# **COVID-19: Federal Response at a Glance**

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Key Federal Reserve Programs Treasury Programs Small Business Administration (SBA) Programs

- Term Sheet

Insights

#### **SMALL BUSINESSES MEDIUM BUSINESSES CATEGORIES OF ELIGIBILITY:** MAIN STREET LENDING PROGRAM (MSLP) ) **Small business concern** as defined in 15 U.S.C. 632 (including that it is Term Sheet (Main Street New Loan Facility), independently owned and operated, not dominant in its field of operation, Term Sheet (Main Street Priority Loan Facility), and of the <u>appropriate size for its industry</u> including affiliates\*); **OR** Term Sheet (Main Street Expanded Loan Facility) (2) A business concern, 501(c)(3) nonprofit organization, 501(c)(19) veterans Term Sheet (Nonprofit Organization New Loan Facility) organization, or 31(b)(2)(C) Tribal business concern that (i) has fewer than Term Sheet (Nonprofit Organization Expanded Loan Facility) **500 employees** (including full-time, part-time, or other basis) and affiliated employees\* whose principle place of residence is in the U.S. or (ii) is a **About**: The MSLP terminated on January 8, 2021. It consisted of five separate lending facilities: (i) the Main Street New Loan Facility ("MSNLF"), (ii) the Main Street Priority Loan Facility ("MSPLF"), (iii) the Main Street business that operates in a certain industry and meets applicable SBA Expanded Loan Facility ("MSELF"), (iv) the Nonprofit Organization New Loan Facility ("NONLF") and (v) the employee-based size standards for that industry; OR Nonprofit Organization Expanded Loan Facility (NOELF). Eligible Borrowers were required to choose only 3) **Individual** who operates a sole proprietorship, acts as an independent one of the MSNLF, MSPLF, MSELF, NONLF, NOELF or the Primary Market Corporate Credit Facility (PMCCF) contractor or is an eligible self-employed individual. and could not receive or have received direct support pursuant to 4003(b)(1)-(3) of the CARES Act (NONLF and NOELF Eligible Borrowers could not also participate in the Municipal Liquidity Facility). The program Further Eligibility Options under the Paycheck Protection Program: was intended to enhance support for small and mid-sized businesses and nonprofit organizations that were (A) A business concern that (i) has a maximum net worth not more than \$15 in good financial standing before the crisis by offering 5-year loans to companies employing up to 15,000 million and (ii) has an average net income of less than \$5 million after workers or with revenues less than \$5 billion, as calculated by reference to the SBA's affiliation rules. Federal income taxes (excluding any carry-over losses) for two fiscal Other terms: Principal payments will be deferred for two years and interest payments will be deferred for one years before the date of the application; OR year (unpaid interest will be capitalized); eligible banks could originate new Main Street loans or use Main Street loans to increase the size of existing loans. Borrowers were required to provide a number of certifications and (B) The following entities do not need to aggregate its affiliates' employees or, if applicable, its affiliates' annual receipts: (i) A business concern that covenants, including that the borrower will not prepay any existing debt until the MSLP loan is repaid in full, employs not more than 500 employees per physical location of the business that it will commit to using commercially reasonable efforts to maintain payroll and retain workers, and that it will comply with compensation, stock repurchase, and dividend restrictions that apply to direct loan programs concern and that is assigned a NAICS code beginning with 72 (hotel and under the CARES Act. The minimum loan size for MSELF and NOELF loans was \$10 million. For MSNLF. food service industries); OR (ii) A franchise that is assigned a franchise MSPLF and NONLF, the minimum loan size was \$250,000. Eligible Lenders are required to maintain a 5% identifier code by the Administration; **OR** (iii) A company that receives participation in each Eligible Loan extended under the MSLP, in each case, until maturity or until the SPV sells financial assistance from a small business investment company (SBIC). all of its participation until a true sale. All MSLP facilities have been terminated as of January 8, 2021, although \*\*Employees of qualified affiliated businesses are included in the headcount the Federal Reserve Bank of Boston will continue to fund the SPV it had set up to implement the MSLP until to determine whether the maximum number of employees is exceeded. If the SPV's underlying assets (i.e., loan participations it had purchased in MSLP loans extended by eligible applicable, the annual receipts of affiliates are included to determine if that is lenders) mature or are sold. Pursuant to the Consolidated Appropriations Act, 2021, the Federal Reserve may exceeded. Information on affiliation rules can be found here and here. not reestablish the MSLP using funds from the Exchange Stabilization Fund without Congressional approval.

LARGE BUSINESSES Support investment grade or recently downgraded investment grade corporate borrowers PRIMARY MARKET CORPORATE CREDIT FACILITY (PMCCF) — Term Sheet **About**: The PMCCF terminated on December 31, 2020. It served as a funding backstop for corporate debt issuers. The Federal Reserve Bank of New York committed to lend to a special purpose vehicle which purchased eligible grade bonds directly from eligible issuers and purchase portions of syndicated loans and bonds at issuance. Other terms: Bridge financing of 4 years; borrowers may elect to defer interest and principal payments during the first six months of the loan (extendable at the Federal Reserve's discretion) to have cash to pay employees and suppliers. The Facility could purchase a maximum of 25% of any loan syndication or bond issuance. Eligible issuers must have been rated at least BBB-/Baa3 as of March 22, 2020; issuers that were subsequently downgraded must have been rated at least BB-/Ba3 at the time the PMCCF makes a purchase. The Facility terminated on December 31, 2020 and ceased purchasing eligible loans on that date. Pursuant to the Consolidated Appropriations Act, 2021, the Federal Reserve may not reestablish the PMCCF using funds from the Exchange Stabilization Fund without Congressional approval. SECONDARY MARKET CORPORATE CREDIT FACILITY (SMCCF) — Term Sheet **About**: The SMCCF terminated on December 31, 2020. It purchased corporate bonds in the secondary market. The Treasury, using the Exchange Stabilization Fund, made an equity investment in a special purpose vehicle, which purchased eligible individual corporate bonds and portfolios in the form of exchange traded funds in the secondary market. Other terms: The maximum amount of bonds purchased from any eligible issuer was capped at 10% of the issuer's maximum bonds outstanding on any day between March 22, 2019 and March 22, 2020. The Facility could not purchase more than 20% of an exchange traded fund's shares, if after such purchase, the Facility would hold more than 20% of the outstanding shares. Eligible issuers must have been rated at least BBB-/Baa3 as of March 22, 2020; issuers that were subsequently downgraded must have been rated at least BB-/Ba3 at the time the SMCCF made a purchase. The Facility terminated on December 31, 2020, and ceased purchasing eligible individual corporate bonds, broad market index bonds, and ETFs on that date. Pursuant to the Consolidated Appropriations Act. 2021, the Federal Reserve may not reestablish the SMCCF using funds from the Exchange Stabilization Fund without Congressional approval.

LOANS AND LOAN GUARANTEES — Term Sheet **About**: The Treasury can provide up to \$25 billion in loans and loan guarantees to passenger air carriers and certain businesses that provide maintenance, repair and overhaul services to air carriers, \$4 billion to cargo air carriers, and \$17 billion to businesses critical to maintaining national security (e.g., Boeing, Lockheed Martin). **Other terms**: The term is no longer than 5 years. The borrower is an eligible business for which credit is not reasonably available at the time of the transaction. The loan is sufficiently secured or is made at an interest rate that reflects the risk. Until September 30, 2020, the borrower will maintain employment levels as of March 24, 2020 to the extent practicable and will not reduce its employment by more than 10% from the levels on that date. The borrower has incurred (or is expected to) covered losses such that continued operations are jeopardized. Neither the applicant nor any subsidiary or affiliate may purchase an equity security of the applicant or the direct/ indirect parent company of the applicant. To protect the government and the taxpayer, the freasury may not issue a loan to (1) a borrower that has issued securities that are traded on a national securities exchange unless the Treasury receives a warrant or equity interest in the borrower, or (2) any other borrower unless the Treasury receives, in its discretion, a warrant, equity interest, or senior debt instrument.

AIR CARRIERS OR BUSINESSES CRITICAL TO MAINTAINING NATIONAL SECURITY

**AIR CARRIER PAYROLL SUPPORT -**

employee wages, salaries, and benefits.

**About**: Building on \$32 billion in wage support for the

airline industry provided through the 2020 CARES

Act, the Consolidated Appropriations Act allows the

air carriers and \$1 billion to contractors in support of

funds under the CARES Act, the applicant must agree

Treasury to provide up to \$15 billion to passenger

**Other terms**: Similar to the rules governing use of

to refrain from involuntary layoffs or furloughs until

March 31, 2021; through March 31, 2022, ensure that

neither the applicant nor any affiliate purchases an

parent company of the applicant; through March 31,

or make other capital distributions. Within 72 hours

of executing a payroll support agreement with the

Treasury, the applicant must recall certain employees

of recall, compensate such employees for lost salary,

wages, and benefits incurred between December 1,

2020 and the date of the agreement with the Treasury.

The Treasury may condition receipt of payroll support

forth under the CARES Act, if the recipient previously

additional terms and conditions (including receipt of

warrants, options, preferred stock, debt securities,

notes or other financial instruments issued by the

recipients) that the parties agree in writing.

on compliance with the terms and conditions set

received support under the CARES Act, or any

that were terminated or furloughed and, within 30 days

equity security of the applicant or the direct/indirect

2022, ensure that the applicant shall not pay dividends

<u>juidelines</u> and <u>FAQs</u>

counties, and cities impacted by the pandemic by providing direct financing to states, cities, and counties to help ensure there are funds to provide essential service Other terms: The Treasury made a \$35 billion equity investment in the MLF, and the MLF could purchase up to \$500 billion of short term notes directly from states (including Washington D.C.), counties with a population of at least 500,000, and cities with a population of at least 250,000. These funds were intended to help offset the delay in state and local tax receipts caused by the deferral of the tax filing deadline and help While the MLF terminated on December 31, 2020, the Reserve Bank will continue to fund the special purpose vehicle until the underlying assets are mature or are sold. Pursuant to the Consolidated Appropriation Act, 2021, the Federal Reserve may not reestablish the MLF using funds from

the Exchange Stabilization Fund without

Congressional approval.

STATE AND LOCAL GOVERNMENTS

MUNICIPAL LIQUIDITY FACILITY (MLF)

**About**: The MLF terminated on December

31, 2020. It facilitated the flow of credit

to American workers, businesses, States,

## Larger infusion of capital to cover the cost of retaining employees

PAYCHECK PROTECTION PROGRAM (PPP) — First Draw Application Form; Forgiveness Application Form; Forgiveness Application "EZ" Form; and Forgiveness Application "S" Form (loans of \$150,000 or less)

Phase IV Extension: The Consolidated Appropriations Act, 2021 extends the PPP formed under the CARES Act, with the infusion of \$284 billion made available to all qualifying businesses, including certain borrowers under the original PPP (see <a href="here">here</a> for information on the PPP loans advanced under the CARES Act and subsequent amendments). \$25 billion of the new funding is set aside for second draw loans to eligible borrowers with a maximum of 10 employees, or for loans of \$250,000 or less to borrowers in low or moderate income neighborhoods. The PPP reopened for first draw loans on January 11, 2021 and for second draw loans on January 13, 2021. The window for all PPP loan applications closes March 31, 2021

**Amount**: 2.5x an employer's average monthly payroll cost, capped at \$10 million. For borrowers in the Accommodation and Food Services sector, the maximum loan amount for a second draw loan is 3.5x average monthly 2019 or 2020 payroll costs up to \$2 million.

Forgiveness: A borrower must apply for loan forgiveness for eligible expenses over a covered period of forgiveness, which ends 24 weeks after funding. In order to be eligible for forgiveness, at least 60% of loan proceeds must be used for payroll costs.

**Other terms**: Interest rate of 100 basis points or 1%; minimum maturity of 5 years, or 2 years for loans issued prior to June 5, 2020 (can be extended if lender and borrower agree); zero loan fees and zero prepayment fee; no personal guaranty or collateral needed; borrowers are able to deduct loan expenses, overturning a Treasury Department decision denying such deductions in the wake of the CARES Act. Permissible uses: (i) payroll costs; (ii) costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums; (iii) payments of interest on any mortgage obligations; (iv) rent; (iv) utilities; (vi) interest on any other debt obligations that were incurred before the covered period.

**Liability for misuse**: If a company uses funds for an unauthorized purpose, the SBA requires repayment. If a company knowingly uses funds for an unauthorized purpose, there is additional liability, such as charges of fraud, with potential fine and jail penalties.

Loan request must be necessary for the business: The Treasury released guidance highlighting that businesses must make a good faith certification that the PPP loan is necessary for its business. A safe harbor provision provides, however, that if a business (i) received a PPP loan of less than \$2 million; or (ii) applied for a PPP loan prior to April 24, 2020 and repaid the loan in full by May 18, 2020, the business will be deemed to have made the required good faith certification. The guidance questions whether a "public company with substantial market value and access to capital markets will be able to make the required certification in good faith[.]".

Second Draw Loans: Importantly the PPP remains open to those that previously received funding in the first round, per the terms outlined above, provided they have 300 or fewer employees, will or have used the full amount of their first PPP loan, and can show a 25% gross revenue decline in (i) any 2020 quarter compared with the same 2019 quarter or (ii) annual gross receipts in 2020 compared to 2019, if they were in business all of 2019. The amount of any forgiven first draw loan or any EIDL advance (discussed below), which are not subject to federal income tax, is not included in the calculation of 'gross receipts." In addition to the permissible uses discussed above, second draw loans can be used to cover uninsured property damage costs caused by looting or vandalism during 2020.

## Quick Infusion of capital to support operation

## **EMERGENCY INJURY DISASTER LOAN AND ADVANCE** — Application Form

**EIDL advance amount**: Up to \$10,000 (\$1,000 per employee) within 3 days of applying for the EIDL. However, this is no longer available, as all funds for the EIDL advance program have been allocated. **EIDL advance repayment**: This amount need not be repaid, regardless of the loan decision.

**EIDL loan amount**: Up to \$2 million (in the CARES

Act). Note, the SBA capped this at \$150,000. **Interest**: 3.75% for businesses; 2.75% for nonprofits. Other terms: No personal guaranty needed for loans under \$200,000, no collateral for loan amounts up to \$25,000; any payment is deferred for a year; term of the loans will be up to 30 years; no prepayment penalty; business does not need to have been in business for a year; no certification that the business

cannot obtain credit elsewhere needed. **Permissible uses**: (i) any allowable purpose under the EIDL program; (ii) provide paid sick leave due to virus; (iii) maintain payroll; (iv) meet increased costs due to disruption; (v) make rent or mortgage payments; (vi) repay obligations that can't be met due to lost revenues. **Express Bridge Loan Pilot Program**: This program is designed to supplement the existing disaster loan program. It can be used to bridge the gap while waiting for a decision and disbursement on an EIDL and will be paid in full or in part by proceeds from the EIDL. It allows small businesses with an existing

business relationship with an SBA Express Lender to

be used exclusively to support the survival and/or

the prime rate). Other terms can be found here.

access up to \$25,000 quickly. The loan proceeds must

reopening of the small business. This loan may have a

fixed or variable interest rate (a maximum of 6.5% over

# **DEBT RELIEF**

SBA loan payment relief

fees of current 7(a), for a period of 6 issued prior to Sept.

### PROGRAM **Asset-Backed Security Liquidity**

**About**: The TALF terminated on

December 31, 2020. It enabled the

issuance of asset-backed securities

("ABS") backed by student loans,

auto loans and leases, credit card

SBA, equipment loans and leases,

floorplan loans, premium finance

loans for property and casualty

insurance, leveraged loans, or

commercial leases. The Federal

Reserve lent on a non-recourse

basis to holders of certain AAA-

rated ABS backed by newly and

recently originated consumer and

**Other terms**: The Federal Reserve

lent an amount equal to the market

value of the ABS less a haircut and

will be secured at all times by the

small business loans.

ABS; 3-year term loan.

loans, loans guaranteed by the

The SBA will automatically pay the principal, interest, and 504, and microloans months. The SBA will also automatically pay the principal, interest, and fees of new 7(a), 504, and microloans 27, 2020. Note, debt relief will not apply to PPP or disaster loans.

## **Highly Rated Commercial Paper Liquidity**

#### TERM ASSET-BACKED **COMMERCIAL PAPER FUNDING FACILITY** SECURITIES LOAN FACILITY (CPFF) — FAQ and Term Sheet (TALF) — Term Sheet

**About**: The CPFF provides a liquidity backstop to U.S. issuers of commercial paper through a special purpose vehicle that will purchase eligible three-month corporate, asset-backed, and municipal corporate paper from eligible issuers. It will commence purchases on April 14,

Other terms: Eligible issuers are U.S. issuers of commercial paper, including municipal issuers and U.S. issuers with a foreign parent company. The special purpose vehicle will only purchase U.S. dollar-denominated commercial paper that has a specific rating. The maximum amount of a single issuer's commercial paper the special purpose vehicle may own at any time will be the greatest amount of commercial paper the issuer had outstanding on any day between March 16, 2019 and March 16, 2020. Purchases will cease on March 31, 2021.

**Primary Dealer Liquidity** 

**CREDIT MARKET SUPPORT PROGRAMS** 

# **(PDCF)** — <u>FAQ</u> and <u>Term Sheet</u> **About**: To support the credit needs of

American households and businesses,

PRIMARY DEALER CREDIT FACILITY

this facility will allow primary dealers to support market functioning and facilitate the availability of credit to businesses and households. This facility provides credit to primary dealers in exchange for a broad range of collateral for term funding with maturities up to 90 days. **Other terms**: Eligible collateral includes that which is able to be pledged in open markets operations, investment grade corporate debt securities, international agency securities, commercial paper, municipal securities, mortgage-backed securities, and asset-backed securities. Loans are available for up to 90 days; loans will be limited to the amount of margin-adjusted eligible collateral pledged by the dealer and assigned to the New York Fed's account at the clearing bank. The PDCF will be available to

primary dealers until March 31, 2021.

**PPP Loan Liquidity** 

**LIQUIDITY FACILITY (PPPLF)** — FAQ and Term Sheet **About**: The PPPLF will extend credit

to eligible financial institutions that

PAYCHECK PROTECTION PROGRAM

originate PPP loans, taking the loans as collateral at face value. **Other terms:** All depository institutions that originate PPP loans are eligible to borrow. There are no fees associated: the PPP loan will be assigned a risk weight of 0%; no new extensions of credit will be made after March 31, 2021.

### MONEY MARKET MUTUAL FUND LIQUIDITY FACILITY (MMMF) — FAQ and Term Sheet

**About**: The Federal Reserve Bank of Boston will make loans available to eligible financial institutions secured by high-quality assets purchased by the financial institution from money market mutual funds.

**Money Market Liquidity** 

Other terms: All U.S. depository institutions, U.S. bank holding companies, or U.S. branches and agencies of foreign banks are eligible to borrow; the facility opened on March 23, 2020. No new credit extension will be made after March 31, 2021.

**Treasury Securities Liquidity** 

## FIMA REPO FACILITY — FAQ **About**: The FIMA Repo facility is designed

to help maintain the flow of credit to U.S. households and businesses by reducing risks to U.S. financial markets caused by financial stresses abroad. The facility reduces the need for central banks to sell their Treasury securities outright and into illiquid markets, which will help to avoid disruptions to the Treasury market and upward pressure on yields. **Other terms**: The FIMA Repo facility would allow foreign central banks to temporarily raise dollars by selling U.S. Treasuries to the Federal Reserve's System Open Market Account and agreeing to buy them back at the maturity of the repurchase agreement. The term of the agreement will be overnight but can be rolled over as needed. The transaction would be conducted at an interest rate of 25 basis points over the rate on IOER (Interest on Excess Reserves), which generally exceeds private repo rates when the Treasury market is functioning well, so the facility would primarily be used only in unusual circumstances such as those prevailing at present. The Federal Reserve will allow liquidity swap lines and the temporary repurchase agreement facilities for foreign and international monetary authorities

through September 30, 2021.