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 7th Street, NW
Washington, D.C. 20219

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

The Honorable Randal Quarles
Vice Chairman for Supervision
Board of Governors of the Federal Reserve System
20th 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

Roger Williams
Member of Congress

John Rose
Member of Congress

Blaine Luetkemeyer
Member of Congress

Frank Lucas
Member of Congress

Steve Stivers
Member of Congress

Andy Barr
Member of Congress

French Hill
Member of Congress

David Kustoff
Member of Congress

Trey Hollingsworth
Member of Congress

Anthony Gonzalez
Member of Congress

Denver Riggleman
Member of Congress

William R. Timmons IV
Member of Congress

Van Taylor
Member of Congress