



April 27, 2020

The Honorable Mike Crapo  
Chairman  
Committee on Banking, Housing, and Urban Affairs  
United States Senate  
Washington, D.C. 20510

Dear Chairman Crapo:

Thank you for your April 8, 2020, letter addressing consumer and business lending during the COVID-19 emergency. Your letter noted that under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the prudential regulators were given 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 (CBLR), Troubled Debt Restructuring (TDR), and measuring credit losses on financial instruments under the new current expected credit losses (CECL) methodology. Your letter encouraged the prudential regulators to do more to ensure financial institutions are able to lend to consumers and businesses during the COVID-19 emergency.

The Office of the Comptroller of the Currency (OCC) has been working with other federal and state regulators to support banks' and savings associations' ability to support their communities during this difficult period. For example, the OCC has encouraged banks to work with customers affected by COVID-19 to address their financial services needs.<sup>1</sup> The federal banking agencies have encouraged banks to use the Federal Reserve's discount window so that banks can continue supporting households and businesses.<sup>2</sup> The federal banking agencies have also encouraged banks to use their capital and liquidity buffers as they respond to the challenges that the COVID-19 emergency presents.<sup>3</sup> The five federal financial regulatory agencies issued a joint statement encouraging financial institutions to offer responsible small-dollar loans to consumers and small businesses in response to COVID-19.<sup>4</sup>

Consistent with provisions in the CARES Act, the federal banking agencies issued two interim final rules that modify the CBLR framework and provide temporary relief to community banking

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<sup>1</sup> OCC Bulletin 2020-15, available at <https://www.occ.gov/newsissuances/bulletins/2020/bulletin-2020-15.html>, and News Release 2020-30, available at <https://www.occ.gov/news-issuances/news-releases/2020/nr-ia-2020-30.html>.

<sup>2</sup> News Release 2020-32, available at <https://www.occ.gov/news-issuances/news-releases/2020/nr-ia-2020-32.html>.

<sup>3</sup> News Release 2020-34, available at <https://occ.gov/news-issuances/news-releases/2020/nr-ia-2020-34.html>.

<sup>4</sup> News Release 2020-40, available at <https://occ.gov/news-issuances/news-releases/2020/nr-ia-2020-40.html>.

organizations.<sup>5</sup> The federal banking agencies issued an interim final rule to delay the estimated impact on regulatory capital stemming from the implementation of CECL,<sup>6</sup> and then issued a joint statement clarifying the interaction between the CECL interim final rule and the CARES Act provisions for purposes of regulatory capital requirements.<sup>7</sup> Likewise, the federal financial institution regulatory agencies encouraged financial institutions to work with borrowers, advised that they will not criticize institutions for doing so in a safe and sound manner, and clarified the CARES Act provision that allows financial institutions to suspend the requirements to classify certain loan modifications as TDRs.<sup>8</sup>

The OCC, along with the other federal regulators, has taken additional steps to ensure financial institutions are able to lend to consumers and businesses during the COVID-19 emergency. The OCC recently conducted three listening sessions related to the Paycheck Protection Program (PPP).<sup>9</sup> The sessions sought to facilitate discussion around solutions to issues and challenges with three aspects of the PPP: payroll verification, fraud identification, and backend processes.

The federal banking agencies issued an interim final rule to modify the agencies' capital rules to neutralize the regulatory capital effects of participating in the Federal Reserve's Paycheck Protection Program Lending Facility because there is no credit or market risk in association with PPP loans pledged to the facility.<sup>10</sup> The federal banking agencies also issued an interim final rule to temporarily defer real estate-related appraisals and evaluations under the agencies' appraisal regulations providing relief to allow regulated institutions to extend financing to creditworthy households and businesses quickly in the wake of the COVID-19 emergency.<sup>11</sup> Finally, the federal financial institution regulatory agencies and the state financial regulators issued a joint policy statement providing needed regulatory flexibility to enable mortgage servicers to work with struggling consumers affected by the COVID-19 emergency.<sup>12</sup>

The OCC continues to consider, both individually and with the other agencies, additional actions that we can take to promote lending to consumers and businesses during the COVID-19 emergency. If these considerations give rise to potential legislative actions to ensure financial institutions are able to continue to lend to consumers and businesses during the COVID-19 emergency, we will reach out to your staff.

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<sup>5</sup> News Release 2020-49, available at <https://el.occ/news-issuances/news-releases/2020/nr-ia-2020-49.html>.

<sup>6</sup> News Release 2020-42, available at <https://el.occ/news-issuances/news-releases/2020/nr-ia-2020-42.html>.

<sup>7</sup> OCC Bulletin 2020-30, available at <https://www.occ.gov/newsissuances/bulletins/2020/bulletin-2020-30.html>.

<sup>8</sup> News Release 2020-50, available at <https://el.occ/news-issuances/news-releases/2020/nr-ia-2020-50.html>.

<sup>9</sup> News Release 2020-53, available at <https://el.occ/news-issuances/news-releases/2020/nr-ia-2020-53.html>.

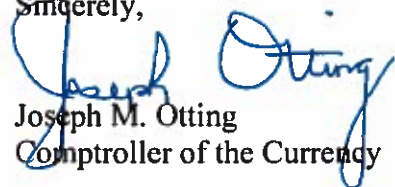
<sup>10</sup> News Release 2020-51, available at <https://el.occ/news-issuances/news-releases/2020/nr-ia-2020-51.html>.

<sup>11</sup> News Release 2020-54, available at <https://el.occ/news-issuances/news-releases/2020/nr-ia-2020-54.html>.

<sup>12</sup> News Release 2020-48, available at <https://el.occ/news-issuances/news-releases/2020/nr-ia-2020-48.html>.

Thank you for raising this important matter. If you have any questions, please do not hesitate to contact me or Carrie Moore, Director, Congressional Relations, at (202) 649-6737.

Sincerely,

A handwritten signature in blue ink that reads "Joseph Otting". The signature is written in a cursive style with a large initial "J" and "O".

Joseph M. Otting  
Comptroller of the Currency