

**Congress of the United States**  
**Washington, DC 20515**

September 23, 2020

The Honorable Brian Brooks  
Acting Comptroller of the Currency  
Office of the Comptroller of the Currency  
400 7<sup>th</sup> Street, NW  
Washington, D.C. 20219

The Honorable Jelena McWilliams  
Chairman  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, D.C. 20429

The Honorable Randal Quarles  
Vice Chairman for Supervision  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, D.C. 20551

The Honorable Rodney Hood  
Chairman  
National Credit Union Administration  
1776 Duke Street  
Alexandria, VA 22314

The Honorable Kathleen Kraninger  
Director  
Consumer Financial Protection Bureau  
1700 G Street, NW  
Washington, D.C. 20552

Dear Acting Comptroller Brooks, Vice Chairman Quarles, Chairman McWilliams, Chairman Hood, and Director Kraninger,

Thank you for all of your efforts to maintain the safety and soundness of our nation's banking system during the economic emergency. We write regarding an issue that has inadvertently arisen due to financial institutions' assistance with delivering Paycheck Protection Program (PPP) loans to small businesses.

As you know, while PPP loans are guaranteed by the Small Business Administration (SBA), banks and credit unions that have participated in PPP lent their own funds to small business borrowers. While the Federal Reserve's PPP Liquidity Facility (PPPLF) has provided some PPP lenders with low-cost credit that can be deployed elsewhere using PPP loans as collateral, PPP loans continue to be considered assets on lenders' balance sheets. As a result of significant complexity with the PPP forgiveness process, the high volume of PPP loans, and other factors, PPP loans are remaining on financial institutions' balance sheets for longer than was originally anticipated.

Many banks and credit unions are on the verge of crossing asset-based regulatory thresholds and prompting other regulatory actions as a result of PPP loans staying on their balance sheets. For example, banks that grow to more than \$500 million in total assets are required to obtain an external audit of financial statements by an independent public accountant. Credit unions whose


net worth ratio falls below 7% lose the status of being well capitalized, triggering the need for prompt corrective action. Depository institutions with more than \$10 billion in assets are subject to supervision by the Consumer Financial Protection Bureau (CFPB), Volcker Rule restrictions on proprietary trading, and caps on debit interchange fees. As you know, these are just a few examples of asset-based regulatory thresholds, and during normal times, financial institutions typically plan and prepare to cross these thresholds well in advance. The rapid increase in assets due to PPP loans remaining on lenders' balance sheets could quickly cause them to cross these thresholds.

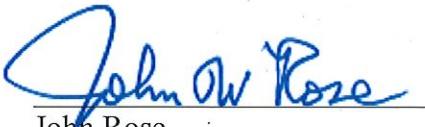
Depository institutions have done an admirable job with administering PPP, a program which has saved more than 51 million American jobs. We do not believe banks and credit unions should face increased, potentially costly regulatory scrutiny as a consequence of assisting with the implementation of an emergency economic relief program. Furthermore, given that PPP loans are guaranteed by the SBA, PPP loans are not designed to present credit risk to participating lenders.

We believe the federal banking laws afford your agencies with the necessary discretionary authority to exclude PPP loans from asset-based regulatory thresholds, deposit insurance premiums, and other regulatory requirements. We encourage you to exercise that statutory authority so lenders' participation in PPP does not inadvertently cause them to be subject to more stringent regulation.

Thank you for your attention to this request.

Sincerely,

  
Barry Loudermilk  
Member of Congress

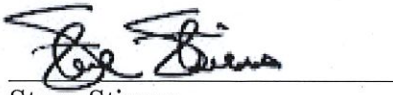
  
John Rose  
Member of Congress

  
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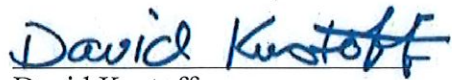
  
Andy Barr  
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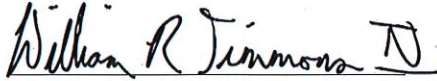
  
French Hill  
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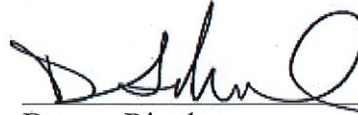
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