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. 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 ELIGIBILITY¹

- Any U.S. business, regardless of size, which may include any nonprofit that is tax exempt under 501(c) of the tax code, including 501(c)(4) and 501(c)(6) organizations. 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:²

- 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.
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WHAT TYPES OF ASSISTANCE WILL BE AVAILABLE?

● Municipal Liquidity Facility: States, cities (with at least 250,000 residents), and counties (with at least 500,000 residents) 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. 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. Please note that the terms of this program may change before it is operationalized by the Fed. More information can be found here.

● Main Street Lending Program: U.S.-based businesses and nonprofits with 10,000 employees or less, or those with $2.5 billion or less in revenue last year, will be able to refinance existing loans or obtain new unsecured 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 minimum loan size of $1 million, a repayment period of 4 years, interest rates ranging from 2.5 – 4.5%, and amortization of principle and interest deferred for the first year. Please note that the terms of this program may change before it is operationalized by the Fed. More information 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

HOW CAN I APPLY?

● Application procedures are forthcoming: Treasury and the Federal Reserve have not yet released details on the application procedures for each program. However, for lending provided through financial institutions, such as the Main Street Lending Program, specific application procedures will likely be provided by the lender.

WHAT TYPE OF ADDITIONAL ASSISTANCE MAY BE AVAILABLE LATER?

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

● Loans for Mid-Sized Businesses and Nonprofits: The CARES Act encourages Treasury to establish a specific program targeted at mid-sized nonprofit organizations and businesses with between 500 and 10,000 employees. For any direct loans made under the program, the annualized interest rates will be no
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more than 2% and the borrower will not be required to pay principle or interest for at least the first six months. Borrowers under this program must certify, along with other conditions, that:

- The uncertainty of the economic conditions makes the loan necessary to support ongoing operations;
- Funds are used to retain at least 90% of employee workforce with full compensation and benefits through September 30, 2020;
- The borrower intends to restore not less than 90% of the workforce that existed as of February 1, 2020 and to restore all worker compensation and benefits no less than four months after the pandemic;
- The borrower is not a debtor in bankruptcy;
- It cannot repurchase its own equity or its parent company’s equity (stock buybacks) while the loan is outstanding;
- It cannot pay dividends on its common stock while the loan is outstanding;
- During the term of the loan and for two years after repayment, the borrower will not outsource jobs or use offshore employees and will not abrogate existing collective bargaining agreements; and
- The borrower will remain neutral in union organizing efforts for the loan term.

**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**

- Federal Reserve - Main Street New Loan Facility
- Federal Reserve - Main Street Expanded Loan Facility
- Federal Reserve - Municipal Liquidity Facility
- Federal Reserve - Term Asset-Backed Securities Loan Facility
- Federal Reserve - Primary Market Corporate Credit Facility
- Federal Reserve - Secondary Market 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. 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
4. Requirements of section 13(3) of the Federal Reserve Act (12 U.S.C. 343(3)).