



May 02, 2023

Andy Jiminez
Director
Office of Legislative Affairs
Federal Deposit Insurance Corporation
550 17 Street, N.W.
Washington, DC 20429

Nikita Pearson
Deputy to the Chairman for External Affairs
Office of Communications
Federal Deposit Insurance Corporation
550 17 Street, N.W.
Washington, DC 20429

Re: Recent Bank Failures and the Greater Payroll Community

Dear Mr. Jiminez and Ms. Pearson,

PayrollOrg (PAYO)¹ brings to your attention concerns about the recent failures in banking institutions and the risk they pose to the payroll community. As a non-profit organization representing payroll professionals, PAYO would like to work with you to protect payroll accounts and better prepare employers to manage risk.

The payroll community is concerned with both employer and employee bank accounts regarding bank failures and how these failures can interrupt seamless payouts. The timely processing of payroll is an important aspect of a business' operations, and it provides

¹ Established in 1982, PAYO is a non-profit organization serving the interests of more than 20,000 payroll professionals nationwide. One of PAYO's core missions is providing representation for payroll professionals at the federal, state, and local levels. This is done primarily through PAYO's Government Relations Task Force in which members educate government and community leaders about the payroll industry and the best practices associated with paying America's workers.

employees with the money they need to live. Any interruptions to timely paying employees can lead to catastrophic problems for both employers and employees.

On the employer side, money for payroll is kept in bank accounts that operate like any other business-related account. Should the banking institution that an employer is banked out fail, the employer might be unable to process payroll on normal processing dates, leading to other delays with the release of employees' paychecks.

Additionally, as mentioned above, payroll banking accounts operate like any other business-related account, so the standard FDIC insurance amount of \$250,000 would fail to cover many employers' payroll accounts. The PayrollOrg supports the FDIC's "Options for Deposit Insurance Reform" released on May 1 with recommendations to adjust the deposit insurance framework and/or increase the deposit insurance amount.

It bears mentioning that employers use the same banking institution to remit employment trust fund taxes (federal and state withholding, and social security and Medicare taxes) the IRS and state agencies require the timely remittance of trust funds and although penalties maybe waived for an explainable delay, interest usually cannot be waived, adding another financial burden to business account holders of a failed bank.

While PAYO advocates for individual payroll professionals, we see the issues for employees as well. For employees, delays in paycheck processing can lead to undo financial hardship, as well as other financial issues, such as penalties and other fees associated with non-sufficient funds. While payroll professionals can do little to mitigate issues that occur if the bank failure occurs at the employee's financial institution, employees will still contact the payroll department about correcting issues related to late paychecks.

PayrollOrg would be happy to discuss this further with the FDIC. Given the recent media coverage of bank failures in the United States and the FDIC's May recommended reforms, PAYO seeks to discuss best practices to protect payroll processes. Ensuring an orderly and timely delivery of employees' paychecks in the event of a bank failure is critically important.

Thank you for your consideration. PAYO can be reached through Adam Prinzo at 516-761-2919 or aprinzo@payroll.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Prinzo". The signature is fluid and cursive, with the first name "Adam" and last name "Prinzo" clearly distinguishable.

Adam Prinzo
Assistant Manager, Government Relations

For: Government Relations Task Force
Federal Issues Subcommittee
Cochairs Rebecca Harshberger, CPP, and Jon Schausten, CPP