



Key Takeaways Of The CARES Act

by [Steve Brown](#) Topics: [lending](#), [coronavirus](#), [COVID-19](#)

Summary: The CARES Act enables financial institutions to provide important assistance to small businesses. We give you the key takeaways.

As the world struggles with the economic devastation caused by COVID-19 in just a few weeks, the federal government has provided important assistance with the Coronavirus Aid, Relief and Economic Security (CARES) Act. This \$2.2T economic stimulus package was designed to help many individuals and businesses that are already feeling the impact of lost income. The CARES Act enables financial institutions to help small businesses with \$350B in assistance.

Here are a few of the most important aspects for you and your customers:

- The leverage ratio for community banks has been temporarily decreased to 8% from 9%.
- The creation of "**Paycheck Protection Program (PPP)**" **Loans** can be used for things ranging from employee salaries and payroll support (including medical leave or paid sick days), to insurance premiums, rent or mortgage payments or utility bills. These loans are 100% guaranteed by the SBA and the principal amount of these loans can be for up to \$10mm, with a (currently set) interest rate of 1.0% that will be fixed for the (also currently set) 2-year term of the loan. Also, borrowers can defer payments six months to a year. Visit our [COVID-19 Resource Center](#) for more specifics. (PCBB strongly recommends that you sign up your business borrowers for PPP.)
- Employers will have the ability to **postpone payment of their part of 2020 payroll taxes** until 2021 and 2022. Your small business customers will appreciate this extra working capital.
- Financial institutions are entitled to a **temporary reprieve from restructurings of troubled debt**. From March 1, 2020, until 60 days after the end of the coronavirus crisis, they can postpone any adjustments on their balance sheets related to adjustments necessary to their loan books.
- The limit for **loans consumers can take from their 401(k)** accounts has been increased to \$100,000, up from \$50,000. The 10% penalty for early withdrawals from retirement accounts has been waived for distributions up to \$100,000, though they will still be taxed over a three year period.
- The CARES Act **suspends federal student and parent loans** through September 30, 2020, without additional accrual of interest or missed payments being reported to the credit bureaus.
- Financial institutions that had a **CECL implementation date of 2020 can delay** until the coronavirus crisis has passed, or December 31, 2020, whichever happens first. While this doesn't apply to most community financial institutions that have deadlines of 2023, it is still important to note.

While these programs are still quite new (and updates continue to roll out), we encourage you to reach out to your customers to talk through options. Helping customers is what you do best, and we are supporting you in that effort. For additional information on the CARES Act and PPP, feel free to visit our [COVID-19 Resource Center](#) or contact us today.

ECONOMY & RATES

Rates As Of: 04/09/2020 06:27AM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.16	0.10	-1.38
6M	0.21	0.07	-1.37
1Y	0.20	0.04	-1.37
2Y	0.24	-0.01	-1.33
5Y	0.45	0.07	-1.24
10Y	0.76	0.09	-1.16
30Y	1.38	0.06	-1.01
FF Market	FF Target		Fed Disc
0.05	0.25		0.25
SOFR	Prime		Unemp
0.01	3.25		4.40

[More Market Rates](#)

BANK NEWS

COVID-19 Scams

The FDIC reminds us to be vigilant about COVID-19 related scams. Tell your bank customers to be extra careful of any unsolicited calls, emails or texts asking for personal information. Also, "be on [guard against imposters](#) who contact you claiming to be government employees or volunteers and who ask for personal financial information or money."

Digital Lending Effects

The small business digital lender, Kabbage, "has stopped making loans, made big reductions to customer credit lines and temporarily dismissed staff after many of its borrowers have been shuttered by the coronavirus outbreak," as reported by the Financial Times.

CARES Unemployment

While the CARES Act provides unemployment benefits to independent contractors and gig workers, previously ineligible, many states don't seem to be accepting applications for these workers yet. So, it may take longer for them to get their benefits.

DEPOSIT OPPORTUNITY YIELDING 0.75%

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