

The reach of the Paycheck Protection Program in the Lone Star State

By SALVADOR CONTRERAS

 HE PAYCHECK PROTECTION PROGRAM (PPP) by some accounts was instrumental at preventing mass small business failures. The program awarded \$790 billion in forgivable loans to 11 million small businesses. As of December 2021, \$630 billion had been forgiven. The program was a direct response to COVID and its effect on the economy. In April 2020, employment dropped by 21 million. Stay at home orders and health concerns made it clear that American businesses needed support. Congress moved swiftly to address the public health emergency. They started with the \$1.8 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act. President Trump signed the bill into law on March 27, 2020.

The CARES Act allocated \$367 billion in tax free forgivable loans to small businesses. The PPP's main goals were to keep workers on employers' payrolls and ensure the continuity of small businesses. The program was aimed at businesses with 500 or fewer employees, sole proprietors, independent contractors, self-employed, nonprofit organizations, veterans organizations, or tribal business concerns that met the small business criteria. In addition, it afforded establishments in the accommodation and food services sector the same rule to each physical location.

The program allowed businesses to borrow up to 2.5 times their average monthly payroll expense up to \$10 million. To make the loan forgivable the borrower needed to allocate at least 60% (originally 75%) of the principal amount to payroll, maintain employee counts and keep compensation to at least 75% pre-COVID levels. Payroll expenses covered wages, bonuses, commissions, payroll taxes, health insurance, and retirement plan contributions.

The government used the banking system to promptly push these grants to businesses. These included federally insured banks, credit unions, farm credit systems and non-bank, non-insured depository institutions such as Community Development Financial Institutions. These loans required no collateral or personal guarantees. Financial institutions were generously compensated to help administer the PPP. Banks received 5% of the principal

for loans up to \$350 thousand, 3% for loans between \$350 thousand and \$2 million, and 1% for loans above \$2 million. They collected an additional 1% on the portion of any non-forgivable amount. Banks for their part bared no risk and the loans had no effect on their capital requirements. The Brookings paper by Glenn Hubbard and Michael Strain provides an extensive description of the program (see endnotes).

The PPP ran out of money two weeks into its existence. On April 24, President Trump signed into law the \$484 billion Paycheck Protection Program and Health Care Enhancement (PPPHCE) Act that allocated \$320 billion to the PPP. By the end of May, the PPP ran out of funds once again. On December 27, President Trump signed into law the \$2.3 trillion Consolidated Appropriations Act of 2021 that allocated \$325 billion for the PPP. In the summer of 2021, the PPP ended.

Texas small businesses made 931 thousand applications for \$62 billion in PPP forgivable loans. For comparison, California (population 10 million above Texas) had 1.3 million small business applicants borrow \$103 billion and Florida (population 8 million below Texas) had 980 thousand applicants borrow \$50 billion. Stated differently, the average PPP loan in California was \$81 thousand and Florida \$51 thousand. Texas landed in the middle with an average of \$67 thousand.

In this report, we turn our attention to the reach of the PPP in the Lone Star State. We show that there was broad participation by in state and out-of-state financial institutions. Further, we show that regional banks played an important role in support of their communities. Overall, we note that the PPP helped strengthen the resiliency of Texas small businesses and provided support to community banks.

Texas

The PPP had broad participation from the financial community. Some 5 thousand financial institutions took part in the endeavor. JP Morgan Chase, Bank of America, and PNC Bank were responsible for 10% of total US applications valued at \$97 billion or 12% of total.

Table 1 presents the top 10 lenders to Texas small businesses by value. These 10 banks handled \$20.7 billion in applications or 33% of all the PPP Texas loans. Of these, Frost Bank, Prosperity Bank, Allegiance Bank, and

	Lender	Home State	Loans (billions)	Share of Texas loans	Share of Bank loans	Loan applications (thousands)	Texas zip codes	Estimated revenue (millions)
1	Frost Bank	TX	\$4.6	7.4%	99%	32.1	875	\$156.3
2	JPMorgan Chase Bank	OH	\$4.2	6.8%	10%	47.3	1045	\$157.8
3	Bank of America	NC	\$2.2	3.6%	6%	37.4	1044	\$86.6
4	Zions Bank	UT	\$1.9	3.1%	19%	13.6	660	\$60.2
5	PNC Bank	DE	\$1.9	3.0%	9%	16.1	931	\$64.0
6	Prosperity Bank	TX	\$1.8	2.9%	90%	17.2	1057	\$67.1
7	Cross River Bank	NJ	\$1.1	1.8%	8%	47.9	1247	\$53.2
8	Allegiance Bank	TX	\$1.1	1.7%	99%	9.9	385	\$41.0
9	Wells Fargo Bank	SD	\$1.0	1.6%	7%	24.5	1123	\$43.7
10	Comerica Bank	TX	\$0.9	1.5%	19%	5.1	512	\$29.4
	Total		\$20.7	33%		251.1		\$759.4

Table 1: Texas top 10 PPP lenders by value

SOURCE: SMALL BUSINESS ADMINISTRATION

Comerica Bank are based in the Lone Star State. Frost Bank was responsible for \$4.6 billion or 7.4% of the state's total. Not surprising, Texas banks mostly lent to Texas businesses, except Comerica Bank. Of Comerica Bank's \$4.9 billion loans, 81% were to non-Texas small businesses.

Texas accounted for 6% of Bank of America and 7% of Wells Fargo Bank's PPP loans (second and third largest US banks). Cross River Bank of New Jersey was the 7th largest Texas PPP lender. Cross River Bank, with only 1 branch, was able to leverage its small size and entrepreneurial abilities to take full advantage of PPP. In Q4 2019, Cross Rivers Bank had \$2 billion in assets. By Q3 2021 (most recent), total assets were up 5-fold to \$11.5 billion. Cross River Bank made 8% of its \$14.4 billion in PPP loans to Texas small businesses. It also had the most profound reach of any top lender in the state. Cross River Bank made loans to 1,247 Texas zip codes. For comparison, Frost Bank, the state's largest producer, made loans to 875 zip codes. Allegiance Bank and Comerica Bank concentrated their loans on the fewest number of zip codes, 385 and 512 respectively.

The last column of table 1 presents the estimated revenue each bank earned disbursing the PPP to Texas small businesses. We use the fee structure discussed above to create bank revenue estimates. Our computation may overstate the true revenue amount by including approved PPP loans that did not materialize and understate for the portion of loans that are not forgivable. The top 10 PPP lenders earned \$759.4 million. JP Morgan Chase Bank (the largest US bank) took the top spot at \$157.8 million followed by Frost Bank at \$156.3 million.

Figure 1 presents average PPP loans by zip code. The zip code at the 50th percentile had average loans of \$58 thousand. The four shaded areas show the distribution

of PPP loans across the state. Rural Texas for the most part sits at both extremes of the loan distribution. For example, zip code 79839 in Hudspeth County had 15 applications with an average loan of \$21,000. The largest loan went to Hillcrest Dairy for \$62 thousand (WestStar Bank) and the smallest loan to Heart JM Transportation for \$4 thousand (PeopleFund). Zip code 79837, also in Hudspeth County (crosses into New Mexico), had 14 applications with an average loan of \$91 thousand. The largest loan went to Dell Telephone for \$882 thousand (Live Oak Banking Company) and the smallest loan to Richard Archuleta for \$3 thousand (Capital Plus Financial).

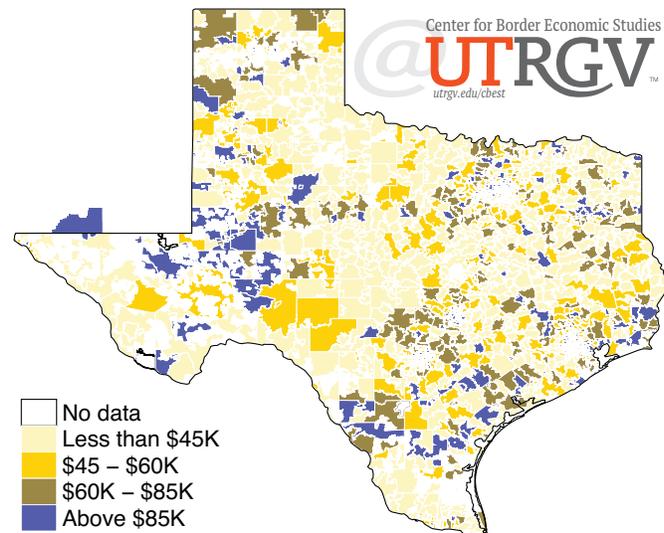


Figure 5: Average PPP loan by zip code

SOURCE: SMALL BUSINESS ADMINISTRATION

The figure also shows that a concentration of above average PPP loans went to Texas largest metros of Austin, Dallas, Houston, and San Antonio. In addition to the

Lender	Home MSA	Loans (millions)	Share of MSA loans	Loan applications (thousands)	Average loan (thousands)	Estimated revenue (millions)	
Austin Metro							
1	Frost Bank	San Antonio	\$550.1	10.0%	4.1	\$133.3	\$20.0
2	JPMorgan Chase Bank	OH	\$530.5	9.6%	5.5	\$96.1	\$19.5
3	Horizon Bank, SSB	Austin	\$306.0	5.6%	1.8	\$166.0	\$11.5
4	Bank of America	NC	\$240.9	4.4%	4.0	\$59.8	\$9.9
5	PNC Bank	DE	\$224.1	4.1%	1.9	\$118.1	\$7.9
	Rest of metro banks	Austin	\$473.0	8.6%	6.9	\$69.0	\$18.7
	All other banks		\$3,179.8	57.8%	46.2	\$68.9	\$119.0
Dallas Metro							
1	JPMorgan Chase Bank	OH	\$1,705.9	8.9%	18.5	\$92.4	\$62.2
2	Frost Bank	San Antonio	\$1,390.0	7.3%	8.9	\$156.4	\$45.8
3	Bank of America	NC	\$847.9	4.4%	14.7	\$57.7	\$33.5
4	PNC Bank	DE	\$596.7	3.1%	5.3	\$112.1	\$20.6
5	Prosperity Bank	El Campo TX	\$521.3	2.7%	4.6	\$113.8	\$18.9
	Rest of metro banks	Dallas	\$5,289.7	27.7%	53.4	\$99.0	\$190.0
	All other banks		\$8,718.5	45.7%	165.5	\$52.7	\$324.4
Houston Metro							
1	JPMorgan Chase Bank	OH	\$1,521.0	8.5%	17.4	\$87.7	\$56.9
2	Zions Bank	UT	\$1,497.0	8.4%	10.6	\$141.5	\$47.3
3	Frost Bank	San Antonio	\$1,154.0	6.5%	6.6	\$173.9	\$37.4
4	Allegiance Bank	Houston	\$1,010.7	5.7%	9.3	\$108.5	\$38.7
5	Bank of America	NC	\$773.8	4.3%	12.3	\$62.7	\$29.3
	Rest of metro banks	Houston	\$2,606.0	14.6%	26.0	\$100.2	\$98.1
	All other banks		\$9,312.7	52.1%	194.8	\$47.8	\$353.3
San Antonio Metro							
1	Frost Bank	San Antonio	\$988.2	22.6%	7.9	\$124.7	\$34.9
2	Broadway National Bank	San Antonio	\$411.5	9.4%	2.9	\$142.2	\$14.5
3	Texas Partners Bank	San Antonio	\$222.4	5.1%	1.2	\$184.8	\$7.6
4	JPMorgan Chase Bank	OH	\$182.3	4.2%	2.3	\$80.7	\$7.1
5	Jefferson Bank	San Antonio	\$159.1	3.6%	1.2	\$133.9	\$6.1
	Rest of metro banks	San Antonio	\$355.4	8.1%	6.8	\$52.0	\$14.9
	All other banks		\$2,053.8	47.0%	38.3	\$53.6	\$78.4

Table 2: Texas large metros, top 5 PPP lenders by value

SOURCE: SMALL BUSINESS ADMINISTRATION

metros of Laredo, Corpus Christi, and Beaumont.

Large Metros

Table 2 presents the top 5 lenders in Texas largest metros. The metros are presented in alphabetical order. Austin metro is made up of Bastrop County, Caldwell County, Hays County, Travis County, and Williamson County. The top lender in Austin was Frost Bank, making 4.1 thousand loans with an average face value of \$133 thousand. Among the top 5 banks, Horizon Bank, based in Austin, had the higher average at \$166 thousand. The top 5 banks made 34% of all loans. The 19 remaining banks headquartered in Austin made an additional 9% of all metro loans. In all, Austin small businesses applied for \$5.5 billion to 904 banks.

Dallas metro is made up of Collin County, Dallas County, Denton County, Ellis County, Hood County, Hunt County, Johnson County, Kaufman County, Parker County, Rockwall County, Somervell County, Tarrant

County, and Wise County. JP Morgan Chase was the top PPP producer in the Dallas and Houston metros. It was second in Austin and fourth in San Antonio. Dallas top 5 banks do not include a bank headquartered in the metro. Comerica Bank was \$19 million short to make the top 5 list. Dallas metro had 62 participating financial institutions that are headquartered there. These banks produced 27.7% of all metro loans worth \$5.3 billion. Dallas was the largest destination of PPP loans among the selected metros, worth \$19 billion.

Houston metro is made up of Austin County, Brazoria County, Chambers County, Fort Bend County, Galveston County, Harris County, Liberty County, Montgomery County, and Waller County. Houston small businesses applied for \$18 billion, 33% of which was produced by the top 5 banks. The remaining 42 financial institutions headquartered in the metro produced \$2.6 billion or 14.6% of total. The top home institution, Allegiance Bank, produced \$1 billion in loans earning it \$38.7 million.

Lender	Home MSA	Loans (millions)	Share of MSA loans	Loan applications (thousands)	Average loan (thousands)	Estimated revenue (millions)
Corpus Christi Metro						
1 Frost Bank	San Antonio	\$149.6	19.0%	1.3	\$111.3	\$5.2
2 American Bank	Corpus Christi	\$135.1	17.2%	1.0	\$129.0	\$5.3
3 Prosperity Bank	El Campo TX	\$72.2	9.2%	0.8	\$88.3	\$3.1
4 Kleberg Bank	Kingsville, TX	\$46.7	5.9%	0.7	\$68.0	\$1.9
5 First Community Bank	Corpus Christi	\$42.7	5.4%	0.5	\$93.9	\$1.8
Rest of metro banks	Corpus Christi	\$103.0	13.1%	1.6	\$66.0	\$3.9
All other banks		\$238.3	30.3%	4.5	\$52.9	\$9.4
El Paso Metro						
1 WestStar Bank	El Paso	\$336.2	34.2%	2.6	\$127.2	\$12.5
2 JPMorgan Chase Bank	OH	\$71.1	7.2%	0.9	\$81.6	\$2.9
3 United Bank of El Paso del Norte	El Paso	\$68.7	7.0%	0.6	\$113.4	\$3.0
4 Bank of America	NC	\$55.6	5.7%	1.1	\$53.0	\$2.5
5 GECU	El Paso	\$45.1	4.6%	1.4	\$32.3	\$2.0
Rest of metro banks	El Paso	\$19.2	2.0%	0.6	\$30.8	\$0.9
All other banks		\$386.7	39.4%	8.5	\$45.4	\$16.2
Laredo Metro						
1 International Bank of Commerce	Laredo	\$92.9	25.0%	1.3	\$70.1	\$4.1
2 Texas Community Bank	Laredo	\$49.2	13.3%	0.6	\$81.0	\$2.2
3 PNC Bank	DE	\$45.2	12.2%	0.5	\$84.1	\$1.9
4 Vantage Bank Texas	San Antonio	\$33.2	8.9%	0.1	\$225.9	\$1.1
5 Falcon International Bank	Laredo	\$31.4	8.4%	0.4	\$74.0	\$1.2
Rest of metro banks	Laredo	\$22.4	6.0%	0.3	\$73.9	\$1.0
All other banks		\$96.8	26.1%	2.7	\$35.9	\$4.3
Rio Grande Valley						
1 Lone Star National Bank	RGV	\$230.5	16.7%	5.4	\$42.5	\$9.7
2 Texas National Bank	RGV	\$134.7	9.8%	4.5	\$29.8	\$5.9
3 Frost Bank	San Antonio	\$121.6	8.8%	1.4	\$87.0	\$4.8
4 Texas Regional Bank	RGV	\$106.1	7.7%	1.3	\$78.9	\$4.5
5 International Bank of Commerce	Laredo	\$88.3	6.4%	1.6	\$55.4	\$3.5
Rest of metro banks	RGV	\$204.1	14.8%	4.1	\$49.8	\$8.8
All other banks		\$495.4	35.9%	12.0	\$41.2	\$20.5

Table 3: South Texas and Border Region, top 5 PPP lenders by value

SOURCE: SMALL BUSINESS ADMINISTRATION

San Antonio metro is made up of Atascosa County, Bandera County, Bexar County, Comal County, Guadalupe County, Kendall County, Medina County, and Wilson County. Of the four metros in table 2, only San Antonio was home to most of its top producers. Frost Bank, Broadway National Bank, Texas Partners Bank, and Jefferson Bank were responsible for 40.7% of all metro loans. These banks also had among the highest average loans compared to top 5 producers at the other metros. For example, Frost Bank average loan was \$133 thousand, \$156 thousand, \$174 thousand, and \$125 thousand in the Austin, Dallas, Houston, and San Antonio metro, respectively. The 12th largest producer, Vantage Bank Texas, had the highest average loan among San Antonio based banks at \$223 thousand.

South Texas and Border Region

Table 3 presents the top 5 lenders in the Corpus Christi and Border metros. The metros are presented in alphabetical order. The Corpus Christi metro is made up of

Aransas County, Nueces County, and San Patricio County. The top 5 lenders in Corpus Christi produced \$446 million in PPP loans or 56.7% of total. The 5-remaining metro-based financial institutions made an additional \$103 million or 13.1% of total. Texas based banks were responsible for 69.7% of all metro loans. Among metro-based banks, Texas Champion Bank (#8) produced the highest average loan and Navy Army Community CU (#9) produced the lowest average at \$125 thousand and \$32 thousand, respectively.

El Paso metro is made up of El Paso County and Hudspeth County. El Paso had 248 financial institutions handle 15.7 thousand applications valued at \$982.6 million. El Paso based institutions in the top 5 list accounted for 45.8% of all metro loans. The 3-remaining metro-based institutions (FirstLight FCU, El Paso Area Teachers FCU, and El Paso Collaborative for Community & Economic Development) account for an additional 2% of metro loans. The largest loan was made to Pizza Properties Inc. by WestStar Bank for \$7.2 million. El Paso had 108 loans

Industry	Corpus Christi	El Paso	Laredo	RGV	Texas
Mining, Quarrying, and Oil and Gas Extraction	8.4%	0.1%	3.0%	1.4%	4.1%
Construction	14.7%	12.8%	5.3%	7.3%	12.1%
Manufacturing	5.2%	6.2%	2.1%	4.0%	8.4%
Wholesale Trade	3.5%	3.9%	3.7%	4.1%	4.6%
Retail Trade	6.6%	8.4%	6.5%	8.9%	6.3%
Transportation and Warehousing	3.9%	8.9%	29.4%	9.6%	4.8%
Finance and Insurance	1.4%	1.8%	1.3%	2.1%	2.1%
Real Estate and Rental and Leasing	3.6%	2.7%	1.4%	2.3%	3.1%
Professional, Scientific, and Technical Services	10.1%	8.0%	8.7%	7.6%	12.2%
Administrative and Support and Waste Management and Remediation Services	4.0%	4.9%	4.0%	3.1%	4.9%
Health Care and Social Assistance	13.2%	16.2%	15.9%	27.4%	11.3%
Accommodation and Food Services	11.8%	13.4%	10.0%	10.7%	10.5%
Other Services (except Public Administration)	7.4%	6.6%	4.9%	4.8%	7.5%
Other industries	6.3%	5.9%	3.7%	6.8%	7.8%

Table 4: Allocation of South Texas and Border Region PPP loans by industry classification

SOURCE: SMALL BUSINESS ADMINISTRATION

with a value over \$1 million and 13.6 thousand loans valued under \$100 thousand.

Laredo metro encompasses Webb County. International Bank of Commerce was responsible for a quarter of all Laredo loans. The bank produced 1,325 applications for loans averaging \$70 thousand. Distant second was Texas Community Bank producing 13.3% of the \$371 million in loans made to metro businesses. The top 5 banks were responsible for 67.9% of metro loans. Vantage Bank Texas had the highest average loan among the top 5 lenders at \$226 thousand. The highest loan was made by Falcon International Bank to Border Region Mhmr Community Center for \$2.9 million. Laredo had 28 loans with a value over \$1 million and 5.2 thousand loans valued under \$100 thousand.

The Rio Grande Valley is composed of Cameron County, Hidalgo County, Starr County, and Willacy County. RGV small businesses made 30.4 thousand applications for \$1.4 billion in loans to 251 financial institutions. The RGV average loan was for \$45.4 thousand, lowest among the 8 metros. Table 3 shows that the top 5 banks were mainly locally headquartered financial institutions. These 5 banks produced half of all loans in the RGV. Lone Star National Bank produced \$231 million or 17% of all RGV loans. At distant second came Texas National Bank at \$135 million. International Bank of Commerce (Laredo charter) was #5. However, if we add the loans from International Bank of Commerce Brownsville charter (#8) and Zapata charter (#31) to the Laredo charter then this bank would take the #2 spot with \$156 million. Adding International Bank of Commerce Oklahoma City charter (#26) brings the holding company's total to \$161 million. Among the RGV's top 5 banks, Frost Bank had the highest average loan at \$87 thousand followed by

Texas Regional Bank at \$79 thousand.

Wells Fargo Bank made the largest loan in the RGV (\$6.2 million) to Texas Visiting Nurse Service of Harlingen. PlainsCapital Bank made the second largest loan to Texas RioGrande Legal Aid of Mercedes for \$4.9 million. The RGV had 125 loans with a value over \$1 million and 27.7 thousand loans with a value under \$100 thousand or 91% of total loans.

Finally, table 4 presents the allocation of loans by industry classification for the metros of Corpus Christi, El Paso, Laredo and the RGV. For reference, the last column shows the allocation for the state. In Corpus Christi, small businesses in the Construction, Health Care and Social Assistance, and Accommodation and Food Service sectors received 40% of loans. The same industries accounted for 43% of loans in El Paso and 45% in the RGV. The largest allocation in Laredo went to Transportation and Warehousing businesses, 29%. In the RGV, Health Care and Social Assistance was allocated 27% of loans.

Summary

PPP was likely key in protecting jobs and limiting the risk of closures to Americas' small businesses from the ongoing health emergency. Texas-based banks played a major role in helping small businesses through this period. The data we present here shows the importance of having vibrant and plentiful financial institutions in every region of the state. Texas banks like Frost Bank, Prosperity Bank, Allegiance Bank, and Comerica Bank played an instrumental role in helping small businesses of all sizes get access to much needed capital. However, the true heroes were regional banks. Places like Corpus Christi,

El Paso, Laredo, and the RGV were fortunate to have strong local banks that helped service countless local small businesses. The PPP also provided a significant boost to local banks. For example, the RGV based banks took in half the \$58 million in lending revenue tied to RGV based small business borrowing.

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Endnotes

Glenn Hubbard & Michael R. Strain, 2020. "Has the Paycheck Protection Program Succeeded?" Brookings Papers on Economic Activity, vol 2020(3), pages

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