Statement by Chairman McWilliams on the Final Rule to Mitigate the Impact of PPP Lending on Deposit Insurance Premiums

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On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law. The CARES Act created the Paycheck Protection Program (PPP), which as of June 19th has provided approximately $515 billion in critical funds to small businesses across the country. Banks have played a crucial role in this program, distributing the overwhelming majority of PPP loans.

On May 12, 2020, the FDIC Board approved a notice of proposed rulemaking to mitigate the impact of PPP lending on banks' deposit insurance premiums.[1] If the FDIC failed to provide such mitigation, banks that have participated in PPP lending could face significant unexpected increases in assessments owed to the FDIC. Given the extraordinary liquidity constraints small businesses faced in the wake of the pandemic and government-ordered lockdowns, and the need for banks' participation to ensure the program met its objectives, such assessment spikes would not have been appropriate.

Due to the complexities of the FDIC's assessment formulas and a desire to minimize added reporting burden, fully neutralizing the impact of PPP lending on assessments is not possible. Mitigating the impact requires the FDIC to make certain assumptions, including which loan categories PPP loans fall under and how they are funded. Ensuring every institution that has made PPP loans does not see any increase in assessments as a consequence of PPP lending would likely have resulted in many institutions seeing a substantial *decrease* in assessments, which would not be appropriate.

The final rule approved today substantially mitigates the impact of PPP lending on banks' assessments, including generally removing PPP loans from the assessment rate and providing an offset for increases in the assessment base attributable to PPP lending.[2] Banks have served as a source of strength throughout this recent period of economic turmoil, and the FDIC continues to fine-tune its rules and policies to enable them to do so.

[1] The proposal also would have mitigated the impact of banks' participation in the Federal Reserve's PPP Liquidity Facility and Money Market Mutual Fund Liquidity Facility.

[2] Like the proposal, the final rule also mitigates the impact of banks' participation in the Federal Reserve's PPP Liquidity Facility and Money Market Mutual Fund Liquidity Facility.