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May 27, 2020

Submitted Electronically

Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
Attention: Robert E. Feldman, Executive Secretary
comments@fdic.gov

Re: 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; RIN 3064-AF53

Dear Mr. Feldman:

U.S. Bank National Association (U.S. Bank) appreciates the opportunity to comment on the notice of proposed rulemaking from the Federal Deposit Insurance Corporation (FDIC) to mitigate the effects on assessments for banks that participate in the Paycheck Protection Program (PPP) of the U.S. Small Business Administration, as well as in the Federal Reserve's PPP Liquidity Facility (PPPLF) and Money Market Mutual Fund Liquidity Facility (MMLF) (the NPR). We especially appreciate the thoroughness and speed of the FDIC in responding to the crisis through this proposal to encourage banking institutions to work with affected customers and communities, meet the needs of their customers, and foster small business lending.

U.S. Bancorp, with over 70,000 employees and $543 billion in assets as of March 31, 2020, is the parent company of U.S. Bank, the fifth-largest commercial bank in the United States. U.S. Bank is proud to participate in the PPP and in other programs to support entrepreneurs and small businesses, especially in low-income and underserved communities. As of May 3, 2020, we have secured funding approval for over 75,000 applicants, totaling approximately seven billion dollars and with the potential to impact more than 800,000 employees across the country. Eighty-three percent of loans approved via U.S. Bank were for less than $100,000 and more than 90% of approved loans went to businesses with 20 employees or less, and the average company size was 11 people. Recipients represent businesses and workers across 49 states and the District of Columbia.

U.S. Bank participation in the PPP was driven by the desire to support small business customers and our local communities. Furthermore, PPP loans are guaranteed by the U.S. Small Business Administration and thus this activity does not represent a risk to the Deposit Insurance Fund. Because of this, we support the FDIC's efforts not to include PPP loans in banks' assessment calculations. We offer modest changes to the NPR, however, as it does not completely address the impact of PPP lending on assessments for banks, whether or not they participate in the PPPLF, as intended.

We support the joint comment letter by the American Bankers Association and The Bank Policy Institute (Joint Comment Letter) in appreciation of the FDIC's consideration of all elements of the assessment rate formulas of these changes as well as additional recommendations made in the letter.

We support the Joint Comment Letter requests that the FDIC:

- Modify, as proposed, the core deposits ratio, balance sheet liquidity ratio, loss severity measure, trading asset ratio, and growth-adjusted portfolio concentrations measure (in the growth-adjusted portfolio concentrations measure) in the assessment formulas for "large" and "highly complex" banks;
- Modify, as proposed, the unsecured debt, depository institution debt, and brokered deposit adjustments for all banks;
- Not consider PPP loans as potential "higher risk assets";
- Post revised assessment calculators as soon as possible; and
- Include the new Call Report items under "Memoranda" on Schedule RC-C.

In addition, we recommend that the FDIC make these limited changes in its final rule as discussed further below and in the Joint Comment Letter:

- Recognize the total quarter-end outstanding balance of all PPP loans, whether or not pledged against borrowings from the PPPLF, and apply to all relevant assessment formula elements; and
- Factor the quarter-end outstanding balance of PPP loans into the leverage ratio used in the assessment formulas.

In its final assessments rule, the FDIC should recognize the total quarter-end balance of all PPP loans on a bank's balance sheet, whether or not pledged against borrowing from the PPPLF.

The FDIC should recognize the total outstanding quarter-end balance of all PPP loans on a bank's balance sheet, rather than generally recognizing only the quarterly average balance of PPP loans pledged against borrowing from the PPPLF as proposed.

To date, U.S. Bank has not participated in the PPPLF due to the sufficiency of deposits to finance this lending. Several provisions in the NPR recognize quarterly average PPPLF borrowing but not the total quarter-end PPP loan balance. These provisions, as proposed, would mitigate only a small portion of the effect of making PPP loans if a financial institution participates in the PPPLF (because PPPLF replacement funding builds gradually as loan proceeds are drawn down) and mitigates none of the effect of making PPP loans if a financial institution, like U.S. Bank, does not choose to pledge these loans as collateral to the PPPLF. The U.S. Small Business Administration guarantees all PPP loans, whether or not they are pledged to the PPPLF, as to principal and accrued interest. And, as a general matter, U.S. Small Business Administration guarantees are backed by the full faith and credit of the United States government. Therefore, the proposal's stated goal of mitigating the assessment effect of PPP loans, including loans pledged to the PPPLF, would be more effectively and consistently served by recognizing the total outstanding quarter-end balance of PPP loans.

Accordingly, U.S. Bank recommends that the final rule provide full credit for the outstanding balance of PPP loans throughout assessments calculations, including in the:

- Offset to the assessment base for all banks;
- Formula for the base assessment rate for established "small" banks for the following:
    - net income before taxes / total assets ratio,
    - nonperforming loans and leases / gross assets ratio,
    - other real estate owned / gross assets ratio,
    - brokered deposits ratio, and

    - one-year asset growth;
- Formulas for the base assessment rate for “large” and “highly complex” banks for the core earnings ratio and average short-term funding; and
- Classification of a bank as “small,” “large,” or “highly complex.”

The FDIC should factor the entire quarter-end outstanding balance of PPP loans into the leverage ratio used in the assessment rate formulas, whether or not the PPP loans are pledged against borrowings from the PPPLF.

For the same reasons set forth above, to improve the effectiveness and consistency of the assessment regulations as applied to both those financial institutions which participate in the PPPLF and those which do not, the FDIC should factor the entire quarter-end outstanding balance of PPP loans into the leverage ratio used in the base assessment rate formulas. The FDIC should not factor the quarterly average of PPP loans pledged against PPPLF borrowing. The leverage ratio is heavily weighted in the assessment rate formulas and therefore consistent and equitable application of this element is of particular importance.

Conclusion

We appreciate the FDIC’s efforts to mitigate the assessment effects of PPP loans, including loans pledged to the PPPLF, so that banks can focus on providing continued access to financing. This action will be crucial for small businesses to weather disruptions caused by COVID-19 and ultimately will help restore economic activity. We thank the FDIC for its consideration of our suggestions to make the proposed changes to the assessments more effective and more consistently applied.

Should you have any questions or would like to discuss further, please do not hesitate to contact me at 612.303.4992 or at lisa.stark1@usbank.com or Cristina Regojo Gedan, Chief Regulatory Counsel, at 202.442.2735 or cristina.regojogedan@usbank.com.

Sincerely,

[redacted]

Lisa R. Stark
Executive Vice President and Controller

cc: David H. Wright, Director of Regulatory Services