From: Joan Stephenson <jstephenson@febokc.com>
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The proposed adjustments would barely, if at all, reduced 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).
- 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 bp 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 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

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