



Kentucky Bankers Association

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May 18, 2020

SENT VIA FIRST CLASS MAIL AND E-MAIL

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

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

Dear Chairman McWilliams,

The Kentucky Bankers Association (KBA) is pleased to submit this response to the Notice of Proposed Rulemaking (Proposal) from the Federal Deposit Insurance Corporation (FDIC), which proposes to: (1) remove the effect of participation in the PPP and the Paycheck Protection Program Lending Facility (PPPLF) on various risk measures used to calculate an insured depository institution's assessment rate; (2) remove the effect of participation in the PPLF and Market Mutual Fund Liquidity Facility (MMLF) programs on certain adjustment to an IDI's assessment rate, (3) provide an offset to an insured depository institution's assessment for the increase to its assessment base attributable to participation in the MMLF and PPPLF, and (4) remove the effect of participation in the PPPLF and MMLF programs when classifying insured depository institutions as small, large, or highly complex for assessment purposes. We support the intent of the Proposal in providing regulatory clarity.

The Kentucky Bankers Association represents one hundred and sixty-one (161) member institutions ranging in asset size from twenty-one million dollars (\$21,000,000) to over three hundred and seventy billion dollars (\$370,000,000.00). On behalf of our membership, the Kentucky Bankers Association **supports the Proposal.**

The KBA supports the FDIC's Proposal in removing, "the effect of these programs on the risk measures used to determine the deposit insurance assessment rate for each insured depository institution (IDI)." As stated in the Proposal, PPP loan are "fully guaranteed as to principal and accrued interest by the Small Business Administration (SBA)." "As a general matter, SBA guarantees are back by the full faith and credit of the U.S. Government." Since these loans are full guaranteed by the U.S. government, these loans should not pose a risk to the FDIC or the insurance fund. Consequently, it is logical to exclude such loans from various measures, risk metrics and assessment rates.

Chairman Jelena McWilliams, Federal Deposit Insurance Company, May 18, 2020.

One of the questions posed in the Proposal is whether a waterfall approach is correct in treating all loans as C&I loans rather than the different categories that may be applicable for different types of PPP loans. The KBA believes that many banks have already undertaken significant initiatives to process, approve, and fund these loans. Requiring banks to individually classify these loans based on different types is not an efficient use of bank resources; particularly when such loans are already unique in nature and the pooling of such loans into one category is the only solution that makes sense. Furthermore, it appears there will be a significant effort to process the forgiveness portion of these loans. This will result in additional cost to our banks, which offered these loans as a community service and not as a revenue producer. Reducing unnecessary data collection and information will allow banks to focus on better serving the customer while minimizing risk to long-term liquidity for the bank.

The PPP process has been challenging. Our Kentucky have overcome many obstacles to approve and fund PPP loans to ensure their customers and communities continue to thrive in this challenging time. And, the challenges are not yet over.

For the reasons stated above , the KBA recommends that PPP loans not be included in any insurance calculations and that these loans be classified as C&I loans.

Thank you for considering our suggestions. If there are any questions, please do not hesitate to contact the undersigned.

Sincerely,

A solid black rectangular box used to redact the signature of Debra K. Stamper.

Debra K. Stamper
General Counsel
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