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Capitol Report

Maine Bankers Association

June 24, 2020

News from Washington (Legislative & Regulatory)

Federal Regulators Issue Examiners Guidance for COVID-19 Effect. The interagency guidance instructs examiners to consider the unique, evolving, and potentially long-term nature of the issues confronting institutions due to the COVID-19 pandemic and to exercise appropriate flexibility. Click [here](#) to review the full guidance.

CFPB Proposes Changes to QM Rule, Extension for Temporary ‘GSE Patch.’ Last week, the Consumer Financial Protection Bureau took a significant step to revise its Qualified Mortgage rule. In short, the proposal would — (1) Eliminate DTI maximum limit of 43%; (2) Eliminate Appendix Q, and allow use of alternative models/standards; (3) Retain small lender QM provisions; (4) Generally retain existing APR or loan price thresholds to qualify for QM protections. Additionally, the CFPB issued a second proposal that would extend the temporary “GSE patch,” which grants QM status to loans eligible to be purchased or guaranteed by Fannie Mae or Freddie Mac until the QM rule changes are finalized and take effect. Click [here](#) for the CFPB Release.

OCC Announced it Will Reduce the Asset-Based Assessments Banks Will Pay by September 30th. Under an interim final rule, OCC-supervised banks may calculate their Sept. 30 assessment payments using either their assets on the Dec. 31, 2019 Call Report or their assets on the June 30, 2020 Call Report—whichever is lesser. Click [here](#) to read the OCC’s interim final rule.

The FDIC Approves a Final Rule Mitigating the Deposit Insurance Effects of Participating in Key COVID-19 Response Efforts. The rule removes the effect of PPP loans in calculating a bank’s deposit insurance assessment and provides an offset to a bank’s total assessment amount for the increase in its assessment base that was a result of their participation in the PPP, PPP Liquidity Facility (PPPLF) and/or the Money Market Mutual Fund Liquidity Facility (MMLF). The rule is effective immediately and applies retroactively to April 1 as well as to assessments starting in the second quarter of 2020. Click [here](#) for the FDIC’s final rule.

FED: COVID-19 Affecting Availability of Coins for Banks. Last week, Federal Reserve Chairman Powell said the coronavirus pandemic has affected the regular flow of coinage through the economy and the availability of coins for banks. With many stores and other commercial venues closed for much of the spring, “the flow of coins through the economy has stopped,” Powell told the House Financial Services Committee. Powell said that they are working with the Mint and reserve banks.

State News

UMaine School of Economics Creates the Maine Rapid Business Survey. The newly created Maine Rapid Business Climate Survey measures the challenges facing Maine's business community during the coronavirus (COVID-19) pandemic. After the initial two weeks of collecting data, the survey received over 400 responses covering every county and representing a large number of sectors. This report closed on Monday, June 15, so it reflects survey answers from the first two weeks of June. Here are some highlights:

- Operating revenues – 56% of businesses reported that their operating revenues had decreased in the last week, an 8% decrease on last week. 15% reported revenues had increased a rise of 4% from a week ago. 29% did not see a change in revenue
- Cash-in hand reserves – The largest share of businesses report that they have 3 or more months of business operations (55%), this is a modest increase of 1.5 % from last week. 4.5% reported no cash available, a decrease of 3% from last week. There was also a notable decrease in those reporting 1-7 days from 9% last week to 5% this week.
- Concerns of Business – The largest share of respondents reported that travel restrictions are their biggest concern (29%). Social distancing/operating restrictions was the second largest response at (20%). Safety concerns were identified by 16% of respondents.

See the full survey [here](#).



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Compliance Feature Question

Question: It is my understanding that the aggregate amount of extensions of credit to executive officers cannot exceed \$100,000 for Regulation O purposes. If an executive officer has a loan that is guaranteed by FSA or SBA, is the guaranteed portion of that loan counted in their aggregate debt?

Answer: Extensions of credit secured by guarantees of any department, agency, bureau, board, commission or establishment of the United States are not included in the aggregate amount of extensions of credit restriction calculation (the higher of 2.5 per cent of the bank's unimpaired capital and unimpaired surplus or \$25,000, but in no event more than \$100,000).

(c) A member bank is authorized to extend credit to any executive officer of the bank:

...

(3) In any amount, if the extension of credit is secured in a manner described in §215.4(d)(3)(i)(A) through (d)(3)(i)(C) of this part; and

(4) For any other purpose not specified in paragraphs (c)(1) through (c)(3) of this section, if the aggregate amount of extensions of credit to that executive officer under this paragraph does not exceed at any one time the higher of 2.5 per cent of the bank's unimpaired capital and unimpaired surplus or \$25,000, but in no event more than \$100,000.

Reg. O: [https://www.ecfr.gov/cgi-bin/text-](https://www.ecfr.gov/cgi-bin/text-idx?SID=cf04bbcae4670a8a0df670f32fc1873d&mc=true&node=pt12.2.215&rgn=div5#se12.2.215_15)

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(3) Exceptions. (i) The general limit specified in paragraph (d)(1) of this section does not apply to the following:

...

(B) Extensions of credit to or secured by unconditional takeout commitments or guarantees of any department, agency, bureau, board, commission or establishment of the United States or any corporation wholly owned directly or indirectly by the United States;

...

Reg. O: [https://www.ecfr.gov/cgi-bin/text-](https://www.ecfr.gov/cgi-bin/text-idx?SID=cf04bbcae4670a8a0df670f32fc1873d&mc=true&node=pt12.2.215&rgn=div5#se12.2.215_14)

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