Wisconsin Bankers ASSOCIATION

VIA EMAIL ONLY

May 13, 2020

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street, S.W., Suite 3E-218
Washington, DC 20219
www.regulations.gov
Docket ID: OCC-2020-0018

Ann E. Misback, Secretary
Board of Governors of the Federal
Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551
regs.comments@federalreserve.gov
Docket ID: R-1712; RIN 7100-AF86

Robert E. Feldman, Executive Secretary
Attention: Comments/RIN 3064-AF40
Federal Deposit Insurance Corporation
550 17th Street N.W.
Washington, DC 20429
comments@fdic.gov
Docket ID: RIN 3064-AF49

Re: Regulatory Capital Interim Final Rule: Paycheck Protection Program Lending Facility; Docket ID: OCC-2020-0018; R-1712, RIN 7100-AF86; and RIN 3064-AF49

Dear Sirs and Madams:

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. In an effort to assist with the economic impact of the Coronavirus (COVID-19), the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (FRB), and Federal Deposit Insurance Corporation (FDIC) (collectively, the agencies) published an interim final rule on April 13, 2020, to revise each agency's regulatory capital rules to help facilitate a program offered via the Federal Reserve Banks recently created Paycheck Protection Program Lending Facility (PPPLF). WBA appreciates the opportunity to comment on the agencies' interim final 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.

Both financial institutions and the agencies have had to consider creative options to help prevent the current economic crisis from becoming a credit crisis. The agencies' interim final rule is one way to assist with those mitigating efforts. Wisconsin's financial institutions appreciate those efforts.

To help ease liquidity concerns for small business lenders participating in the Small Business Administration's (SBA's) Payment Protection Program (PPP), FRB authorized the establishment of the PPPLF.

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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. This requirement could result in the participating institution being subject to increased regulatory capital requirements. This potential result could cause some financial institutions to not use the lending facility.

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. Many of those institutions, especially small community banks, need flexibility in liquidity options such as that offered by PPPLF program.

WBA believes the agencies' interim final rule to revise and thereby neutralize the regulatory capital effect for financial institutions to participate in the PPPLF program will negate the possibility of increased capital requirements for those participating financial institutions. Without the changes made by the interim final rule, financial institutions would be disincentivized from participating in the PPPLF program.

WBA supports the agencies' revisions to the regulatory capital rules due to the non-recourse nature of the extensions of credit by the Federal Reserve Banks. As there is no credit- or market-risk exposure of the SBA-guaranteed PPP covered loans pledged to the Reserve Banks under the PPPLF program, participating financial institutions should not be "penalized" if such participation would otherwise have resulted in a requirement to increase regulatory capital. The changes made by the interim final rule help provide certainty for those financial institutions that are considering participation in the PPPLF program, thereby making the decision to participate less worrisome for the financial institution of heightened regulatory scrutiny.

Once again, WBA appreciates the agencies' efforts to proactively consider creating steps to help prevent the current economic crisis from becoming a credit crisis. The agencies' interim final rule is one way to assist with those mitigating efforts.

Respectfully,

Rose Oswald Poels

Rose Oswald Poels
President/CEO