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March 20, 2020

The Honorable Maxine Waters  
Chairwoman  
Committee on Financial Services  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Chairwoman Waters:

On behalf of community banks across the country, with more than 52,000 locations, I write in response to your letter of March 11 regarding community banks' response to the rapid spread of COVID-19.

ICBA shares your commitment to minimizing the adverse financial and social impact of this public health crisis. Many community banks have been in business since before the Great Depression and have stood by their customers and communities through numerous catastrophes: economic depression and recession, natural disasters, world wars, terrorist attacks, prior pandemics, and other public health emergencies. Community banks have a vested interest in maintaining employment in their communities, protecting family and individual savings, and ensuring the long-term viability of small businesses, farms, and non-profit entities. Community banks are strong, prepared, and well positioned to meet this historic challenge. To quote a community banker from the Pacific Northwest, "We have prepared and practiced contingency plans over the years, including Pandemic Flu scenarios."

We remain in the initial phase of this crisis, and its full economic impact has not yet been realized. Community bankers are still assessing the most effective policies and practices for supporting and sustaining their customers. Nevertheless, we are prepared to share information with you based on our ongoing informal survey of ICBA members from different regions of the country serving rural as well as suburban and urban markets. First, community banks have prioritized reassuring the public that their savings are insured and secure. As respected, long-standing community institutions, they have both a duty and a unique ability to provide these reassurances.

While community banks will evaluate loan modifications for troubled borrowers, with support from regulators, we are urging Congress and the Administration to enact emergency programs that would provide

*The Nation's Voice for Community Banks.*®

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resources to businesses so that they can keep employees on payroll and continue to service their loans as well as direct support to individuals and families so that they can meet their expenses. We understand that it will take time for any federal transfers to reach business and individuals. In the interim, working with the bank regulatory agencies, community banks are prepared to show flexibility with borrowers as circumstances warrant. The quotes below are typical of community bank attitudes and concerns:

We are planning to use a very streamlined methodology to grant interest only, deferral of payments and other solutions to ease the pain and help them (borrowers) work through it. It would be great if they (the agencies) would send out something encouraging us to do just that. We just don't want to have to worry about being second-guessed when they come for an examination.

On the lending side, all of the bankers I am talking to are mostly concerned with troubled debt restructuring (TDR) designations and the risk of trying to assist borrowers with the rigid rules. In addition, we are certainly open to 90-day payment forbearance requests, but in order to avoid negative amortization I am concerned about the treatment of capitalizing interest and the subsequent regulatory criticism.

ICBA is encouraged by FDIC Chairman Jelena McWilliams letter of March 19 to the Financial Accounting Standards Board urging it to exclude COVID-19-related modifications from being considered a concession when determining a TDR classification. We are also pleased that she is advocating for a delay of CECL.

Many community banks have also expressed a concern that banks may be classified by state or local governments as "non-essential businesses" and forced to close. Keeping banks open is "essential" to promoting public confidence in our financial system. In this regard, ICBA supports recent guidance issued by the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency which provides that processing of financial transactions and access to banking and lending services are "essential services" which must remain available to the public. Forced bank closures would only exacerbate economic harm.

As small business employers, community banks have prioritized the safety of their employees and customers by shifting as much business as possible to online, drive through, or remote transactions. Many community banks have already closed their lobbies and others will soon do so, but they are being careful to do so in a way that does not shake public confidence.

I have every confidence that community banks will rise to this challenge with resourcefulness, creativity, and above all a commitment to sustaining community at a difficult time.

As an association, ICBA is acting as a two-way information conduit between our members, the regulatory agencies, and Congress. Communication is critical at this time, as community banks need to know what regulatory latitude they have to accommodate their customers, and policymakers need information about the

impact of the crisis and industry's response. ICBA also plays a role in sharing industry practices among community banks so that each may benefit from others' experience.

Thank you for your inquiry. We look forward to staying in contact with you and your staff as this crisis and the response of the community banking industry evolves.

Sincerely,

/s/

Rebeca Romero Rainey  
President & CEO

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