



# Covid Crisis Response/PPP Lending

June 2020

# Covid Crisis Response/PPP Lending

- All Michigan residents and businesses have been impacted by the crisis. Michigan banks had to take health precautions and follow state and federal guidelines and orders to protect their clients and employees but continued to provide all needed financial services to Michigan residents and business owners every day during the crisis.
  - Business impacts and stay at home orders began around mid-March
  - PPP Program rolled out on Thursday evening March 26, banks had one week to prepare and the SBA had to develop the program on the fly
  - Stock market loses a third of its value, oil prices reach record lows, treasury yields fall to modern lows
  - Hospital systems became overloaded with COVID-19 patients primarily in SE Michigan, Michigan infection rates, hospitalizations, and deaths spike while PPE is hard to find – masks, hand sanitizer, wipes, cleaning supplies, and there is limited testing available
  - Mortgage refinance volume skyrockets – and traditional processes had to change instantly – appraisals, notary services, document signing
  - Michigan unemployment surges to over 20%



# Covid Crisis Response/PPP Lending

- Bankers in Michigan had to navigate an almost a perfect storm – threats to the safety and soundness of their staff and residents in their community, the devastating economic impact on their retail and commercial clients, suppliers that were closed or operating at greatly reduced capacity, a spike in cyber crime, and a whirlwind of government programs coming at them fast and furiously.
- Community Bankers in our state “Rose To the Challenge” as they always do and processed over two years worth of lending in two months of the PPP program.
- The PPP loan program totals for Michigan as of 6/20/2020 are: 116,671 loans for \$15.8 billion dollars. The average loan size is \$135,526 for Michigan and \$110,000 for the U.S. Michigan ranks 9<sup>th</sup> in the U.S. in PPP loans.
- Michigan banks are participating in the Federal Reserve’s Main Street Lending Program, USDA Programs in rural communities, the EIDL program from the SBA, FHLBI and MSHDA programs. These programs will not have the major impact the PPP did for Michigan, but they will help businesses and consumers.



# Covid Crisis Response/PPP Lending

- Comparative Performance

- Michigan based banks shined in the PPP program. DIFS data and CBM's internal data both show that nearly **90%** of the banks/S&L's provided PPP loans to businesses in their communities. Michigan banks originated roughly **50%** of the of PPP loans for Michigan small businesses while holding less than 25% of the state's deposits. The participation rate for Michigan CUs was 34% based upon DIFS data.
- Nationally community banks under \$10 billion in assets made 50% of the loans and 44% of the dollar amount of PPP loans – which is nearly identical to the numbers for Michigan banks.
- All U.S. entities under \$1 billion in assets did 1.3 million PPP loans for \$100 billion dollars (28% # of loans, & 20% of the \$). This category includes – farm credit (ala Greenstone), fintechs, banks and credit unions and all other lenders. Community banks and S&Ls did 85% of these loans while CUs accounted for 3%. We assume the Michigan lending percentages are consistent with the national numbers.



# Covid Crisis Response/PPP Lending

- Top Ten Michigan Bank PPP Lenders\*
  - Bank of Ann Arbor
  - Flagstar Bank
  - Independent Bank
  - Level One
  - Macatawa Bank
  - mBank
  - Mercantile Bank
  - Oxford Bank
  - The State Bank
  - TCF

\*Listed in alpha order based upon Round 1 PPP lending volume as reported to CBM



# Covid Crisis Response/PPP Lending

## Market Reaction – Michigan Banks

- SBAM and MCC. Local business and civic leaders very complimentary toward the role Michigan banks played in the PPP program.
- CPAs and attorneys were very frustrated with the poor service or lack of service their clients received especially in round 1 of the PPP program. CPAs were calling the CBM looking for community banks to refer their business clients too. CPAs are now moving clients to community banks as they saw the difference having local decision makers made in this program and in the last recession. Community banks answer their phones and they return your calls. Nearly every community bank initiated an outreach program in their community to try to help local businesses, non-profits, and health care providers get PPP funding.
- A recent Greenwich Associates survey of business owners showed a 300% increase in business owners who want to leave their mega bank for a more responsive, more service-oriented bank after their poor PPP experience.

## Market Reaction – Mega Banks with HQ's outside Michigan

- Mega banks took care of some of their best clients in round 1 of PPP – but they left many of their clients high and dry.
- Comerica customers were blanked out in Round 1, Huntington suspended lending, Wells Fargo barely participated, Chase, and B of A were huge lenders but still left a large group of their clients with no answers.
- Mega banks had poor client outreach efforts and most did not work with non-customers in round 1. Small business owners had no one to talk to at their mega bank on the PPP program – everything had to be done online. Middle market and larger businesses did get good service from the largest banks.
- Mega banks abandoned Michigan businesses in the last recession and they showed again in PPP that when the chips are down they cannot be counted on to answer the call.



# Covid Crisis Response/PPP Lending

- A true spirit of cooperation and exceptional communication in a crisis
- The Michigan SBA offices were very helpful especially during the somewhat chaotic launch of PPP. Brian Picarazzi, Senior Area Manager, Michigan District Office, & Constance Logan, District Director, Detroit SBA District Office.
- CPA firms and law firms were critical in helping business owners prepare their PPP application information.
- SBAM and the Michigan Chamber of Commerce were an incredibly valuable resource for Michigan business owners and worked exceptionally well with us.
- DIFS was always available and always responsive as various issues arose with Covid, PPP, regulatory concerns, executive orders, and most recently with unemployment insurance fraud.
- The Federal Reserve, FDIC and the OCC took exceptional steps to support the banking sector and the U.S. economy. The Federal Reserve took unprecedented action immediately providing market liquidity and support. Fannie, Freddie, and FHLBs provided mortgage modifications for consumers.
- Legislative support was exceptional in Washington, D.C. and here in Lansing. Congresswomen/men and our U.S. Senators were very open to our concerns. Governor Whitmer participated in multiple calls with bankers and the CBM along with Speaker Chatfield and Senate Leader Shirkey. All were willing to help in any way they could.



# Covid Crisis Response/PPP Lending

- Next Steps
  1. PPP loan forgiveness for Michigan business owners will be the major focus the remainder of 2020. New PPP lending came to a standstill after May 16 with \$128 billion of funds still available (see appendix). The revised five year term effectively killed the program as neither business owners or lenders wanted a long term loan.
  2. The U.S. and Michigan should evaluate the potential for a second PPP like program specifically aimed at business owners and business segments that perhaps were not as well provided for as they should have been in the PPP program. As the lending data comes out on the PPP program after the fact, we may find there is a need to do more for minority owned businesses. This concern should be addressed by Congress and the Michigan legislature along with the appropriate business groups and financial industry representatives. This cannot be a rushed solution – it needs to be carefully thought out and effectively implemented.
  3. The legislature should keep a watchful eye on Michigan employment and economic conditions. We need businesses to open and to operate in a safe and sound manner and there needs to be public dialogue about how that happens and what are best practices so they can be widely shared. All of us need to do our part to avoid a major recession that will hurt Michigan for years to come. Please be ready to act in a bi-partisan fashion if Michigan residents and businesses need your help. Thank you!!





# Appendix

- The following slides consist of the latest data from the SBA on the PPP Program.



# Covid Crisis Response/PPP Lending

## Summary of PPP Approved Lending

Loan Count	Net Dollars	Lender Count
4,666,560	\$514,939,789,916	5,456

Lender Size	Lender Count	Loan Count	Net Dollars	% of Amount
>\$50 B in Assets	34	1,601,262	\$188,455,623,221	37%
\$10 B to \$50 B in Assets	89	720,109	\$100,084,707,720	19%
<\$10 B in Assets	5,333	2,345,189	\$226,399,458,974	44%

*Totals reflect both rounds of PPP funding and cancellations through the report date.  
Cancellations do include duplicative loans, loans not closed for any reason, and loans that have been paid off.*

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# Covid Crisis Response/PPP Lending

## PPP Round 2 Lender Segments

Lender Size	Lender Count Round 2	Loan Count Round 2	Net Dollars Round 2
>\$50 B in Assets	34	1,266,190	\$92,310,101,401
\$10 B to \$50 B in Assets	89	421,339	\$29,717,657,270
<\$10 B in Assets	5,323	1,356,231	\$70,136,585,771

Lender Group	Lender Count Round 2	Loan Count Round 2	Net Dollars Round 2
CDFIs	302	63,497	\$3,037,513,424

*CDFI lenders and associated loans are also captured in the <\$10 billion or less lender asset size.*

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# Covid Crisis Response/PPP Lending

## Lender Segments

### CDFI's and MDI's

Lender Type	Lender Count	Loan Count	Net Dollars
CDFIs	303	98,486	\$7,254,646,450
MDIs	171	112,847	\$10,279,958,572
- minus CDFI/MDIs identified in both groups	50	14,750	\$1,481,889,113
<b>Total</b>	<b>424</b>	<b>196,583</b>	<b>\$16,052,715,909</b>

### Lenders with <\$1b Assets and Non-Banks

Lender Type	Lender Count	Loan Count	Net Dollars
Banks (less than \$1b)	3,564	1,019,877	\$83,987,031,580
Small Business Lending Companies	14	58,379	\$6,420,289,938
Fintechs (and other State Regulated)	19	107,601	\$3,069,790,537
Credit Unions (less than \$1b)	722	59,090	\$2,941,240,330
Farm Credit Lenders	54	14,454	\$1,294,228,508
Savings & Loans (less than \$1b)	77	11,071	\$1,024,046,009
Certified Development Companies	19	6,464	\$350,730,895
Non Bank CDFI Funds	8	6,223	\$325,181,193
Microlenders	32	5,804	\$181,983,952
BIDCOs	1	23	\$787,713
<b>Total</b>	<b>4,510</b>	<b>1,288,986</b>	<b>\$99,595,310,655</b>

\* Loans from CDFI/MDI banks with <\$1b Assets and non-bank CDFIs are captured in both tables.

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# Covid Crisis Response/PPP Lending

## States and Territories

State	Loan Count	Net Dollars
AK	10,523	\$1,226,779,393
AL	63,121	\$6,133,082,094
AR	41,449	\$3,288,704,224
AS	156	\$7,300,565
AZ	77,469	\$8,520,213,630
CA	550,786	\$67,151,771,059
CO	101,038	\$10,270,215,384
CT	58,257	\$6,628,795,320
DC	11,825	\$2,119,014,772
DE	12,046	\$1,472,184,589
FL	368,459	\$31,243,298,708
GA	145,623	\$14,163,368,242
GU	2,036	\$194,161,761
HI	24,036	\$2,474,132,157
IA	56,603	\$5,048,619,299
ID	29,336	\$2,553,027,684
IL	192,727	\$22,233,685,117
IN	76,056	\$9,402,888,512
KS	50,522	\$4,958,578,474
KY	46,966	\$5,202,162,958

State	Loan Count	Net Dollars
LA	70,573	\$7,269,488,528
MA	108,925	\$14,199,057,483
MD	77,288	\$9,901,301,566
ME	26,400	\$2,228,185,817
MI	116,671	\$15,812,206,905
MN	94,676	\$11,109,492,485
MO	88,740	\$9,075,510,168
MP	440	\$38,159,067
MS	44,121	\$3,142,240,687
MT	22,583	\$1,753,302,235
NC	116,858	\$12,293,397,048
ND	19,319	\$1,757,412,007
NE	41,361	\$3,406,735,275
NH	23,011	\$2,523,897,886
NJ	139,919	\$16,972,372,250
NM	21,201	\$2,218,565,298
NV	40,060	\$4,068,833,898
NY	305,774	\$37,764,342,889
OH	134,574	\$18,210,830,774
OK	62,805	\$5,410,350,463

State	Loan Count	Net Dollars
OR	60,060	\$6,864,040,749
PA	160,452	\$20,554,873,017
PR	34,538	\$1,761,241,545
RI	16,620	\$1,865,533,955
SC	60,871	\$5,674,918,865
SD	21,752	\$1,651,402,470
TN	89,170	\$8,817,129,390
TX	372,077	\$40,535,431,650
UT	49,343	\$5,210,457,754
VA	104,963	\$12,480,799,669
VI	1,620	\$120,386,515
VT	11,473	\$1,176,053,186
WA	96,589	\$12,151,909,685
WI	82,715	\$9,811,664,163
WV	16,830	\$1,783,456,999
WY	12,985	\$1,026,717,474
To be confirmed	169	\$6,106,158

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# Covid Crisis Response/PPP Lending

## Loan Size

Loan Size	Loan Count	Net Dollars	% of Count	% of Amount
\$50K and Under	3,064,336	\$55,987,179,541	65.7%	10.9%
>\$50K - \$100K	662,648	\$47,193,767,606	14.2%	9.2%
>\$100K - \$150K	287,175	\$35,157,045,956	6.2%	6.8%
>\$150K - \$350K	372,208	\$83,607,998,720	8.0%	16.2%
>\$350K - \$1M	197,919	\$112,593,061,665	4.2%	21.9%
>\$1M - \$2M	52,717	\$73,053,341,485	1.1%	14.2%
>\$2M - \$5M	24,741	\$73,546,628,249	0.5%	14.3%
>\$5M	4,816	\$33,800,766,694	0.1%	6.6%

**\* Overall average loan size is: \$110K.**

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# Covid Crisis Response/PPP Lending

## Top PPP Lenders

Rank	Lender Name	Loan Count	Net Dollars	Average Loan Size	% of Total Authority
1	JPMorgan Chase Bank	262,799	\$28,798,003,966	\$109,582	4.4%
2	Bank of America	333,020	\$25,171,085,993	\$75,584	3.8%
3	PNC Bank	72,822	\$13,055,480,671	\$179,279	2.0%
4	Truist Bank	75,759	\$12,980,900,084	\$171,345	2.0%
5	Wells Fargo Bank	178,533	\$10,342,511,095	\$57,931	1.6%
6	TD Bank	80,413	\$8,401,331,673	\$104,477	1.3%
7	KeyBank	39,820	\$8,064,532,480	\$202,525	1.2%
8	U.S. Bank	95,969	\$7,261,899,367	\$75,669	1.1%
9	Zions Bank	44,698	\$6,863,405,854	\$153,551	1.0%
10	M&T Bank	34,746	\$6,785,924,329	\$195,301	1.0%
11	Huntington Bank	35,534	\$6,472,560,010	\$182,151	1.0%
12	Fifth Third Bank	36,813	\$5,406,605,847	\$146,867	0.8%
13	Citizens Bank	49,271	\$4,991,020,463	\$101,297	0.8%
14	BMO Harris Bank	20,860	\$4,775,070,376	\$228,910	0.7%
15	Cross River Bank	106,575	\$4,695,905,324	\$44,062	0.7%

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# Covid Crisis Response/PPP Lending

## Industry by NAICS Sector

NAICS Sector Description	Loan Count	Net Dollars	% of Amount
Health Care and Social Assistance	487,386	\$66,582,598,125	12.93%
Professional, Scientific, and Technical Services	608,025	\$65,620,738,481	12.74%
Construction	446,670	\$63,921,963,658	12.41%
Manufacturing	223,452	\$53,620,614,368	10.41%
Accommodation and Food Services	354,085	\$41,498,140,735	8.06%
Retail Trade	432,933	\$39,907,699,244	7.75%
Other Services (except Public Administration)	498,756	\$30,513,851,152	5.93%
Wholesale Trade	161,883	\$27,514,653,734	5.34%
Administrative and Support and Waste Management and Remediation Services	230,321	\$26,167,415,058	5.08%
Transportation and Warehousing	171,051	\$16,605,493,181	3.22%
Real Estate and Rental and Leasing	232,660	\$15,329,408,006	2.98%
Finance and Insurance	161,053	\$12,034,233,705	2.34%
Educational Services	76,832	\$11,828,903,631	2.30%
Unclassified Establishments	222,226	\$9,916,122,340	1.93%
Information	65,837	\$9,134,891,250	1.77%
Arts, Entertainment, and Recreation	110,809	\$7,800,534,098	1.51%
Agriculture, Forestry, Fishing and Hunting	132,564	\$7,726,040,628	1.50%
Mining	20,990	\$4,472,952,752	0.87%
Public Administration	12,835	\$1,714,610,439	0.33%
Management of Companies and Enterprises	8,571	\$1,569,618,147	0.30%
Utilities	7,621	\$1,459,307,183	0.28%

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# Covid Crisis Response/PPP Lending

## Amount of Funding Remaining

**\$128,355,981,685**

*The above number is an approximation. SBA is currently revising remaining funds amount with the enactment of the Paycheck Protection Program Flexibility Act of 2020. Available funds captures approvals net of cancellations as well as loan increases, decreases, and reinstatements. This approximation accounts for statutory program costs.*

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# Covid Crisis Response/PPP Lending

## Dwindling interest

Protection Program lending has leveled off in recent weeks



Source: SBA

