EXCHANGE STABILIZATION FUND FEDERAL RESERVE FACILITIES AND PROGRAMS

Title IV of the CARES Act

OVERVIEW

The CARES Act provides at least $454 billion to the Treasury Department to back various forms of assistance provided by the Federal Reserve to lenders and eligible businesses, states, and municipalities.[1] The Treasury Department and Federal Reserve have broad discretion in how the financial assistance will be provided—with many details yet established.

U.S. Travel and industry partners are working with Treasury and the Federal Reserve to the quickly establish programs that will provide assistance to impacted sectors of the travel industry in the most effective way possible.

WHO QUALIFIES?

GENERAL ELIGIBILITY[2]

- Any U.S. business, regardless of size, which may include nonprofit organizations in the future.[3] Businesses must also meet ALL of the following criteria:
    - Created or organized in the United States;
    - Have significant operations in the United States;
    - Have a majority of its employees based in the United States; and
    - Have not otherwise received adequate economic relief in the form of loans or loan guarantees provided elsewhere under the CARES Act—such as through SBA loan programs.
- **States**, including the District of Columbia; territories, any bi-state or multi-state entity; and any Indian Tribe.
- **Municipalities**, including:
    - A political subdivision of a state, such as State Tourism Office;
    - An instrumentality of a municipality, state or a political subdivision of a state; such as a destination marketing organization classified as a political subdivision; a city or county airport authority; or a convention authority.

ADDITIONAL ELIGIBILITY REQUIREMENTS:[4]

- The Treasury and Federal Reserve have broad authority to determine the eligibility requirements for any loan or liquidity program funded through the Exchange Stabilization Fund.
- For any program established by the Federal Reserve, all borrowers must meet emergency lending requirements[5], including loan collateralization, taxpayer protection, and borrower solvency requirements.

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WHAT TYPES OF ASSISTANCE WILL BE AVAILABLE?

- **Municipal Liquidity Facility:** In general, states, cities (with at least 250,000 residents), counties (with at least 500,000 residents) and political subdivisions or instrumentalities of state or local governments will be able to issue bonds through a $500 billion program designed to help cover lost tax revenue. A list of eligible states, cities, and counties can be found **here**. Only one issuer per state, city or county can participate in the program, however each issuer is permitted to issue multiple bonds up to a certain limit. In addition, states may also designate up two additional issuers in their jurisdictions whose revenues are generally derived from operating government activities (such as public transit, airports, toll facilities, and utilities) to be eligible to directly use the facility. Bond proceeds can be used, among other purposes, to help instrumentalities or political subdivisions of the issuer, such as DMOs or airports, manage cash flow issues resulting from reduced tax revenue. To apply, eligible states, cities, and counties must complete a **Notice of Interest Application**, with a request to exceed their applicable limit to assist DMOs or airports that are classified as political subdivisions or other types of governmental entities. For more details, please visit the Federal Reserve's website **here**.
- **Main Street Lending Program:** U.S.-based businesses[6] with 15,000 employees or less,[7] or those with $5 billion or less in revenue last year,[8] will be able to refinance existing loans or obtain new loans through a $600 billion program designed by the Federal Reserve and Treasury Department. Loans will be provided through banks and credit unions, with a repayment period of 5 years, interest rates ranging from 3 to 4%, interest payments deferred for one year, principal payments deferred for two years, a repayment schedule that is backloaded in the 5th year, and the following features—
  - **New Loans:** Includes any secured or unsecured loan between $250,000 and $35 million. The loans can't be used to refinance existing debt. Further instructions and guidance can be found **here**.
  - **Priority Loans:** Includes any secured or unsecured loan between $250,000 and $50 million. The loans can be used to refinance existing debt from third-party lenders (not the bank providing the Priority Loan). Further instructions and guidance can be found **here**.
  - **Expanded Loans:** Includes any secured or unsecured loan or revolving line of credit that is modified to total between $10 million and $300 million. The upsized tranche of the loans can't be used to refinance existing debt. Further instructions and guidance can be found **here**.
  - To apply for any of these loans, please contact your nearest bank or credit union. More information on various aspects of the program can be found **here**.
- **Corporate Credit Facility:** U.S.-based corporations will be able to issue bonds or access loans through a $750 billion program designed to inject capital into severely distressed businesses. Eligible businesses must have had an investment grade credit rating on March 22, 2020, with some restrictions for those that have since been downgraded. The Federal Reserve Bank of New York began accepting applications on June 29, 2020. More information can be found **here**, which will be updated as information becomes available.

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HOW CAN I APPLY?

- Application procedures will be posted on the following websites once finalized:
  - **Municipal Liquidity Facility**
  - **Main Street Lending Program**
  - **Corporate Credit Facility**

WHAT TYPE OF ADDITIONAL ASSISTANCE MAY BE AVAILABLE LATER?

The following programs have not yet been announced, but are authorized under the CARES Act:

- **Troubled Debt Restructuring (TDR):** The CARES Act provides temporary relief from TDR, which will allow banks to renegotiate loan terms with coronavirus impacted borrowers (companies and individuals) without having to hold extra capital, as long as the new terms are needed as a result of the coronavirus outbreak (and not pending pre-crisis for other solvency reasons).

FURTHER INFORMATION

- **Main Street Lending Program**
- **Municipal Liquidity Facility**
- **Term Asset-Backed Securities Loan Facility**
- **Corporate Credit Facility**

1. The $454 billion can be leveraged by the Federal Reserve to provide an estimated $4 trillion in additional liquidity for impacted businesses. The fund can also be used to support the previously announced Federal Reserve facilities such as the PMCCF, the Secondary market credit facility, TALF, and the CPFF.
2. While eligibility is broadly defined, there are no requirements for the Treasury or Federal Reserve to establish programs or facilities for which all eligible entities qualify.
3. Although 501(c) nonprofit organizations are not currently eligible for assistance through any program funded by the Exchange Stabilization Fund, the Federal Reserve has said they recognize the economic importance of nonprofit organizations and are considering a specific "approach to meet their unique needs." For more information, please see the Federal Reserve's press release and FAQ (see Question E6).
4. Businesses owned or controlled by the President, Vice President, an Executive Branch Department Head, a Member of Congress, or their spouses and children are ineligible for any assistance
5. Requirements of section 13(3) of the Federal Reserve Act (12 U.S.C. 343(3)).
6. Eligible businesses do not include those that are primarily engaged in political or lobbying activities or those that earn more than a third of their revenue from gambling.
7. Employee numbers include all full-time, part-time, seasonal, or otherwise employed persons (excluding volunteers and independent contractors)—calculated using the average amount of employees per pay period over the previous 12 months.
8. For more information on calculating annual revenue or other eligibility issues, please see the Federal Reserve's FAQ.