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Capitol Report

Maine Bankers Association

July 23, 2020

News from Washington (Legislative & Regulatory)

MBA Supports the Paycheck Protection Program Small Business Forgiveness Act S.4117. This bipartisan legislation provides much-needed changes to the loan forgiveness process by making it easier and less technical for smaller borrowers, whose businesses are already at greatest risk because of the COVID-19 pandemic. Last week, MBA initiated a Call to Action for our bankers to send letters to Senators Collins and King in support of S.4117. Both Senators have expressed the need to resolve the complexity of the PPP forgiveness process. Follow this [link](#) and send emails to our Senators. **Please Note:** You can edit the sample language in the link or simply use the Maine-specific language we have created.

DOL Publishes New Q&A on the Application of Families First Coronavirus Response Act (FFCRA). The DOL has published additional questions and answers on the implementation of FFCRA. View the [DOL's Q&As](#).

Federal Reserve Governor Brainard Warns of Continued Economic Uncertainty as COVID-19 Cases Spike. On July 14th Fed Governor Lael Brainard delivered a webcast speech to the National Association for Business Economies. She warned of heightened uncertainty “as long as the pandemic hangs over the economy.” Brainard stated that, “A broad second wave could re-ignite financial market volatility and market disruptions at a time of greater vulnerability. Nonbank financial institutions could again come under pressure, as they did in March, and some banks might pull back on lending if they face rising losses or weaker capital positions.” Click [here](#) to read her full speech.

State News

Click [Here](#) for a Copy of the Economic Recovery Committee (ERC) Report Released to the Governor on July 15th. The goal of the first report was to make suggestions to stabilize and support the Maine Economy. The recommendations within the ERC's Report are organized into three categories: Supporting Maine People, Stabilizing Maine Employers, and Investing in Maine's Infrastructure.

The following Employer Grant Program Proposal included in the Report may impact your bank.

- Economic Relief Grant Program: \$300 million

- Nonprofit Relief Fund: \$50 million (\$45 million loss relief, \$5 million for UI fund relief parity).

The Report highlights that “the committee understands that the actual need of Maine employers far exceeds the \$350 million put forward in this proposal.” The ERC envisions that this grant program would be administered largely through Maine’s Banks, Credit Unions, and Community Development Financial Institutions (CDFIs), but does not go into specifics. In addition, the ERC recommends that Maine DECD and the FAME lead the planning and implementation of the grant program.

The ERC Report is only an advisory to the Governor and her team. Whether they accept some, modify others or have the Legislature return in a Special Session to deal with the recommendations are all variables. As of today, the path forward is not clear. However, MBA has already reached out to FAME and other interested parties to start a dialogue on this issue.

Please contact Chris (cpinkham@mainebankers.com) or Kathy (kkeneborus@mainebankers.com) if you would like more information regarding the ERC.

UMaine School of Economics Maine Rapid Business Survey Ended on July 14th. The Maine Rapid Business Climate Survey measures the challenges facing Maine’s business community during the coronavirus (COVID-19) pandemic. The survey ran from June 1st to July 14th. There are no additional survey results published since our last Capitol Report.



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Compliance Feature Question

Question: When can borrowers with Paycheck Protection Program (PPP) loans submit their loan forgiveness applications?

Answer: As set out in Interim Final Rule #20, borrowers can submit a loan forgiveness application any time on or before the maturity date of the loan—including before the end of the covered period—if the borrower has used all of the loan proceeds the borrower is requesting forgiveness on.

Borrowers who do not apply for loan forgiveness within 10 months after the last day of the covered period, or, if the SBA determines that the loan is not eligible for forgiveness (in whole or in part), the PPP loan can no longer be deferred and the borrower has to begin paying principal and interest. If this happens, lenders are responsible for notifying the borrower of the first payment due date.

Lenders also must report that the loan is no longer deferred to SBA on the next monthly SBA Form 1502 report filed by the lender. Unfortunately, it’s still not clear to what extent lenders are allowed to refuse forgiveness applications from borrowers while the lender awaits further guidance from the SBA and/or Treasury, although some lenders are reportedly doing so.

See generally Interim Final Rule #20, here: <https://home.treasury.gov/system/files/136/PPP--IFR--Revisions-to-Loan-Forgiveness-Interim-Final-Rule-and-SBA-Loan-Review-Procedures-Interim-Final-Rule.pdf>

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