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Puerto Rico Board Backtracks on Planned Bondholder Payments.

The board overseeing Puerto Rico's finances concludes it doesn't have the money to cover bondholder payments under a \$35 billion restructuring plan

Puerto Rico's financial oversight officials are backing away from commitments made to bondholders as the economic damage from the coronavirus becomes clearer, according to people familiar with the matter.

The board overseeing Puerto Rico's finances has concluded it won't have a sufficient surplus to cover bondholders' settlement payments under its current debt-adjustment proposal, these people said.

The proposed restructuring, which writes down \$35 billion in government bonds by 70%, laid out a path to end the U.S. territory's court-supervised bankruptcy with the backing of major creditors. But the business and travel restrictions put in place to combat the spread of Covid-19 cut into the revenue needed to settle the government's debts to bondholders and pensioners.

The board, which sets Puerto Rico's repayment terms, is considering trying to renegotiate the proposed settlement and avoid sparking litigation with creditors, people familiar with the matter said.

A spokesman for the board said it would meet Wednesday to approve a new fiscal framework that would lay out how much bondholders could be repaid over the coming years.

Elected leaders in Puerto Rico have said the proposed terms are no longer workable, reflecting anxiety about the pandemic's economic impact, which the island's fiscal agency has estimated could reach \$5.7 billion through the 2022 fiscal year.

The fallout from stay-at-home mandates and social-distancing guidelines also has darkened the outlook for many U.S. states, though none are under as much fiscal strain as Puerto Rico. As a territory, Puerto Rico can't borrow from the Federal Reserve's municipal lending facility, which has authority to purchase up to \$500 billion in short-term debt from states and large cities.

Before the pandemic, bondholders had been more optimistic about a possible end to the bankruptcy, which began in 2017, as support coalesced around settlement terms. The board secured backing from a committee of public retirees and from competing hedge funds including GoldenTree Asset Management LP and Autonomy Capital.

If the board tries to secure additional concessions from creditors, the negotiating process could lengthen the bankruptcy process past the November gubernatorial election and well into 2021.

The Wall Street Journal

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Updated May 26, 2020 2:14 pm ET

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