



**VIA EMAIL ONLY**

June 8, 2020

Ann E. Misback, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, DC 20551  
[regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)  
Docket ID: R-1714; RIN 7100-AF88

**Re: Interim Final Rule Regarding Regulation O, Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks; Docket ID R-1714; RIN 7100-AF88**

Dear Secretary Misback:

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 light of economic conditions caused by the Coronavirus (COVID-19), the Board of Governors of the Federal Reserve System (FRB) published an interim final rule to except certain loans that are guaranteed under the Small Business Administration's (SBA's) Paycheck Protection Program (PPP) from the requirements of section 22(h) of the Federal Reserve Act and the corresponding provisions of FRB's Regulation O. WBA appreciates the opportunity to comment on FRB's interim final rule.

SBA's PPP is a lending tool created pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act and meant to assist small businesses with the economic impact of COVID-19. All loans extended in accordance with the program must meet certain eligibility and documentation criteria. Also, all PPP loans have the same interest rate, payment, and loan term. All eligibility and documentation criteria and all loan terms and program requirements are exclusively set by SBA and cannot be altered by the lender.

As identified by FRB, the PPP allows borrowers to apply for forgiveness of that portion of the PPP loan that is used during a certain period of the loan term for payroll costs and certain expenses such as, business mortgage interest, business rent, and business utility payments. SBA will reimburse the lender for the forgiven amount of any PPP loan. The calculation for the amount of loan forgiveness and the determination of what is considered payroll costs and certain other expenses are also terms exclusively set by SBA and cannot be altered by the lender.

Additionally, loans made pursuant to SBA's PPP are guaranteed as to the unpaid principal and accrued interest of the loan. SBA's guaranty is backed by the full faith and credit of the United States. PPP loans therefore present minimum risk to the eligible lender making the PPP loan.

The Federal Reserve Act and FRB's Regulation O impose requirements on banks that extend credit to executive officers, directors, principal shareholders, and related interests of such persons (collectively,



Insiders) of the bank or the bank's affiliates. The requirements include a limit in the overall amount of credit extended, prior approval by the bank's board, stringent underwriting to ensure loans are made on same terms and conditions as to non-Insiders, and record keeping requirements. Due to how the term "extension of credit" is defined in Regulation O, a PPP loan made by a bank to its Insider would subject the PPP loan to Regulation O requirements. This would present operational challenges for banks and borrowers to efficiently process PPP loans despite the fact the loan terms and program eligibility are mandated by SBA and are fully guaranteed by SBA and backed by the United States.

As Wisconsin's financial institutions have been leaders in offering PPP loans to their affected small business customers, WBA appreciates FRB's recognition that PPP loan terms and program eligibility are established by SBA, the loans are fully guaranteed by SBA and backed by the United States, and present very little risk to the eligible lender making the loan.

WBA also appreciates FRB's actions to then utilize its authority, pursuant to the Housing and Community Development Act, to except PPP loans from the restrictions of section 22(h) of the Federal Reserve Act and from the corresponding provisions of Regulation O in recognition of these factors. Removing Regulation O obstacles will allow Wisconsin's banks to more efficiently address the needs of their Insider-owned small businesses and help ensure eligible businesses have timely access to liquidity sources to help overcome economic hurdles resulting from the effects of COVID-19.

WBA supports FRB's actions to except SBA PPP loans from the Federal Reserve Act and FRB's Regulation O. Once again, WBA appreciates the opportunity to comment on the interim final rule.

Respectfully,

A handwritten signature in black ink, reading "Rose Oswald Poels". The signature is written in a cursive, flowing style.

Rose Oswald Poels  
President/CEO