VIA EMAIL ONLY

May 27, 2020

Robert E. Feldman, Executive Secretary
Attention: Comments/RIN 3064-AF53
Federal Deposit Insurance Corporation
550 17th Street N.W.
Washington, DC 20429
comments@fdic.gov
Docket ID: RIN 3064-AF53

Re: Proposed Rulemaking Regarding Assessments and Mitigating the Deposit Insurance Assessment Effect of Participating in Paycheck Protection Program (PPP), Paycheck Protection Program Liquidity Facility (PPPLF), and Money Market Mutual Fund Liquidity Program (MMMLF); RIN 3064-AF53

Dear Executive Secretary Feldman:

The Wisconsin Bankers Association (WBA) is the largest financial trade association in Wisconsin, representing approximately 220 state and nationally chartered banks, savings banks, and savings and loan associations located in communities throughout the State. The Federal Deposit Insurance Corporation (FDIC) seeks comment on a proposal that is meant to help mitigate the deposit insurance assessment effects of participating in the Small Business Administration's (SBA's) Paycheck Protection Program (PPP), and the Paycheck Protection Program Lending Facility (PPPLF) and Money Market Mutual Fund Liquidity Facility (MMMLF) established by the Board of Governors of the Federal Reserve System (FRB). WBA appreciates the opportunity to comment on FDIC's proposed rule.

The majority of Wisconsin's financial institutions are well-capitalized with active, well-engaged boards of directors making informed business decisions and careful plans to achieve that high level of regulatory capital. However, none of these institutions could have planned or projected for the current unique economic crisis which has resulted from national and state stay-at-home orders related to the COVID-19 pandemic.

Financial institutions and both state and federal agencies, including FDIC, FRB, and SBA, have had to consider creative options to help prevent the current economic crisis from becoming a credit crisis. SBA's PPP and FRB's PPPLF and MMMLF programs are but a few ways which have assisted with those mitigating efforts. Wisconsin's financial institutions appreciate those efforts.

In general, under the PPPLF program, the Federal Reserve Banks will extend non-recourse loans to financial institutions eligible to make PPP covered loans. The exclusive collateral for the program is PPP-covered loans guaranteed by SBA that the financial institution originated or purchased. A requirement to participate in the PPPLF program is for financial institutions to originate and hold PPP-covered loans on their balance sheets. Participation will increase financial institutions' balance sheets.

Similarly, under the MMMLF program, the Federal Reserve Bank of Boston will extend non-recourse loans to eligible financial institutions to purchase assets from money market mutual funds thereby

helping to alleviate increased market pressures due to the high volume of redemptions from money market mutual funds. The assets purchased will be posted as collateral to the Reserve Bank. Collateral consists of U.S. Treasuries and fully guaranteed agency securities, securities issued by government-sponsored enterprises, and certain types of commercial paper. Participation in the MMMLF program will also increase financial institutions' balance sheets.

Wisconsin's financial institutions have been leaders in offering PPP loans to their effected small business customers. In the first round of available PPP funding, Wisconsin was within the top fifteen states that obtained PPP loans on behalf of Wisconsin small businesses. Wisconsin's financial institutions continue to assist their small businesses with PPP loans via the newest round of funding. Many of those institutions, especially small community banks, needing flexibility in liquidity options have sought or are considering participating in the PPPLF program.

In recognizing the potential negative affect for financial institutions participating in FRB's PPPLF and MMMLF programs, FDIC, together with FRB and the Office of Comptroller of the Currency (OCC), previously issued interim final rules to revise regulatory capital rules to neutralize the effect of participating in the programs having recognized the very low risk for participating in FRB's programs. The regulatory actions negated the possibility of increased capital requirements for financial institutions participating in the PPPLF and MMMLF programs thereby removing disincentives from participating in the programs. WBA appreciates the agencies efforts in revising regulatory capital rules in this fashion.

However, FDIC's assessment proposal to "mitigate" the effect of participating in SBA's PPP or FRB's PPPLF and MMMLF programs in recognition that participating financial institutions will have expanded balance sheets—a base for which FDIC deposit insurance assessments are assessed—does very little to reduce extra assessments a financial institution would need pay for having made loans under SBA's PPP or from participating in FRB's liquidity programs.

In particular, the proposal would allow an offset to the assessment base for the quarterly amount of PPP loans pledged against borrowing from FRB's PPPLF, the offset is not for the quarter-end outstanding balance of PPP loans. This same adjustment is proposed for various elements in the formula to calculate the assessment rate.

WBA strongly recommends FDIC consider deposit assessments be fully adjusted for all of a financial institution's quarter-end outstanding balance of PPP loans, in both the assessment base and assessment rate. Without such change, participating financial institutions will be unfairly penalized by having to pay higher deposit insurance assessments. The proposed adjustments understate PPP lending.

Once again, WBA appreciates the opportunity to comment on the proposed rule.

Respectfully,

Rose Oswald Poels
President/CEO