MISSISSIPPI BANKERS ASSOCIATION

May 26, 2020

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

Re: RIN 3064-AF53

Dear Mr. Feldman:

I write on behalf of our member banks in Mississippi to express possible unintentional consequences of the recent notice of proposed rulemaking to mitigate the deposit insurance assessment effects of participating in the Paycheck Protection Program (PPP). Nearly every bank in our state has made PPP loans. We anticipate that the high degree of bank participation in PPP will temporarily expand bank balance sheets in Mississippi, and we are concerned the proposed rule could inadvertently penalize many of our banks by failing to reduce bank assessments as we believe the FDIC intended.

As currently written, the proposal only allows for an offset for some elements used in calculating the assessment rate. Additionally, the assessment base for the quarterly average amount of PPP loans pledged against borrowing from the Federal Reserve's PPP Liquidity Facility (PPPLF) also benefits from an adjustment. However, we fear that these adjustments grossly understate the actual amount of PPP lending and are thus not helpful to a majority of our institutions participating in PPP lending. Most banks have plenty of deposits to finance PPP loans, and we do not think that many banks in Mississippi have accessed the PPPLF to avoid unnecessary added costs. We are afraid that the current offsets understate the PPP loans banks have made, and as a result, banks will be charged larger assessments than the FDIC intends.

Furthermore, banks should not be penalized for participating in this important program that has successfully helped many small businesses in Mississippi survive this unprecedented crisis. In fact, the Economic Innovation Group (EIG) performed an analysis of the first tranche of PPP loans. This analysis showed that Mississippi led the country in the highest ratio of PPP loans approved relative to the state's total small business payroll. EIG also found that Mississippi ranked fifth in the ratio of the number of approved PPP loans in each state to the number of small employer businesses in each state. Our members participated in PPP at an extraordinary rate because they are committed to helping small business survive the COVID-19 crisis. Our banks should not be penalized for doing what Congress asked them to do.

Congress enacted the PPP as an immediate and urgent measure to stem unemployment created by the COVID-19 pandemic. This program is administered primarily through banks. These banks made (and ae still making) forgivable PPP loans on thin margins to small businesses. Penalizing our member banks for their tireless efforts to help small businesses despite these thin margins would be unfair. Finally, as all PPP loans are fully guaranteed by the SBA, they are very safe with no need for a second level of federal backing. Therefore, the benefits of this proposed rule should apply equally to all banks participating in PPP lending, regardless of whether they utilized the PPPLF.

We respectfully recommend a full adjustment for PPP lending without regard to participation in the PPPLF be implemented to mitigate the impact on assessment bases and rates. We appreciate the efforts the FDIC has taken to quickly address this by releasing the proposal, and we think further revision could greatly improve the proposal. Thank you for consideration of this important request and for all the work that the FDIC is doing to support bankers and their customers in this difficult economic time.

We welcome the opportunity to provide additional information and input as this process proceeds.

Sincerely,

[redacted]

Gordon Fellows
President & CEO, Mississippi Bankers Association