From:	Susan Shields <SShields@milfordbank.com>
Sent:	Tuesday, May 26, 2020 10:21 AM
To:	Comments
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Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation

Delivered via email

Mr. Feldman,

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.
- ✓ Overall, borrowing from the PPP Liquidity Facility is only seven percent of outstanding PPP loans (for banks and nonbanks). Here at The Milford Bank, we have seen very little disbursement of PPP loan proceeds to date; certainly, less than seven percent.
- ✓ 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.
- ✓ Many banks have ample deposits (including from Economic Impact Payments) to finance PPP loans. They do not need to pay 35 b.p. to borrow from the PPP Liquidity Facility.
- ✓ 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 summary, FDIC assessments should be fully adjusted for all bank's quarter-end outstanding balance of PPP loans, in both assessment base and assessment rate.

Respectfully Submitted,