ICBA
INDEPENDENT COMMUNITY BANKERS of AMERICA®



September 18, 2020

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

The Honorable Brian Brooks
Acting Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

The Honorable Jerome H. Powell
Chair
Federal Reserve Board of Governors
20th Street and Constitution Ave, NW
Washington, DC 20551

**Re: Regulatory Accounting for Paycheck Protection Program Loan Fees**

Dear Chairman McWilliams, Acting Comptroller Brooks, and Chair Powell,

The Independent Community Bankers of America ("ICBA")[1] would like to thank the federal banking regulators for addressing community bank concerns regarding the Paycheck Protection Program ("PPP"). Your agencies have been instrumental in making the program an overwhelming success for the thousands of small businesses that otherwise would have limited ability to continue to operate under the economic upheaval caused by the COVID-19 pandemic. Additionally, your sensitivity to community bank concerns about how to navigate the CARES Act and associated regulatory guidance have helped these institutions to implement the PPP as efficiently as possible considering the difficulties faced by their communities. The federal banking regulators are to be commended for rising to the challenges of allowing community banks to provide ongoing essential banking services in the safest way possible while rolling out the PPP's complex lending and forgiveness arrangement.

[1] The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. With more than 52,000 locations nationwide, community banks constitute 99 percent of all banks, employ more than 760,000 Americans and are the only physical banking presence in one in five U.S. counties. Holding more than $4.9 trillion in assets, $3.9 trillion in deposits, and $3.4 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at www.icba.org.



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Community bankers continue to express concerns about the treatment of upfront loan fees collected by the community bank from the Small Business Administration upon origination of a PPP loan. As you are aware, these fees are accounted for in accordance with generally accepted accounting principles, which require the fees to be capitalized in accordance with ASC 310-20 as part of the carrying value of the loan net of costs involved in loan origination and accreted into income over the life of the PPP loan using the effective interest method. Because the ultimate life of the PPP loan is based almost solely on the forgiveness decisions reached by the lender in accordance with the requirements of SBA, prepayment cannot be reliably forecasted at any certain point during the life of the loan until a forgiveness decision has been reached. Based on this unique and unprecedented loan program, community banks capitalize the fees, defer the earned income, and continue a burdensome workload of PPP loan servicing and loan forgiveness processing.

Because of the unique characteristics of the PPP, including the very low interest rate, the relative short maturity of the loans, the guarantee of the SBA, the large amount of PPP loans funded by community banks, and the tremendous amount of upfront work that community banks must engage in to assist the borrower with the application process and otherwise to comply with the requirements of the PPP, ICBA believes that the treatment of the upfront deferred loan fees deserve special exception for regulatory accounting treatment. **ICBA requests that the federal banking agencies permit community banks to recognize the upfront PPP loan fees in income upon origination of the PPP loan.** ICBA believes that this accounting exception applied in a retrospective manner is warranted based on all of the unique characteristics of the PPP that make the program so different from the traditional lending activities that community banks engage in and the customary loan types that normally appear on community bank balance sheets.

Thank you for your attention to our concerns.

Sincerely,

/s/

Rebeca Romero Rainey
President and CEO



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