

FDIC Advisory Committee on Community Banking

July 28, 2020

Deposit Insurance Assessments and the PPP, PPPLF & MMLF



Assessments and the PPP, PPPLF & MMLF

- On June 22, 2020, the FDIC Board approved a final rule that mitigates the deposit insurance assessment effects of participating in the Paycheck Protection Program (PPP), PPP Liquidity Facility (PPPLF), and Money Market Mutual Fund Liquidity Facility (MMLF).
- The rule ensures that banks will not be subject to higher deposit insurance assessments for participating in these programs.

Assessments and the PPP, PPPLF & MMLF - continued

- Under the final rule, the FDIC will exclude PPP loans from an institution's total assets and will exclude borrowings under the PPPLF from an institution's total liabilities in risk measures used to determine an IDI's assessment rate.
- Because participation in the PPP and MMLF programs may have the effect of expanding an IDI's balance sheet (and, by extension, its assessment base), under the final rule the FDIC will:
 - Provide an offset to an IDI's total assessment amount for the increase to its assessment base attributable to participation in the PPP and MMLF; and
 - Exclude all PPP loans and assets purchased under the MMLF from total assets in calculating certain adjustments that reference a bank's assessment base; and in classifying IDIs as small, large, or highly complex for assessment purposes.

Assessments and the PPP, PPPLF & MMLF - continued

- The changes under the final rule will be applied to an insured institution's quarterly deposit insurance assessment starting in the 2nd quarter of 2020 (paid by IDIs in September 2020).
- Beginning as of June 30, 2020, IDIs will report on the Consolidated Report of Condition and Income (Call Report) new items related to participation in the PPP, PPPLF, and MMLF.
- The FDIC will use these items to apply changes in calculating an IDI's deposit insurance assessment under the final rule.

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FDIC's Small Business Lending Survey

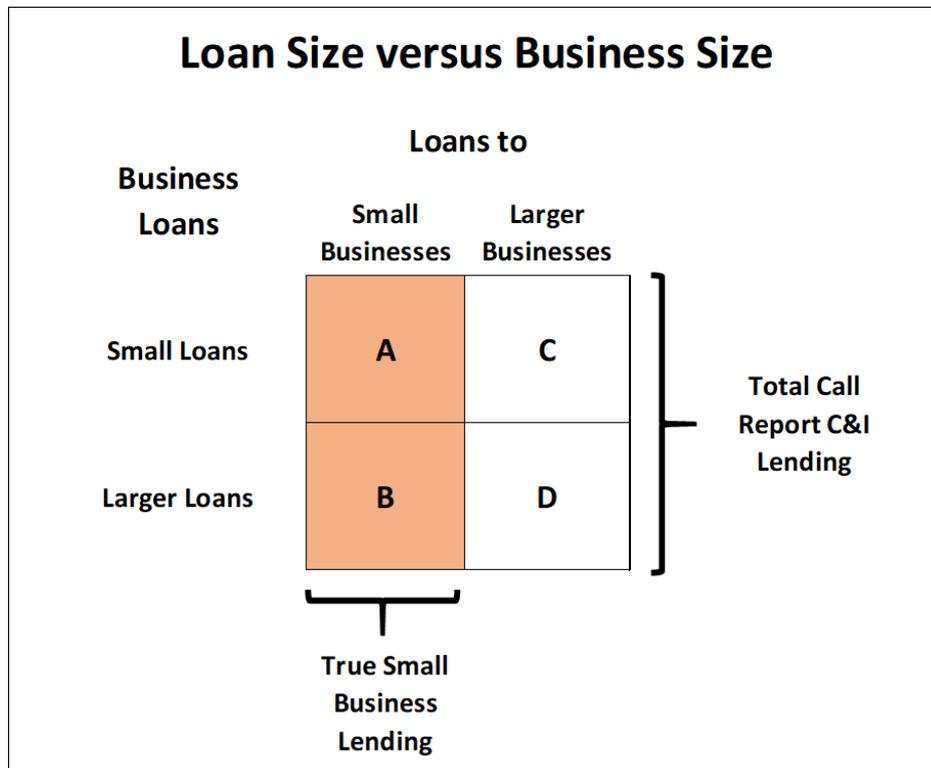
*Measurement of Small Business Lending Using Call Reports:
Further Insights from the Small Business Lending Survey*
(FDIC Staff Studies, July 2020)



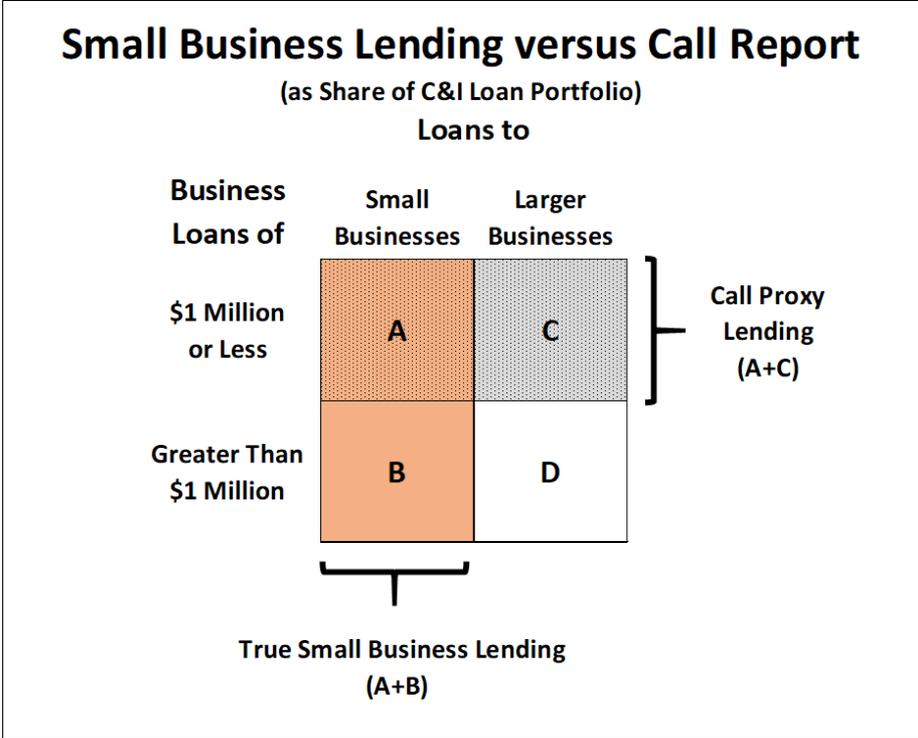
The “SBLS” – FDIC’s Small Business Lending Survey

- Nationally representative survey of banks’ small business activities and practices
- High response rate
 - Sixty percent of sample
 - One-fifth of U.S. banks (≈1,200)
- SBLS 2016 Collection Topics
 - Competitive practices and advantages
 - Loan products and underwriting practices
 - Markets and competition
 - Measuring small business Lending
- 2018 Report (FDIC 2018)
 - <https://www.fdic.gov/bank/historical/sbbs/index.html>

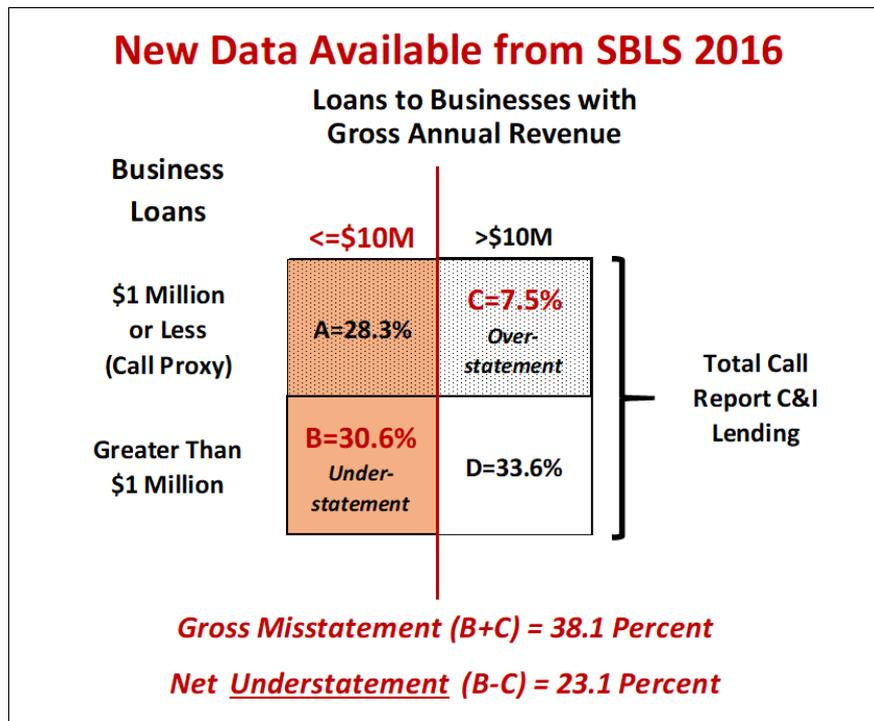
Measuring Bank Small Business Lending



Measuring Small Business Lending Using the Call Report Proxy



Call Report Proxy Substantially Misstates Bank Small Business Lending



For banks with \$1 to \$10 billion assets only (2015)



SBLS Report Topics

SBLS 2016

- Competitive Practices and Advantages
- Loan Products and Underwriting Practices
- Markets and Competition
- Measuring Small Business Lending

SBLS 2022

- ***SBLS 2016 Topics+***
- ***COVID-19 Response***
- ***FinTech***
- ***Loan Decision-making***
- ***SBA Lending***

SBLS 2022 Timeframe

- 2020 Survey Drafting
- 2021 Field Testing (\approx 50 banks)
- 2022 Data Collection (SBLS 2022)
- 2023 Analysis
- 2024 Publish Report (FDIC 2024)