VIRGINIA BANKERS ASSOCIATION

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May 27, 2020

Via: http://www.regulations.gov

Robert E. Feldman
Executive Secretary, Attn.: Comments
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, D.C. 20429

Re: RIN 3064–AF53, Assessments, Mitigating the Deposit Insurance Assessment Effect of Participation in the Paycheck Protection Program (PPP), the PPP Lending Facility, and the Money Market Mutual Fund Liquidity Facility

Dear Mr. Feldman:

The Virginia Bankers Association ("VBA") represents banks of all sizes and charters and has served as the organized voice for Virginia's $615 billion banking industry and its 42 thousand employees since 1893. We appreciate the opportunity to comment on the Federal Deposit Insurance Corporation's ("FDIC") notice of proposed rulemaking regarding a proposed rule that would mitigate the deposit insurance assessment effects of participating in the Paycheck Protection Program (PPP), the Paycheck Protection Program Lending Facility (PPPLF) and Money Market Mutual Fund Liquidity Facility (MMLF).

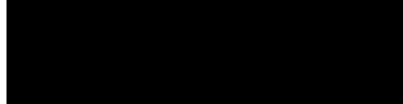
The proposed adjustments would, at best, minimally reduce the extra assessments a bank will pay for making PPP loans. The proposal suggests an offset to the assessment base, not for the quarter-end outstanding balance of PPP loans, but for the quarterly average amount of PPP loans pledged against borrowing from the PPPLF. The same adjustment is proposed for various elements in the formula to calculate the assessments rate. Overall, borrowing from the PPPLF is only seven percent of outstanding PPP loans (for banks and nonbanks). Both adjustments understate PPP lending, which will result in banks paying higher assessment rates on larger assessment bases than if the FDIC were to fully adjust for PPP lending.

Banks should not be saddled 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 coronavirus 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 basis points to borrow from the PPPLF. The FDIC has stated that PPP loans pledged against PPPLF borrowings

are without recourse, making these PPP loans extra safe. However, all PPP loans are fully guaranteed by the Small Business Administration, and, therefore, do not require a second level of federal backing to be safe.

In summary, 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 for the opportunity to provide comments. If you have any questions, please feel free to contact me at 804-819-4701 or bwhitehurst@vabankers.org.

Sincerely,



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