From: Gregory Shook <GShook@essexsavings.com>
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To: Comments
Subject: [EXTERNAL MESSAGE] RIN 3064–AF53

Mr. Robert E. Feldman, Executive Secretary, Federal Deposit Insurance Corporation

Responding to the FDIC Proposal to "Mitigate" the Effects of PPP Loans on Assessments
The FDIC recently issued a proposal to "mitigate" the amount of extra assessments banks would pay for making loans under the SBA's Payroll Protection Plan (PPP). The issue is that PPP loans expand the balance sheet for most banks – the base on which FDIC assessments are assessed. Moreover, PPP loans raise the assessment rate that is applied to the assessment base, so there is a dual effect. However, review of the FDIC proposal reveals that it would provide little-to-no mitigation of these effects. ABA is drafting a response to suggest better mitigation. Bankers are encouraged to write to the FDIC as well to reinforce the industry's concerns.
Key points to make in responding to the proposal:

 The proposed adjustments would barely, if at all, reduce the extra assessments a bank will pay for making PPP loans.

- The proposal suggests an offset to the assessment base – not for the quarter-end outstanding balance of PPP loans – but for the quarterly average amount of PPP loans pledged against borrowing from the Federal Reserve's PPP Liquidity Facility.
- The same adjustment is proposed for various elements in the formula to calculate the assessments rate.
- Both adjustments understate PPP lending, meaning that banks will pay higher assessment rates on larger assessment bases than if the FDIC were to fully adjust for PPP lending.

 Banks should not be penalized with higher assessments for making PPP loans.

- The PPP is a Federal program, authorized in the CARES Act, to address the economic impacts of the pandemic with subsidies for small businesses that retain employees. It is administered primarily through banks, which make forgivable loans on thin margins to small businesses. Banks should not be penalized for providing this public service.
- Our bank has ample deposits to finance PPP loans..
- The FDIC feels that PPP loans pledged against PPP Liquidity Facility borrower are without recourse, making these PPP loans extra safe. However, all PPP loans are fully guaranteed by the SBA, so do not require a second level of federal backing to be safe.

 In sum, FDIC assessments should be fully adjusted for all of a bank's quarter-end outstanding balance of PPP loans, in both assessment base and assessment rate.

Thank you.

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All of us at the Bank hope that you, your family and colleagues are safe and healthy.

COVID-19 ALERT: Please note that Essex Savings Bank is continuing to operate during our normal business hours Monday through Saturday. Out of an abundance of caution and care for the staff and customers of Essex Savings Bank, we are updating our business operating procedures as follows: (i) we have closed all Branch lobbies indefinitely, effective Thursday March 19th, 2020; (ii) we have expanded our drive thru services; (iii) restricted in-person meetings/consultation and access to safe deposit boxes with customers to be by appointment only. Please visit our website for continuing updates and to explore how to bank with us using our many other banking channels. Thank you.