U.S. Territorial Relief Act of 2019

The U.S. Territorial Relief Act provides an avenue to comprehensive debt relief for Puerto Rico and other hurricane-ravaged U.S. territories so that they have a chance to get back on their feet. The bill empowers the Puerto Rican people to take on Wall Street and to build a better future for themselves and their children.

In 2017, Hurricanes Irma and Maria devastated the territories of Puerto Rico and the U.S. Virgin Islands and the millions of U.S. citizens who reside there. These territories have faced special constraints as they have tried to rebuild, including lacking the benefits of many federal programs (*e.g.*, Supplemental Security Income, the Earned Income Tax Credit, and full access to Medicaid).

The territories' debt has also made disaster response and reconstruction much more difficult. Few investors are willing to put money into rebuilding if the debt overhang means that the islands have no real chance to recover. Congress's previous attempt to address the Puerto Rican debt crisis—PROMESA—was enacted before the hurricanes and thus was not designed to account for the recent devastation.

The U.S. Territorial Relief Act gives territories the option to terminate their non-pension debt obligations if they meet certain stringent eligibility criteria. If Puerto Rico chooses to terminate its debt load within three years of the bill's enactment, the bill makes $15 billion in federal funds available to Puerto Rican residents and other creditors whose holdings were terminated.

Title I—Territorial Relief:

- Gives territories the option to terminate their public, unsecured debt, if they meet 2 of these 3 criteria: (1) population decrease of 5% over 10 years; (2) received major federal disaster assistance; and (3) per capita debt exceeds $15,000.
- Provides protection for secured creditors to the extent of the value of their perfected security interests and creates a judicial process for contesting the extent and perfection of security interests.
- Results in debt relief only if either the territory's governor plus a majority of each body of its legislature, or two-thirds of each body of the territory's legislature, approve.
- Does not allow a territory to use this debt relief option more than once every 7 years.

Title II—Puerto Rico Debt Restructuring Compensation Fund:

- Provides federal funds to compensate eligible unsecured creditors, to be allocated by a special master.
- Allocates $7.5 billion for Puerto Rican creditors whose debt was terminated, including Puerto Rican residents, banks and credit unions that did business solely in Puerto Rico, the island's unions and public pension plans, and businesses with a principal place of business in Puerto Rico.
- Allocates $7.5 billion for mainland creditors whose debt was terminated, including individual investors, trade unions, pension plans, and open-end mutual funds that pledge to waive the manager's fee for any compensation received.
- Excludes hedge funds and their investors, bond insurers, many financial firms with consolidated assets greater than $2 billion, and repo or swaps investors from the distribution.

Title III—Audit Commission:

- Creates a commission, made up of experts from Puerto Rico, to perform a comprehensive audit of the causes and sources of Puerto Rico's debt and to make periodic reports.