

News you can use

Capitol Report

Maine Bankers Association

February 4, 2021

News from Washington (Legislative & Regulatory)

Janet Yellen Confirmed as Treasury Secretary. Ms. Yellen was confirmed by the Senate with broad bi-partisan support. Secretary Yellen is the first woman to lead the Treasury Department – and the first person to have ever served as Treasury Secretary, Chair of the Council of Economic Advisors and Chair of the Federal Reserve.

Nearly One-Third of Surviving Small Business Say They are Unlikely to Survive Without Additional Government Assistance. The Federal Reserve Banks have released their [2021 Small Business Credit Survey on Employer Firms](#). “The annual survey of small business owners, fielded in September and October of 2020, yielded 9,693 responses from a nationwide sample of small employer firms with anywhere from one to 499 employees. The data is for firms that were currently operating at the time of the survey; it does not include permanently closed businesses.” Some key findings in the Survey included the following:

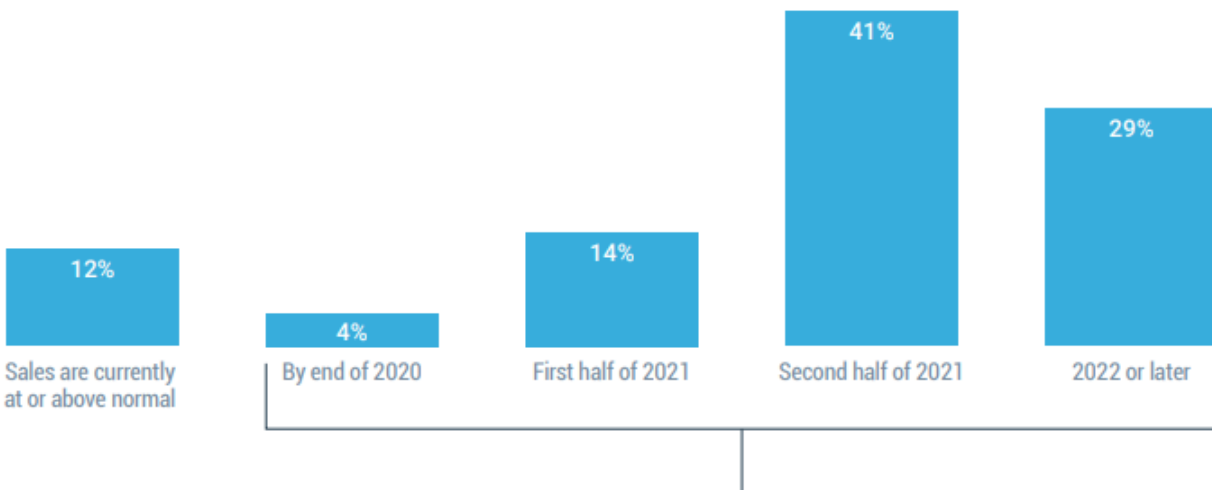
- Sales for 88% of small businesses have not returned to pre-pandemic levels. Of those firms, 30% said it would be unlikely, without government help, that the firm could survive until sales recovered. (survey chart below)
- The majority of firms, 64%, said they would apply for another round of government aid if it were offered. Of those firms, 39% expected they would be unlikely to survive until sales returned to normal without further government assistance.
- The report found stark differences by race and ethnicity. While 57% of firms overall characterized their financial condition as "fair" or "poor," this figure jumped to 79% for Asian-owned firms, 77% for Black-owned firms, and 66% for Latinx-owned firms.
- Black-owned firms said credit availability was the top expected challenge in the next 12 months.
- Firms that applied for Payroll Protection Program (PPP) funds were more likely to receive all the funds they sought at lenders where existing relationships were more common — small banks, large banks, and credit unions.
- Among PPP applicants, firms that received funds were more likely than firms that did not receive funding to retain their workforce.

LOOKING AHEAD

Survival Expectations

30% of the firms that reported sales were below normal at the time of the survey expect it is unlikely the business will survive without government assistance until sales recover.

EXPECTED TIMING OF SALES' RETURN TO "NORMAL" (I.E., 2019 LEVELS)^{1,2,3} (% of employer firms) N=7,019



LIKELIHOOD FIRMS WILL SURVIVE WITHOUT ADDITIONAL GOVERNMENT ASSISTANCE UNTIL SALES RETURN TO NORMAL^{1,2} (% of employer firms for which sales had not yet returned to normal) N=6,287



State News

Governor Janet Mills Renominates Lloyd P. LaFountain III to Continue as Superintendent of the Bureau of Financial Institutions (BFI). Superintendent LaFountain was first appointed on May 1, 2005 by Governor John Baldacci after serving a term as a member of the Maine House of Representatives (1994-1996) and then eight years in the Maine State Senate where he represented District 32 (Arundel, Biddeford, Kennebunk, and Kennebunkport) from 1996 to 2004. Today MBA testified in support of Mr. LaFountain's reappointment. The Health Coverage, Insurance and Financial Services Committee unanimously approved Mr. LaFountain's reappointment, so it will move to the full Senate for a final vote.

FAME CEO Bruce Wagner Announces Retirement. Mr. Wagner announced last month that he would retire from FAME at the end of this week, after seven years as CEO. Governor Mills stated, "On behalf of the people of Maine, I thank Bruce for his leadership of FAME and for his partnership, particularly in the development of the State's Ten Year Strategic Economic Development Plan." MBA

has worked closely with Bruce during his tenure at FAME, and we have seen firsthand his commitment to Maine's consumers and businesses. We wish Bruce all the best in his well-deserved retirement. FAME Chief Risk Officer Carlos Mello will be FAME's Acting Chief Executive Officer, and MBA looks forward to working with him. The Governor is expected to name a permanent chief executive officer, subject to legislative confirmation, following a search process led by the FAME Board of Directors.

Legislature Starts Printing Bills Based on Previously Released Bill Titles. Earlier this month, the Legislature released over 1600 bill titles with no text; however, now some of the titles have been turned into Legislation. The following are a couple bills of interest to the banking community.

General Interest

[LD 224](#) *An Act to Modify Requirements for Multiple-party Accounts, Limited Purpose Financial Institutions and Mergers.* OPLA SUMMARY: This bill requires new nondepository trust companies, merchant banks and uninsured banks organized under the laws of this State to locate their principal offices in this State. It addresses inconsistent language found in the requirement for a signature card or other document establishing a multiple-party account. It authorizes mutual holding companies organized under the laws of this State to acquire by merger a federal mutual financial institution or other state mutual financial institution under certain conditions. **MBA COMMENT** BFI Bill. Public Hearing scheduled for February 9.

[LD 300](#) *An Act Regarding Early Closures by Financial Institutions.* OPLA SUMMARY: This bill forbids a financial institution from assessing a late charge or other fee otherwise due for a transaction or duty not occurring on a day that the financial institution closes early for good cause, emergency weather conditions, community events or other similar reasons. **MBA COMMENT** Public Hearing scheduled for February 18.

Maine COVID-19 Statistics. Members have requested that we provide the current COVID-19 numbers reported by the State with the publication of each Capitol Report.

Total Cases: 40,534

Confirmed Cases: 32,537

Probable Cases: 7,997

Deaths: 630

Hospitalizations: 1,420

Currently Hospitalized: 157

Vaccine Stats

[State of Maine COVID-19 Vaccination Dashboard](#) (updated daily by 10 AM to include the previous day's data)



A Division of Bankers Alliance

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Compliance Alliance Feature Question

Question: We have an applicant who is doing a cash-out refinancing. They stated they will use the funds for a purchase of another dwelling, but it is at an unknown, future date. Would this still make it a "Home Purchase" loan for HMDA purposes?

Answer: Yes, you would code this as a "Home Purchase" loan. You can rely on the applicant's representation as to the use of the loan proceeds. For a multi-purpose loan, "home purchase" trumps "refinance."

Reference:

A financial institution may rely on the oral or written statement of an applicant regarding the proposed use of covered loan proceeds.

Comment 1 to 12 CFR § 1003.4(a)(3): <https://www.consumerfinance.gov/rules-policy/regulations/1003/4/#4-a-3-Interp-1>

Section 1003.4(a)(3) requires a financial institution to report the purpose of a covered loan or application. If a covered loan is a home purchase loan as well as a home improvement loan, a refinancing, or a cash-out refinancing, an institution complies with § 1003.4(a)(3) by reporting the loan as a home purchase loan.

Comment 3 to 12 CFR § 1003.4(a)(3): <https://www.consumerfinance.gov/rules-policy/regulations/1003/4/#4-a-3-Interp-3>

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