

Top 10 Key Provisions of the CARES Act

The following document provides an overview of 10 key provisions under the [CARES Act](#) which provides hundreds of billions of dollars that will be administered by various government agencies to help stabilize the US economy over the coming weeks and months. While this document covers provisions from the legislative text, many of the parameters of the assistance authorized by the CARES Act will be determined in coming days and weeks in regulatory action by Treasury, the Small Business Administration (SBA) and the Federal Reserve.

1. **Small Business Loan Program.** The legislation allots almost **\$380bn** in loans and grants from the SBA. **\$349bn** is available through 7(a) loans from the SBA for the Payroll Protection Program. An additional **\$27bn** was added in emergency grants to aid in servicing existing SBA loans.
 - Wide Coverage and Eligibility: In addition to traditional small business (e.g. <500 employees), assistance will be extended to non-profits, sole proprietors, independent contractors, self-employed individuals and “gig” workers with additional coverage for hospitality / food industry.
 - Note however that the employee figure is expected to take into account affiliates, determined using the SBA’s affiliate rules (e.g., if a business is a portfolio company affiliated with a private equity or other firm, your business may need to count all employees of the private equity or other firm).
 - The program is retroactive to February 15 and runs through June 30.
 - Companies will be eligible for loans equal to 2.5x an employer’s average total monthly payroll costs up to a \$10mm cap.
 - Payments can be deferred and forgiven under the program.
 - The legislation provides that federal agencies, including the SBA and the Treasury, will issue regulations and/or guidance to implement the Payroll Protection Program, and the SBA is required to issue regulations under emergency rulemaking authority by **April 11, 2020**.
2. **“Cash Payments” for Individuals.** Treasury will issue payments to individuals as a rebate for the 2019 tax year. Parameters include:
 - Individuals making up to **\$75,000**, heads of households up to **\$112,500** and joint filers up to **\$150,000** will receive a **\$1,200** check, or **\$2,400** in the case of eligible individuals filing a joint return. Children of qualifying individuals / families will also receive **\$500**.
 - Phase out begins above **\$75,000 / \$150,000** so that payments would decrease at a rate of \$5 for every additional \$100 in income.
 - Payments cease at **\$99,000** individual / **\$198,000** joint filer threshold.
3. **Expanded Unemployment Benefits.** The bill provides for \$600 weekly payments in addition to regular unemployment compensation, for up to four months through July 31, 2020. Individuals may not receive more than 39 weeks of combined unemployment assistance between state and local resources for this year. This additional benefit is only available between January 27, 2020 and December 31, 2020 unless extended.
4. **Establishment of Healthcare Fund.** The legislation includes a host of changes and additional funding to help support the healthcare sector and establishes a **\$100bn** fund to support healthcare. These funds are available for eligible healthcare providers which include public entities, Medicare or Medicaid enrolled suppliers and providers and any other U.S. entities and nonprofits specified by the HHS Secretary that provide diagnoses, testing, or care for individuals with possible or actual cases.
 - Funds can be used for building or construction of temporary structures, leasing of properties, medical supplies and equipment (including personal protective equipment and testing supplies), increased workforce and trainings, emergency operation centers, retrofitting facilities, and surge capacity.
 - Lost revenue (e.g., forgone revenue from cancelled procedures) attributed to coronavirus is also a qualified expense.

5. **Airlines and National Security – Treasury Direct.** The legislation contemplates loans, guarantees and other investments by the Treasury for airlines and national security.
- Beyond what is below, there is an additional \$32 billion in grants to the airlines.
 - Up to **\$25 billion** in loans and loan guarantees for **passenger air carriers** or eligible businesses that service airlines, and for travel agents.
 - Up to **\$4 billion** in loans and loan guarantees for **cargo air carriers**.
 - Up to **\$17 billion** in loans and loan guarantees for **businesses critical to maintaining national security**.
 - Companies receiving aid under these provisions will be subject to both corporate governance provisions and US location provisions.
 - Each Company must be headquartered in the US, have material operations in the US and have the majority of its employees in the US (the US location provisions).
 - There are restrictions on buyback, dividend and compensation restrictions until one year after the loan or loan guarantee is paid back (the corporate governance provisions).
 - The Treasury is required to take warrants in any public company receiving support in these categories and may take either warrants or senior debt in private companies.
6. **Other Companies, State and Municipalities – Treasury and the Federal Reserve.** There is an additional **\$454 billion** plus any amounts not used under the preceding three authorities for the Treasury to make loans loan guarantees to, and other investments in, eligible Federal Reserve programs or facilities for businesses, states and municipalities. The Federal Reserve is required to work through the financial sector.
- Ultimate borrowers would be subject to the US location and corporate governance provisions above for direct loans in a bilateral credit agreement (unless a syndicated credit in the normal course), but not for purchases of securities by the SPV. The Treasury has more ability to waive them.
 - Warrants are not required.
 - The Federal Reserve is required to work within its 13(3) authority so programs will be broad based, collateral to the Federal Reserve is required and no borrower can be insolvent.
 - We expect that the Federal Reserve will create an SPV as it has done in other similar programs, that the Treasury will provide some equity cushion or first loss credit protection to the Federal Reserve and that the \$454 billion be leveraged up to a much higher amount by the Federal Reserve.
 - We expect the Federal Reserve to come up with numerous programs. Two examples of programs are set forth in the statute but they are only examples of what the Federal Reserve might do.
 - One example is a **Mid-Size Business Lending Program**: Treasury is authorized to provide financing to banks and other lenders that make direct loans to eligible businesses with between 500 and 10,000 employees, including nonprofits. The program would set interest rates no higher than 2% and allow no principal or interest due for six months, which could be extended by Treasury. Under the program, mid-size businesses would be required to retain 90% of their employees (as of February 1) through September 30, 2020.
 - Another example is a Main Street Lending Program, the contours of which are unknown.
7. **Mortgage Forbearance Programs.** The Act mandates that any lender or servicer with a federally backed mortgage loan (Freddie, Fannie, VA, FHA, etc.) provide a 6-month forbearance, with no extra fees or interest, to any borrower experiencing a financial hardship related to COVID-19 who requests it. That forbearance can be extended for an additional period of 180 days. Multifamily borrowers have a shorter forbearance period.
8. **Foreclosures & Evictions.** The Act prohibits foreclosures for 60 days after March 18, 2020 and evictions by landlords for 120 days after the enactment of the Act. Limited to federally backed mortgage loans and housing voucher programs for evictions.
9. **Consumer Credit Ratings.** The Act protects the credit ratings of consumers who receive an accommodation or forbearance due to the crisis.

10. Oversight Provisions. The program will include two oversight components:

- A **Congressional Oversight Commission** that runs through September 30, 2025 and will conduct oversight of economic relief provisions, hold hearings, and submit monthly reports to Congress. The Commission is to be made up of a five-member panel selected by Senate and House majority and minority leaders.
- Similar to the SIGTARP, the legislation establishes a **Special Inspector General** will conduct audits of the Treasury Secretary's activity. The new Special Inspector General will be presidentially appointed and Senate confirmed and will have a \$25 million budget and subpoena power.

This document been prepared by Goldman Sachs and its legal counsel and is intended to serve as only a high-level summary of specific provisions of the CARES Act. This summary does not constitute advice and does not cover all aspects of the law, including provisions that may be relevant to, or apply differently to, your business, your employees and/or your shareholders. For any specific questions about the CARES Act and how it may impact your business, we strongly encourage that you contact your legal counsel and your business contacts at Goldman Sachs.