Central Bancompany

May 22, 2020

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

SUBJECT: RIN 3064-AF53

Dear Mr. Feldman:

On behalf of our thirteen community banks in the Midwest – The Central Trust Bank, Jefferson Bank of Missouri, Central Bank of St. Louis, Central Bank of Boone County, Central Bank of Audrain County, Central Bank of Moberly, Central Bank of Sedalia, Central Bank of Warrensburg, Central Bank of the Midwest, Central Bank of Lake of the Ozarks, Central Bank of the Ozarks, Central Bank of Branson, and Central Bank of Oklahoma - we appreciate that the FDIC has issued a proposal to mitigate to some degree the impact of the PPP loan program on Small Bank's FDIC Deposit Insurance Assessment starting in the second quarter of 2020.

Our Company is comprised of thirteen bank charters that operate as community banks in Missouri, Kansas, Illinois, Oklahoma, and Colorado. As such we fall under the Small Bank Rules for assessment purposes and all of our banks are participating in the Paycheck Protection Program (PPP) to assist small businesses during these difficult times.

The PPP loan program has added close to $1 billion in loans to our thirteen bank's balance sheets which represents about an aggregate 10% increase in loan balances. <u>The $1 billion in PPP loan balances were totally funded from internal sources which is the issue that is a concern to our Company since PPP loans funded by the Federal Reserve's lending facility are excluded from metrics contained in the calculations determining the FDIC insurance premium assessment as well as the leverage ratio</u>. We believe this difference in funding sources penalizes banks that have funded the loans internally and requests that the FDIC change the proposed rule to treat internally funded PPP loans the same as those funded by the Federal Reserve.

When the PPP loan program was announced, all of our banks geared up their lending areas and aggressively offered the product to small businesses in each community. We are booking loans under the PPP program that carry an interest rate of 1% which creates a difficult situation in offsetting operating costs and funding costs while generating an acceptable return to our shareholders. We believe that our FDIC assessment should not be impacted by these assets in the same way that the FDIC is accommodating

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loans funded by the Federal Reserve. We appreciate that the FDIC has excluded the PPP loans from the loan mix index but request additional modifications to the proposal by allowing small banks to 1) exclude the PPP average loan balances from the quarterly assessment base (average assets), 2) exclude them from the denominator in the leverage ratio (average assets), and 3) exclude PPP loan balances from quarter ending assets to modify the impact of the income to assets ratio, the nonperforming loan to assets ratio, the other real estate to asset ratio, the loan index ratio, the brokered deposit ratio, and the one year growth ratio; these modifications would negate the increase in our FDIC assessment in a similar manner as PPP loans funded by the Federal Reserve.

Our community banks have all experienced an influx of deposits with the pandemic as customers have confidence in our banks and the banking system. Our deposits continue to increase which in itself will increase our second quarter FDIC assessment even with a change to the proposed rules that we suggested in the previous paragraph. We hope the FDIC will consider our request and limit the increase in our second quarter assessment by totaling eliminating the impact of the PPP loans from the small bank calculation. Obviously from a risk standpoint the PPP loans create no risk to the insurance fund. Plus, with the current proposal, we believe the majority of the funding of PPP loans will remain in deposit accounts throughout the quarter and at quarter end thereby ballooning of our balance sheets and insurance premiums.

Perhaps as a safe harbor the FDIC could incorporate the changes we have suggested but if the quarterly assessment for the period of time the PPP loans remain on the bank's books results in an assessment that is less than the first quarter of 2020's assessment, the small bank assessment will default to the first quarter's assessment. We are confident that even after adopting these proposed changes the second quarter's assessment will exceed the first quarter's assessment due to the abnormal influx of deposits and the undisbursed balances from the PPP loans.

Thank you for the opportunity to comment on the proposal. As we mentioned previously, we appreciate that the FDIC has issued this proposal but we respectfully request that it be expanded to totally negate the impact on assessment from the impact of making the PPP loans and put us on a level playing field with banks that went to the Federal Reserve to obtain funding.

Please let us know if you have any questions or would like to discuss our comments.

Sincerely,

[redacted]

S. Bryan Cook
Central Bancompany
President & Chief Executive Officer

[redacted]

Kenneth W. Littlefield
Central Bancompany
Vice Chairman, Chief Financial Officer