



On Friday, March 27, 2020, the United States Congress cleared and President Trump signed a third bill that allows for \$2.4 trillion in spending in response to the public health crisis and economic fallout for individuals and businesses due to the COVID-19 pandemic. This package is the largest in American history and provides a broad range of provisions, including payments to local governments, grants for medical response efforts, loans to small businesses and rebates to eligible individuals, among other things.

The stabilization package contains hundreds of billions of dollars to help American businesses cope with a slowing economy. Included is nearly \$350 billion in loans to small businesses to maintain their employee payrolls for up to 8 weeks and \$500 billion to provide liquidity to eligible businesses facing losses incurred due to the coronavirus.

Overview of Small Business Administration Paycheck Protection Program
<p>The CARES Act expands the ability to obtain loans under Section 7(a) of the Small Business Act through a new \$349 billion Paycheck Protection Program. Information about these programs can be found on the Small Business Administration website: https://www.sba.gov/disaster-assistance/coronavirus-covid-19</p>
What it is:
<ul style="list-style-type: none">• Government-backed SBA loans to help small businesses keep employees employed, on their employer-sponsored insurance, and maintain physical operations due to COVID-19 related business impacts• The government has committed to funding \$350 billion in loan commitments to fund grants issued between February 15 and June 30, 2020• SBA grants can be obtained through SBA-approved financial institutions
Who is eligible:
<ul style="list-style-type: none">• Businesses generally have fewer than 500 employees• Businesses can include:<ul style="list-style-type: none">○ For profit businesses (who are usually eligible for SBA loans)○ Sole proprietors○ Independent contractors○ Certain self-employed individuals○ Nonprofit organizations section 501(c)(3) organizations, and nonprofit veteran organizations (under section 501(c)(19))○ Tribal businesses• Businesses with more than one physical location that employ no more than 500 employees per physical location in certain industries, subject to a gross annual receipts threshold.• The aggregation rule is lifted for some franchises in the hospitality and restaurant industries.• Businesses must certify the uncertainty of current economic conditions makes their loan request necessary and acknowledge funds will be used to either retain workers and/or make mortgage, lease or utility payments.
How much:
<ul style="list-style-type: none">• Loan amounts are tied by the average monthly payroll of the business during the preceding year• In general, the maximum loan amount is \$10 million, however, the amount may be less for most businesses

What can loans be used for:

- Funds can be used for:
 - Payroll costs, which includes:
 - Payments to employees, including salaries, wages, group health and retirement benefits
 - Wage, commission, income, net earnings from self-employment, or similar compensation for sole proprietors or independent contractors (up to \$100,000 in 1 year, prorated for the covered period)
 - Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
 - Interest on any mortgage obligation or other debt obligations incurred before February 15, 2020
 - Rent or utilities
 - Employee compensation is limited to the first \$100,000 per employee per year (prorated for the February 15-June 30 period), and it does not include employees who are not living in the US. It also does not include any of the payments made under the Families First Act (paid sick and paid Family Medical Leave Act time).

Key terms or limitations:

- There are several key terms and limitations including maximum interest rate, waiving fees, payment deferment and loan forgiveness.

Where to apply and get more information:

- Information about these programs can be found on the Small Business Administration website: <https://www.sba.gov/disaster-assistance/coronavirus-covid-19>

Overview of Treasury Department Loan Programs in the CARES Act

This \$500 billion fund will allow the Secretary of the Treasury to provide loans and loan guarantees to support credit facilities that will be established by the Federal Reserve.

How is the fund allocated:

- Congress authorized \$46 billion to be directed to the following industries: passenger air carriers and some related industries; cargo air carriers; businesses important to maintaining national security.
- The remaining \$454 billion, as well as any amounts available but not used for direct lending, are available for loans, loan guarantees, and investments in support of the Federal Reserve's lending facilities to businesses, states, and municipalities.

Who Is eligible for a Treasury Direct Lending Loan:

- Entities applying for a direct lending loan must meet the following criteria:
 - Alternative financing is not reasonably available to the business;
 - The loan is sufficiently secured or made at an interest rate that reflects the risk of the loan and, if possible, not less than an interest rate based on market conditions for comparable obligations before the coronavirus outbreak;
 - The duration of the loan shall be as short as possible and shall not exceed 5 years;
 - Borrowers and their affiliates must agree not to engage in stock buybacks, unless previously contractually obligated, or pay dividends until one year after the date of repayment of the loan;
 - Borrowers must commit to maintain their employment levels as of March 24, 2020 until September 30, 2020, to the extent practicable, and in any event to retain no less than 90 percent of their employees as of March 24, 2020;
 - A borrower must certify that it is a U.S.-domiciled business and its employees are predominantly located in the U.S.;
 - The loan cannot be forgiven; and
 - in the case of borrowers critical to national security, their operations are jeopardized by losses related to the coronavirus pandemic.

Who Is eligible for the Federal Reserve's lending facilities:

- There is no restriction on the ability of any business to apply for support through the Federal Reserve's lending facilities, which facilities will have access to the residual \$454 billion plus any amounts not lent directly by Treasury.
- Businesses may only apply for these funds if they agree to the following criteria:
 - Not to pay dividends or engage in buybacks of the borrower entity's own equity or the equity of any parent company, in either case until one year after the loans have been repaid; and
 - Comply with the executive compensation limitations applicable to individuals making more than \$425,000 and to individuals making more than \$3 million per year.
- The Secretary may waive these requirements but is required to make himself available to testify before the Senate Banking and House Financial Services Committee regarding the reasons for any such waiver.

What help is available for non-profits or businesses who employ between 500-10,000 employees:

- The Treasury Secretary will endeavor to implement a special credit facility through the Federal Reserve targeted specifically at non-profit organizations and businesses between 500 and 10,000 employees, subject to additional loan criteria and obligations, including:
 - The funds received must be used to retain at least 90 percent of the recipient's workforce, with full compensation and benefits, through September 30, 2020;
 - The recipient will not outsource or offshore jobs for the term of the loan plus an additional two years;
 - The recipient will not abrogate existing collective bargaining agreements for the term of the loan plus an additional two years; and
 - The recipient must remain neutral in any union organizing effort for the term of the loan.
 - Note: The Secretary is authorized to create this facility without restriction to the Federal Reserve's existing authority to create a Main Street Lending Program. This Program would not be required to have all of the above restrictions and may ultimately be the principal way that the CARES Act resources are channeled to provide relief to medium-sized businesses.

Where to get more information:

- Treasury is expected to issue additional guidance imminently.

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