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CRAINSDETROIT.COM | APRIL 30, 2020 | **CRAIN**

## Michigan community banks played role far outstripping their size in Paycheck Protection Program

By Nick Manes

Small and midsize banks in Michigan have played an outsized role in lending to struggling small businesses during the coronavirus crisis.

Michigan-based banks contributed \$4.6 billion toward potentially forgivable loans in the federal Paycheck Protection Program for ailing small businesses in the first two weeks of April, according to a data analysis by the East Lansing-based Community Bankers of Michigan trade association.

Between April 3 and April 15, the initial two weeks of the \$349 billion program aimed at blunting economic pain from the COVID-19 pandemic, Michigan companies received 43,438 loans totaling almost \$10.4 billion, according to data from the U.S. Small Business Administration.

Of that, banks headquartered in Michigan allocated between \$4.6 billion and \$4.7 billion in PPP loans, according to the Community Bankers data. The top-line SBA number takes into account all banks, credit unions, financial technology companies that could lend, and other types of lenders.

The figures, which the trade group says include all but two Michigan-based banks, account for 45 percent of the dollars loaned in the state. Meanwhile, Michigan-based banks, which includes community banks and some larger banks with regional footprints such as Detroit-based TCF Financial Corp. and Troy-based Flagstar Bancorp. Inc., ac-



Many small businesses have been forced to close by the measures being taken to combat the coronavirus pandemic.

counted for 49 percent of the total number of loans granted to Michigan companies.

The average loan size for all loans in Michigan was \$239,000 and the average for Michigan banks was \$218,000.

At the end of 2019, banks operating in Michigan held assets of about \$181 billion, according to figures from the U.S. Federal Deposit Insurance Corp.

Data compiled by Crain's shows that of the 25 largest banks in Michigan by deposits, 10 are headquartered outside the state and they account for around

\$157.4 billion in total deposits. That means Michigan banks with a combined roughly \$24 billion in deposits accounted for nearly half of the PPP lending in the state.

"Banks in Michigan did a great job," said Michael Tierney, president and CEO of the Community Bankers association, who noted the long hours required for the often-manual work that banks had to do in the early days of the program. "Banks worked late into the night and into the weekend."

To that end, data released Wednesday

evening by the SBA backs up the role that small lenders have played in the PPP.

The second tranche of funding — \$310 billion — kicked off Monday morning. By Wednesday evening, 960,000 loans had been approved totaling nearly \$90 billion from 5,300 lenders, according to the SBA.

Of that total, about 61 percent of approved loans came from lenders with less than \$10 billion in total assets. When including middle-sized lenders of between \$10 billion and \$50 billion, 82 percent of PPP loans were by either a small or medium-sized lender. Those lenders had also processed around 70 percent of the total \$90 billion, according to the SBA figures.

The average PPP loan stands at under \$95,000, according to SBA Regional Administrator Rob Scott, who oversees the Great Lakes region.

“Small businesses create two out of every three net new jobs and the PPP is helping those here in the Great Lakes Region keep their employees on payroll,” Scott said in a statement. “This is allowing hardworking Americans to keep their jobs and the small businesses vital to our local communities and national economy to be positioned for re-opening as soon as they are able.”

Earlier Wednesday, the SBA for a period of eight hours blocked access to its portal to all lenders of more than \$1 billion in size, in an effort to make loans available to the smallest businesses and lenders.

Tierney notes that small business lending requires, to an extent, a personal touch, something sources have said

smaller banks are better able to provide.

“The (first round) banks really had to focus on customers and prospects they knew,” he said. “They still had to follow all the bank secrecy requirements, which require them to know all the owners of any business they’re going to make a loan to. It’s a lot of background work and they didn’t have a lot of time and they had so many customers that required them to do it.”

Echoing that, Tim Marshall, president and CEO of Ann Arbor-based Arbor Bancorp Inc., said “the power of community banking really showed through in this whole program.”

The top executive of Bank of Ann Arbor commended local banking institution’s “ability to be nimble and responsive” in both funding rounds of the program.

Marshall, whose bank was among those closed from accessing the portal during the eight-hour period, said he believes most of his customers have been served at this point.

“We’re still seeing demand, but at much smaller frequency,” he said. “When (PPP) was unveiled, we were just rocked, as most were.”

While data on individual banks’ PPP lending has not yet been released, some institutions have done so. TCE, for example, said this week in its earnings release that as of April 23 it had loaned \$1.2 billion under the program.

Marshall with Bank of Ann Arbor said he expects his bank to top out at about \$273 million in total loans. In a sign that the bank was able to implement processes to more efficiently process loans, Marshall said that in the two weeks of the

first round the bank approved 583 loans, and in the first two days of round two the bank had approved more than 700.

While the program is viewed as unique lifeline and very much needed during a time when the economy has been ground to a halt due to the spread of the deadly coronavirus, it’s also been marred by controversies.

During the first application period in early April, several large banks struggled to get loan-processing systems up and running. Most notable among them, at least in Southeast Michigan, has been Dallas-based Comerica Inc., Michigan’s second-largest financial institution by total deposits.

Earlier this week, a spokesman for the bank’s Michigan operations said Comerica was accepting PPP applications via its online portal and had received more than 15,000 applications across its five-state footprint. The spokesman, Matthew Barnhart, declined further comment on how many loans have been approved and how much money had been disbursed to customers.

While acknowledging the ongoing challenges with the program, Tierney with the Community Bankers association is also quick to note the sheer scope of the PPP and the fact that it went from inception to actual policy and a lifeline to sinking businesses in just a matter of weeks.

“When you think about what got done, you had a year or 15 months’ worth of lending that was done in less than two weeks,” Tierney said. “It was an incredible feat by the government and by businesses to try and do this.”