

Living with Risk

DAILY BRIEFING CNE⁺
Puerto Rico's Think Tank

by C N E ' s t e a m o f e x p e r t s

Special Edition: The Paycheck Protection Program

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Executive Summary:

- On March 27, 2020 President Trump signed the CARES Act which secured initial funding of \$349 billion to the Small Business Administration (the “SBA”) for the establishment of the Paycheck Protection Program (the “PPP”). The PPP would assist small businesses nationwide adversely impacted by the COVID-19 emergency.
- Funding was exhausted in less than two weeks, underscoring one of the structural problems with the PPP: it was severely underfunded from the start and demand far outstripped supply.
- Only 4% of all loans accounted for approximately half of the total loan amount approved. Which leads us to the second structural flaw in the program: there were no guardrails to prevent banks from favoring relatively larger businesses within the small business pool.
- Puerto Rico today has approximately 1% of the population of the United States, yet it received only 0.17% of all loans by count and 0.19% by amount under the PPP, and it ranked 52 out of 56 jurisdictions (the 50 states, DC and the five territories) in total amount lent.
- Small businesses in 21 jurisdictions with less population than Puerto Rico received a larger aggregate amount of PPP loans than Puerto Rico.
- Qualified employers in Puerto Rico received PPP loans in an aggregate amount to cover only one-third of all eligible payroll expenses, while some firms in other jurisdictions received enough cash to cover most of the state’s eligible payroll.
- CNE’s recommendations:
 - Congress should extend funding for the PPP, perhaps by an additional \$500 billion;
 - the PPP should be modified to target it better to needy communities;
 - the delivery platform needs more guardrails to discourage lender shenanigans to favor their preferred clients;
 - Congress should require more transparency from lenders as they receive and process applications; and
 - Congress should subpoena documents from SBA and lenders and eventually hold oversight hearings.