Comments and Questions Regarding
Federal Reserve Programs and Facilities

Main Street Lending Program

1. Will the minimum loan size under and terms of the loan under the MSLP be flexible to account for the needs and circumstances of each borrower, or will the program use a one-size-fits-all model?
    - **U.S. Travel comments:** *We believe lenders should be able to provide loans as low as $250,000 under the MSLP, with terms for maturity as short as 2 years. This would allow more businesses, including small businesses, to access the loans without taking on more debt than is needed to get through this crisis.*

2. Are U.S.-based nonprofit organizations (as described in section 501(c) of the Internal Revenue Code of 1986) with less than 10,000 employees or less than $2.5 billion in revenue considered eligible borrowers under the MSLP?
    - **U.S. Travel comments:** *In section 4002(4)(B) of the CARES Act, the term "eligible business" is broadly defined as "a United States business that has not otherwise received adequate economic relief in the form of loans or loan guarantees. . ." This definition does not preclude nonprofits, regardless of size, from receiving assistance enabled through the Exchange Stabilization Fund. Further, section 4003(c)(3)(D)(i) of the CARES Act encourages financing to lenders to provide direct loans to "eligible businesses including, to the extent practicable, nonprofit organizations…" implying that Congressional intent is for the term "eligible business" to be inclusive of nonprofits generally.*

      Destination Marketing Organizations (DMOs), which are typically small 501(c)(6) or 501(c)(4) nonprofits with a North American Industry Classification System code of 561591, provide critical economic development, convention sales and management, and tourism promotion services for cities and towns across the U.S. The vast majority of DMOs are funded through a combination of local lodging taxes and private sector membership dues or contributions.

      The sharp drop in hotel occupancy and a liquidity crunch in the travel industry as a result of COVID-19 have decimated DMO revenue, halting their operations and forcing them to layoff thousands of workers. DMOs are in desperate need of financial assistance to keep workers employed and maintain operations in order to help power the economic recovery.

      The U.S. Travel Association encourages the Federal Reserve and Treasury Department to clarify that small nonprofits, such as DMOs, are eligible borrowers under the MSLP.

3. Is a small business borrower eligible to receive a loan through the Main Street New Lending Program if it has also received a loan through the Paycheck Protection Program (PPP) or the Economic Injury Disaster Loan (EIDL), provided that the proceeds of the

MSLP loan are not used to pay off the PPP or EIDL loan or provide overlapping coverage of the same expenses?

- **U.S. Travel comments:** *In section 4002(4)(B) of the CARES Act, the term "eligible business" is broadly defined as a "business that has not otherwise received adequate economic relief in the form of loans or loan guarantees provided under [the Act]." Given the limitations of the EIDL and PPP – including a maximum loan calculation of only 2.5x average monthly payroll, a 25% cap on loan forgiveness used for eligible nonpayroll expenses, and a covered period ending June 30 – these programs should not be considered sufficient for providing adequate relief to travel-dependent small businesses.*

  The U.S. Travel Association encourages the Federal Reserve and the Treasury Department to continue to ensure that any small business that has received either a PPP loan, an EIDL, or both are still eligible to receive a loan through the MSLP if they still have outstanding expenses.

4. The MSNLF term sheet states that an eligible borrower must attest that it will make "reasonable efforts" to maintain its payroll and retain employees during the repayment period. Is the Federal Reserve required under the CARES Act to develop more specific attestations for borrowers regarding the use of loan proceeds to maintain payroll and employment? Will the Federal Reserve and/or the Treasury Department develop more detailed guidance or threshold on what constitutes "reasonable efforts" by the borrower to maintain payroll and payroll?

- **U.S. Travel comm*ents:*** *Travel-dependent businesses (e.g. hotels, car rentals, theme parks, restaurants, entertainment, etc.) are either closed or empty because of public health measures restricting domestic and international travel, requiring social distancing or limiting large gatherings. Without sufficient customers or revenue, these businesses cannot rehire or maintain employment at pre-coronavirus levels until consumer demand returns to pre-coronavirus levels.*

  Any borrower requirements or attestations to maintain employment and payroll must take into consideration the unique circumstances for travel-dependent businesses that will not have the consistent liquidity or consumer demand to rehire and maintain employment until public health restrictions are eased and consumer demand returns.

5. With respect to a holding company with controlling interests in smaller businesses, a multi-business partnership, or a business concern with multiple establishments:

  a. How will the Federal Reserve or lenders apply the eligibility requirements for borrowers with less than 10,000 employees or up to $2.5 billion in 2019 revenue? Will these limits be determined by aggregating total employment and revenue across all physical establishments of a business concern, any establishment partially owned through a partnership, or subsidiaries of a holding company?

  b. Will individual establishments or subsidiaries with less than 10,000 employees or $2.5 billion in 2019 revenue be eligible to receive loans through the MSNLF or

MSELF, if its parent company or a controlling interest has a total number of employees or annual 2019 revenues that exceed these limits?

c. If an eligible borrower at the property- or establishment-level receives a loan through the MSLP, will the attestations regarding dividends, stock repurchasing, and executive compensation apply to its parent companies or controlling interests, as well?

d. If a holding company or business concern with multiple establishments receives a loan through the MSNLF, will its subsidiaries or individual establishments be unable to participate in the MSELF?

e. How will franchisees and franchisors be treated in terms of the 10,000-employee or $2.5 billion limits?

- **U.S. Travel comments:** *Many travel-dependent businesses are organized as partnerships between several different, but sometimes related, entities. Many establishments do not have a simple vertical ownership structure, but they often each have separate Employer Identification Numbers (EINs). Therefore, applying program requirements at the parent- or holding company-level might prevent many locally operated businesses from gaining relief through the program.*

Municipal Liquidity Facility

1. If an eligible city or county government assesses a local hotel tax and uses that revenue, either in whole or in part, for the purpose of funding a nonprofit Destination Marketing Organization (e.g. a convention and visitors bureau), can the city or county government issue MLF bonds backed by the hotel tax revenue and use the bond proceeds to help with cash flow issues of the nonprofit Destination Marketing Organization?
   - **U.S. Travel Comments:** *Destination Marketing Organizations (DMOs), which are typically classified as small 501(c)(6) or 501(c)(4) nonprofits, provide critical economic development, convention sales and management, and tourism promotion services for cities and counties across the U.S. The vast majority of nonprofit DMOs receive funding from hotel taxes assessed by a city or county government. In many cases, the nonprofit DMOs were also established through enabling legislation passed by a city or county government.*

     COVID-19 has led to a sharp drop in hotel occupancy along with a liquidity crunch among travel industry partners, decimating DMO revenue, halting their operations and forcing them to layoff thousands of workers. DMOs are in desperate need of financial assistance to keep workers employed and maintain operations in order to help power the economic recovery.

     Given the direct funding relationship between city or county governments and DMOs, and the DMOs' direct reliance on funding from hotel taxes assessed at the local level, we urge the Federal Reserve to allow city or county governments to issue bonds backed by hotel tax revenue and permit the use of the bond proceeds for funding the operations of DMOs that would have otherwise received the lodging tax revenue.

2. Will maturity be extended beyond 2 years?
    - **U.S. Travel comments:** *We believe a two-year maturity period is far too short for the communities most in need of assistance, particularly those that rely on robust travel spending to support their economies, their budgets and the operation of tax-supported entities, like Destination Marketing Organizations. A 2-year maturity date doesn't give issuers enough time to restore their economies to full strength and generate the revenue needed to pay back the bonds. Further, under many projections, it'll take an extended amount of time for social distancing precautions to fully recede and longer still for consumer demand to pick up. As such, the revenue generated through travel-related taxes, such as hotel occupancy and rental car taxes, will not likely fully rebound within the next two years, with depressed collections remaining a strain on issuers—which will be compounded by the need to repay the bond within two years.*

3. Will bond pricing consider the credit rating of the issuer before the crisis hit?
    - **U.S. Travel comments:** *The interim guidance provided by the Federal Reserve states that "pricing will be based on an Eligible Issuer's rating at the time of purchase with details to be provided later." However, many state and local governments are facing extreme financial stress due to the unexpected cost of COVID-19 on health-related expenditures, social safety nets, and tax revenue—which may impact their credit rating and ultimately the bond's cost (i.e. yield). Therefore, we believe pricing should be based on the best credit rating the issuer received over the previous 3 years, with the expectation that the bonds will enable issuers and the communities they serve to return to full financial strength on a sustainable basis. A high yield will make it harder to return to that strength in the shortest amount of time.*

4. Will U.S. territories be able to participate in the Municipal Liquidity Facility?
    - **U.S. Travel comments:** *The guidance provided by the Federal Reserve only lists the District of Columbia as an eligible state-equivalent participant, but U.S. territories have similar needs to U.S. states and are experiencing similar stresses. Therefore, they should be given equal treatment within the Municipal Liquidity Facility.*

5. Will the aggregate bond limit only be based on the general and utility revenue of the issuer in fiscal year 2017, or can the issuer elect other years that more accurately reflect its financial needs?
    - **U.S. Travel comments:** *Many states, territories, counties, and cities have gone through drastic changes in recent years, including the establishment of new agencies, partnerships, and services that derive their revenue from hotel taxes and other new or modified taxes and fees. Restricting revenue considerations to only fiscal year 2017 may distort and minimize the real challenges faced by states, territories, counties, and cities to make up for lost revenue and meet the needs of their residents. To account for this, issuers should be able to elect any fiscal year within the last 5 years (including FY2020 based on the most recent revenue projections available before the crisis hit) to determine the appropriate aggregate bond limit.*

6. **Can the Federal Reserve change the population requirements for eligible issuers in the Municipal Liquidity Facility to be below 1 million residents for cities and below 2 million residents for counties?**
   - **U.S. Travel comments:** We believe any municipality or county government with bonding authority should be able to participate in the MLF. Many cities and counties that do not meet the respective resident thresholds will be disadvantaged by having to compete for funds at the State level, even if their budgets were not previously dependent on the State for primary funding. Even though States are able to request an increase in their aggregate limit to account for the needs of political subdivisions and instrumentalities that are not eligible for the MLF, the extra step may act as an impediment for political subdivisions and instrumentalities that do not have strong relationships with State officials.