy

jthessin@aba.com

Paid Leave Provisions

- Small Business Exemption
 - Exemption for small businesses with fewer than 50 employees where imposition of paid leave requirements “would jeopardize the viability of the business as a going concern”
 - DOL FAQ #58: Small business may claim the exemption if the absence of the employee requesting paid leave would “entail a substantial risk to the financial health or operational capabilities of the small business because of [the employee’s] specialized skills, knowledge of the business, or responsibilities”



Jonathan Thessin

Senior Counsel, Regulatory Compliance and Policy

jthessin@aba.com

Unemployment Insurance

- Available to persons:
 - Diagnosed with COVID-19, providing care for person with COVID-19 or child whose school or place of care has closed
 - Place of employment has closed due to COVID-19
- Available to self-employed, independent contractors, individuals with limited work history
- Benefits extended to 39 weeks, payable through Dec. 31
- No one-week waiting period



Jonathan Thessin

Senior Counsel, Regulatory Compliance and Policy

jthessin@aba.com

What's Next – Rounds 4 and 5



James Ballentine

Executive Vice President, Congressional
Relations American Bankers Association

Question and Answer Period



**Moderated by:
Peter Cook**

Chief Communications Officer
American Bankers Association