
Puerto Rico Completes Its First Debt Restructuring Deal.

SAN JUAN, Puerto Rico — The U.S. territory of Puerto Rico said Thursday that it has completed its first debt-restructuring deal since the government announced it was bankrupt more than three years ago, giving creditors overall $550 in new bonds for each $1,000 they had held.

The agreement was finalized with creditors holding more than $4 billion in debt issued by the now-defunct Government Development Bank. The bank once issued loans and oversaw the island's debt transactions but ceased operations in March amid a 12-year recession.

"The closing of the GDB debt restructuring is a historic milestone in Puerto Rico's road to economic recovery," said Gov. Ricardo Rossello. "It is clear evidence that Puerto Rico has the credibility and resolve necessary to resolve its fiscal challenges."

It's not clear, however, how much the agreement will affect some $70 billion in other debt still outstanding. Much of that is being addressed in court rather than in voluntary agreements.

The government said its Debt Recovery Authority will soon issue nearly $2.6 billion in bonds to the creditors.

However, some economists are wary of the agreement, uncertain if the payments can be sustained because of the fragility of Puerto Rico's finances and the ongoing crisis that was caused in part by previous administrations borrowing millions of dollars to cover ballooning deficits.

"A lot of us economists are concerned that these deals are temporary and don't guarantee that Puerto Rico won't fall into another debt crisis," economist Jose Caraballo said by phone.

However, he praised the way the deal gives different treatment to different sorts of bondholders. One group, made up largely of hedge funds, will be paid first but at a lower percentage of their original investments. A second group, which includes local investors, will get paid later but receive a larger percentage.

But Caraballo warned another crisis may hit the island before the second group gets paid, and he said the deal does not end Puerto Rico's financial troubles because the accord isn't based on the government's long-term ability to pay.

"These agreements are not sustainable," he said. "It's not the end of the story. It's a comma in the middle of this crisis."

Another economist, Vicente Feliciano, noted that the deal depends on municipalities continuing to make payments out of the property tax they collect. Property values have been hit by large-scale migration off the island due to economic woes and last year's devastating Hurricane Maria, which caused estimated damage of more than $100 billion.

"There's always a risk that at some point the municipalities may have challenges meeting their obligations," he said in a phone interview.

Overall, Puerto Rico agencies still hold roughly $70 billion in public debt and are trying to restructure a portion of it via court and mutual agreements with creditors. A federal control board appointed by Congress is overseeing the bankruptcy-like process as well as Puerto Rico's finances.

In January, a federal judge is expected to rule on a billion-dollar debt restructuring deal involving bonds backed by a sales tax.

By The Associated Press

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