



Bank and Credit Union Regulators' Response to COVID-19

Updated April 20, 2020

Once it became clear that the coronavirus (COVID-19) outbreak would have serious [financial ramifications](#), the federal agencies that regulate banks and credit unions—the Federal Reserve, the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and Consumer Financial Protection Bureau (CFPB) (collectively referred to as the bank regulators), and the National Credit Union Administration (NCUA)—responded using existing authorities in two broad ways:

- taking measures to encourage banks to work with customers affected by COVID-19; and
- making adjustments to bank regulation.

The regulators have also issued rulemakings pursuant to Sections 1102, 4003, and 4012 of the CARES Act. Those sections of the law are described in CRS Report R46301, *Title IV Provisions of the CARES Act (P.L. 116-136)*; and in CRS Insight IN11341, *SBA's Paycheck Protection Program (PPP) Loans and Self-Employed Individuals*. In addition, the Federal Reserve has taken steps to provide liquidity to financial markets, examined in CRS Insight IN11327, *Federal Reserve: Emergency Lending in Response to COVID-19*.

Assisting Affected Consumers

Regulators' efforts to deal with the potential effects of COVID-19 began in early March with attempts to ensure that depository institutions were adequately planning for the potential risks. On March 6, 2020, the Federal Financial Institutions Examination Council (FFIEC) [updated its influenza pandemic guidance](#) to minimize the potentially adverse effects of COVID-19. The guidance identifies business continuity plans as a key tool to address pandemics and provides a comprehensive framework to ensure the continuation of critical operations.

In the past month, regulators have shifted focus to providing guidance on how to address and serve customers affected by the virus. (For more on policy options for financial services companies responding to customers affected by COVID-19, see CRS Insight IN11244, *COVID-19: The Financial Industry and Consumers Struggling to Pay Bills*.)

Congressional Research Service

<https://crsreports.congress.gov>

IN11278

- March 9, 2020: Banking regulators issued a [joint statement](#) to encourage depository institutions to meet the financial services needs of their customers and members in COVID-19-affected areas.
- March 13: The [Federal Reserve](#), the [OCC](#), and the [FDIC](#) issued guidance identifying ways to assist customers by waiving fees, offering repayment accommodations, extending payment due dates, increasing credit card limits, and increasing ATM withdrawal limits.
- March 19: Banking regulators [issued a new statement](#) encouraging depository institutions to continue working with affected customers and communities—particularly those that are low- and moderate-income—by providing favorable consideration for those activities pursuant to the Community Reinvestment Act (CRA, 12 U.S.C. §2901).
- March 22: Bank regulators and the NCUA [issued an interagency statement](#) to allow banks to provide certain modifications to loans without designating them as a [troubled debt restructurings \(TDRs\)](#). Under accounting principles, a TDR designation could have negative consequences for a bank’s financial and regulatory reporting requirements. On April 7, the agencies issued a revised guidance that included information about [Section 4013 of the CARES Act](#), which allows banks flexibility in accounting related to troubled debt restructurings.
- March 26: Banking regulators and the NCUA [issued guidance](#) encouraging banks to make responsible small-dollar loans.
- April 3: Bank regulators and the NCUA [issued guidance](#) encouraging mortgage servicers to place consumers in short-term forbearance programs.

Regulatory Adjustments

Banks are subject to “safety and soundness” regulations, which include rules related to [banks’ capital](#) and liquidity. Bank regulators also have the authority to [supervise banks](#), which includes examinations and off-site monitoring. In response to COVID-19, bank regulators have made certain adjustments to banking regulation and supervision. In the following announcements and rulemakings, the regulators cited COVID-19 as a motivating factor.

- March 17, 2020: Bank regulators released a [statement](#) encouraging banks to use their capital and liquidity buffers to support continued lending. On [March 19](#), the agencies released a clarification on the statement that included a [Q&A document](#). These guidance documents remind banks that the purpose of the buffers is to ensure banks can keep lending during distressed times and encourage banks to continue lending prudently. On the same day, the Federal Reserve issued a statement [encouraging banks](#) that need liquidity to borrow from its discount window.
 - March 20: Bank regulators [issued](#) a rule change on how capital is measured to make it easier for banks to comply with capital rules that can place restrictions on a bank’s dividend payments and other capital distributions. On March 23, the Federal Reserve [announced](#) the new definition would also be applied to the total loss-absorbing capacity rules applied to the largest U.S. banks and U.S. operations of foreign banks. The rules require those banks to hold certain types and amounts of capital and debt.
 - March 24: The Federal Reserve [delayed](#) the upcoming implementation of a rule that would change the methodology used to determine how much liquidity the U.S. operations of foreign banking organizations have through temporary overdrafts on their Federal Reserve accounts. The effective date was rescheduled from April 1 to October 1.
-

-
- March 24: The Federal Reserve [announced](#) adjustments to its supervisory activities and priorities in response to the uncertainties created by COVID-19. Broadly, the Federal Reserve is shifting focus away from examination in favor of monitoring in order to better understand “the challenges and risks that the current environment presents.”
- March 25: Bank regulators [granted](#) banks an additional 30 days to file their required quarterly reports on condition and income. On March 26, the Federal Reserve [granted](#) a similar grace period to bank holding companies (BHCs) and their nonbank subsidiaries with less than \$5 billion in assets.
- March 27: Bank regulators [announced](#) that banks could adopt a change in the accounting methodology for certain derivatives contracts early and certain banks could delay the effect on regulatory capital of another [new accounting standard](#) related to estimating future losses.
- March 31: The Federal Reserve [delayed](#) the implementation of a new framework for what factors determine “control” of a company for the purposes of the Bank Holding Company Act and the Home Loan Act from April 1 to September 30.
- April 1: The Federal Reserve [relaxed](#) the [Supplementary Leverage Ratio](#) rule that applies to the largest banking organization by exempting certain safe assets from the banks’ exposure measure.
- April 14: The regulators [issued](#) a rule to allow institutions to defer certain real estate appraisals for up to 120 days after closing of residential or commercial real estate loan transactions.

Author Information

Andrew P. Scott
Analyst in Financial Economics

David W. Perkins
Specialist in Macroeconomic Policy

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS’s institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.