

Community Development Bankers Association (CDBA) Research Proposal

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A. Background

Our recent National Bureau of Economic Research (NBER) working paper, "[Did PPP Hit the Target?](#)", provides the first comprehensive quantitative evaluation of the Paycheck Protection Program (PPP). Using unique data from the Small Business Administration (SBA), together with several other proprietary data sources that cover revenue, employment, and wages across businesses, we obtained two findings.

1. The PPP loans did not flow to the areas that were more adversely affected. If anything, areas that were more heavily affected received slightly less PPP funding.
2. The receipt of PPP was highly correlated with the preexisting relationships businesses had with banks prior to the pandemic. Businesses in geographies served by banks that were quick and effective in deploying PPP applications were more likely to receive a PPP loan in the first round.

Our preliminary follow-up analysis finds that there was little change in economic activity, such as unemployment insurance claims and wages, in areas that received more PPP funding. However, to fully understand whether these new results are genuine, or simply reflect many confounding forces at a local level, we need loan-level data, allowing us to trace out the response of specific firms to PPP funding.

B. Proposed Data Request

Accessing loan-level data from participating CDFIs would allow us to better examine the effects of PPP lending on individual institutions. The following is a list of data requests that would be helpful both to inform our research and to assist CDBA in understanding and evaluating the role that members played in deploying PPP loans to their respective communities. The loan-level and application-level data that we list below would be the most useful, but because some institutions are not comfortable or willing to share these data, we also propose that we obtain aggregate information at the geographic-level.

a) Loan-level data: Information about the characteristics and loan amounts received by each company that received PPP loans from member-CDFI banks, including: geography (zip-code/census-tract), industry, jobs preserved, and whether the borrower had an existing banking relationship.

b) Geography-based aggregate data: CDFI-member institutions that are not able or willing to share individual-loan level records might, nevertheless, be willing to provide data at the geography-level, including the total number and amount of loans by zip code, size threshold, and industry.

c) Application-level data: To better examine the workings of the program, application-level data with the date of application, date funds received, and the medium used to process the application (e.g. online, telephone, or at the branch) would also be helpful if available.

The loan-level data would allow us to conduct additional statistical analysis that highlights how CDFIs have potentially stepped in to fill the void when the big banks were unable to deliver. We would also be able to link the effect of a PPP loan from a CDFI to the employment and/or revenue outcomes of the establishment if we can match a large enough sample from the CDBA data to our other sources.

To complement the above data request, we also propose implementing a joint survey and interviewing a sample of interested banks with the purpose of understanding the following questions:

- a. Are borrowers new or existing clients? If they are new, what banking relationships did they have before? This will allow us to understand how pre-existing bank relationships affect the receipt of PPP funding and the overall process between loan application to SBA approval.
- b. How have borrowers used their PPP funds? If they have not used them yet, why not?

These qualitative survey and interview replies would allow us to test and obtain guidance about the likely mechanisms behind our quantitative results. For example, we could directly gauge whether precautionary motives and/or uncertainty about how the PPP lending process works is a reason why many companies are potentially sitting on their loan, rather than redeploying it.

C. Deliverables

Based on the availability and use of the aforementioned data, we are happy to deliver the following quantitative analyses that can be used for your internal strategy and/or advocacy work:

- a) Were the small businesses that CDFI banks served smaller in size/assets than the businesses served by larger or non-CDFI banks?
- b) **[If enough data on type of client served, e.g., new versus old client]:** A breakdown of the client acquisition by CDFI-members. Are new clients coming from areas served by financial institutions that did not make as many PPP loans?
- c) Possible deliverable: What was the economic impact of the wages/dollars infused into the communities from jobs preserved?