United States Senate

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

WASHINGTON, DC 20510–6075

April 8, 2020

The Honorable Randal Quarles
Vice Chairman for Supervision
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

The Honorable Joseph M. Otting
Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th Street SW
Washington, DC 20219

The Honorable Jelena McWilliams
Chairman
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

The Honorable Rodney E. Hood
Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Dear Vice Chairman Quarles, Comptroller Otting, Chairman McWilliams and Chairman Hood:

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in order to provide emergency assistance and support to individuals and businesses affected by the pandemic and economic downturn. Due to the unprecedented shutdown of businesses to prevent the spread of COVID-19, bold and dramatics steps are needed to limit the depth of the economic shock the country is currently experiencing and provide conditions for a quick and robust recovery once the economic restrictions are lifted. Banks and credit unions are best positioned to provide needed credit to help local businesses and consumers if prudential regulators take additional, decisive action to support and stabilize economic activity. In order to boost economic activity, the federal financial regulators need to look for more ways to help strengthen the Paycheck Protection Program (PPP), right-size regulations to promote lending, and provide the Banking Committee with statutory changes and recommendations necessary to stabilize markets and expand lending during the COVID-19 crisis.

The PPP is a program under the CARES Act that authorizes up to $349 billion in forgivable loans to small businesses in order to keep their businesses up and running, and to keep their workers employed during the COVID-19 crisis. The announcement on Monday that the Federal Reserve will create a new facility to finance loans is a critical step to enhance the capacity of lenders, especially for smaller financial institutions, to meet the needs of local small businesses. The prudential regulators must now follow-up with an interim final rule so that the regulatory treatment of these loans that are guaranteed by the government do not unintentionally impede progress.

I applaud the quick and decisive actions the prudential regulators have taken to smooth the functioning of financial markets, stabilize the economy and support economic lending since the beginning of the COVID-19 crisis and national emergency declaration. Under Title IV of the CARES Act, prudential regulators were given additional tools and authorities to stabilize the market and provide temporary relief in order to increase lending, such as relief on the Community Bank Leverage Ratio, Troubled Debt Restructuring, and measuring credit losses on financial instruments under the new CECL methodology. However, more must be done to ensure financial institutions are able to lend to consumers and businesses during the COVID-19 crisis. Please quickly respond to this letter with additional steps or statutory changes your agencies can take to promote lending and mitigate the economic impact of COVID-19 for consumers and businesses.

Sincerely,

Mike Crapo

Mike Crapo
Chairman