

COVID-19 Response: US Congress

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The United States Congress has passed, and continues to consider, legislative measures that, in addition to addressing the public health crisis, include massive fiscal stimulus proposals not seen since the 2008 global financial crisis. Legislation adopted in response to the pandemic has also included certain provisions of specific importance to US financial institutions as well as non-US financial institutions with US operations.

Coronavirus Preparedness and Response Supplemental Appropriations Act (Phase I)

- Became law on March 6, 2020.
- Provides \$8.3 billion in emergency funding for federal agencies to respond to the coronavirus outbreak.

Families First Coronavirus Response Act (Phase II)

- Became law on March 6, 2020.
- Please see our [Summary of the Families First Coronavirus Response Act](#).

Coronavirus Aid, Relief, and Economic Security (CARES) Act (Phase III)

- Became law on March 27, 2020.
- Please see our [client alert](#) and [high-level summary](#) of the CARES Act.
- Our Coronavirus (COVID-19) Financial Regulatory and Legislative Dashboard has additional information regarding the [liquidity facilities](#) and [investment programs](#) authorized by the CARES Act.
- As discussed in our client alert, several provisions of the CARES Act are of particular interest to financial institutions and other financial services providers.

Financial Institutions

- The FDIC is authorized to establish a temporary (through December 31, 2020) debt guarantee program to guarantee obligations of solvent insured depository institutions and depository institution holding companies (and their affiliates), an authority the FDIC used in 2008 to provide unlimited insurance for amounts held in noninterest-bearing transaction accounts that was later prohibited by the Dodd-Frank Act. Comparable authority is provided to the NCUA for non-interest accounts of federally-insured credit unions.
- Banks can temporarily suspend requirements under US Generally Accepted Accounting Principles (or GAAP) for loan modifications related to the COVID-19 crisis, and suspend any such determination regarding those troubled consumer loans.
- Banks, bank holding companies, and their affiliates are temporarily not required to comply with FASB's current expected credit losses, or CECL, methodology for estimating allowances for credit losses.
- A new, temporary exception to the national bank lending limits is created for loans and extensions of credit by a bank to any nonbank financial company when such loans and extensions of credit are approved by the OCC, and the OCC is granted the temporary authority to issue orders exempting any transaction from the lending limits.
- Qualifying community banking organizations are subject to a less restrictive leverage ratio requirement in order to encourage lending.
- Banks and other lenders may use funding under a specific facility/program to be implemented by the US Treasury Secretary in order to make direct loans to eligible US mid-sized businesses.

Mortgages

- Servicers of federally backed mortgages must grant forbearances up to 360 days in length to borrowers and are prohibited from initiating foreclosure proceedings for 60 days starting on March 18, 2020.

- Owners of multifamily properties can request forbearances of up to 90 days in length from servicers. A multifamily owner that receives a forbearance cannot evict or charge late fees to tenants for the duration of the forbearance.

Student Loans

- Most individuals with federal student loans can defer payments until after September 30, 2020, without any interest accruing or incurring penalties.

Credit Reporting

- Accommodations made by a creditor to a consumer (e.g., agreement to defer payment or accept partial payment, loan modification, forbearance) will not affect the consumer's credit report during a temporary relief period.

Paycheck Protection Program and Health Care Enhancement Act (Interim Relief Bill)

- Became law on April 24, 2020.
- Provides \$484 billion in emergency funding for small businesses, hospitals and testing, including \$321 billion for the Paycheck Protection Program (PPP). The bill also increases the authorization level for the PPP by \$310 billion.
- Please see our [client alert](#) on the Paycheck Protection Program.

Community Financial Institutions

- Sets aside \$60 billion of funds from the PPP for loans made by credit unions and other community-based financial institutions, defined as minority depository institutions, certified development companies, microloan intermediaries, and state or federal credit unions.
 - \$30 billion set aside for loans made by insured depository institutions and credit unions with between \$10 – \$50 billion in assets.
 - \$30 billion set aside for loans made by community financial institutions, small insured depository institutions, and credit unions with less than \$10 billion in assets.

Paycheck Protection Program Flexibility Act of 2020 (Forgiveness Window Extension Bill)

- Became law on June 5, 2020.
- Extends the PPP loan forgiveness window from eight to 24 weeks.

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- Lowers the amount borrowers must spend on payroll to qualify for full loan forgiveness from 75 to 60 percent.
 - Please see our [client alert](#) on the Paycheck Protection Program.

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