REGIONS

Via Electronic Mail

Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20249

May 26, 2020

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

Ladies and Gentlemen:

Regions Bank[1] appreciates the opportunity to comment on the FDIC's Notice of Proposed Rulemaking (NPR) related to Assessments, Mitigating the Deposit Insurance Assessment Effect of Participating in the Paycheck Protection Program (PPP), the PPP Lending Facility (PPPLF), and the Money Market Mutual Fund Liquidity Facility.

Summary

Regions appreciates and supports the FDIC's efforts to address the effects of these programs on insurance assessments. However, as drafted the NPR does not achieve the policy goal of mitigating the effects. We strongly recommend the FDIC consider the changes outlined below, the most critical of which is to ***adjust the calculation for all PPP covered loans, and not just those PPP loans pledged to the PPPLF***.

Recommendations

We believe that PPP covered loans are essentially risk-free to depositors and the DIF; therefore, there should be zero additional expense. The following changes to the NPR should be made:

- All PPP covered loans should be ***entirely excluded from all facets*** of the calculation, and not just those pledged to PPPLF;
- The ***leverage ratio*** has a pervasive effect on the assessment calculation; this item should be ***reduced for end-of-period balances for all PPP covered loans***, and not just those pledged to PPPLF;
- The FDIC ***should look to the April regulatory capital changes, specifically risk-weighted assets*** as precedent for changes to the insurance assessments.

[1] Regions Financial Corporation, with $133 billion in assets, is one of that nation's largest full-service providers of traditional commercial, retail and mortgage banking services, as well as other financial services in the fields of asset management, wealth management, securities brokerage, trust services, merger and acquisition advisory services and other specialty financing. Regions serves customers across the South, Midwest, and Texas, and through its subsidiary, Regions Bank, and Alabama state-chartered commercial bank that is a member of the Federal Reserve system. At March 31, 2020, Regions operated 1,427 total branch outlets. Additional information about Regions and its full line of products and services can be found at www.regions.com.

Background and Support
As a certified SBA lender, Regions appreciates the opportunity to facilitate lending to our customers under PPP. As of May 4, 2020, Regions has received SBA authorization for over 37,200 applications totaling approximately $4.8 billion. Of the authorized SBA applications, Regions has funded over 19,600 applications from business customers totaling approximately $3.6 billion.

Regions is not currently utilizing PPPLF funding. We have been using other liquidity sources to originate these loans. Therefore, the NPR would provide little (if any) mitigation of the effect of PPP loans on our FDIC assessment.

Regions and our peer institutions have participated in these federal programs to facilitate movement of the funds to small businesses and ultimately customers. However, the related impact to the FDIC insurance assessment is effectively a tax on our participation in PPP.

We recognize that the methods in the NPR are based on April changes to the regulatory capital rules. Those changes use PPP covered loans pledged to PPPLF as the basis for capital adjustments. However, there is one additional component of the April capital changes that the NPR does not appear to consider: the April interim final rule requires a zero-percent risk weight for all PPP covered loans, and not just those pledged to PPPLF. We believe this is a recognition that the SBA guarantees provide sufficient credit support to consider PPP covered loans to be free of credit risk for participating banks. If this is the case, then participation in PPP would not raise the risk to depositors or the DIF. Additional FDIC expense should not be necessary.

We thank you in advance for considering our views. If you have any questions about our comments or wish to discuss these matters further, please contact me at (205) 326-4972.

Sincerely,

[redacted]

Brad Kimbrough
Executive Vice President and Controller