



# Key Financial Services Provisions in the CARES Act

March 25, 2020

## Providing Immediate Relief to America's Job Creators & Consumers

- The CARES Fund allocates \$500 billion to what is called an Exchange Stabilization Fund (ESF).
  - An ESF is basically an emergency reserve fund that provides the Treasury Secretary with the authority to distribute emergency funding to assist companies of all sizes.
  - This critical funding would allow the Treasury Secretary to provide loans and loan guarantees to businesses of all sizes.
  - Up to \$454 billion can fund a Federal Reserve facility for distressed businesses.
  - These funds allow the Treasury to finance Fed facilities that will be used to provide liquidity to shore up business lending and our financial markets.
  - This \$454 billion has the potential to unleash more than \$4 trillion in lending to businesses of all sizes, consumers, local governments, and money market funds.
  - This is not a bailout. The fund provides loans that must be paid back—and the loans are to Americans who, through no fault of their own, are in economic jeopardy.
- Requires consumer credit scores to be maintained as “current” if a lender enters into an accommodation agreement with a consumer.

### Why it matters:

- Financial markets are under tremendous pressure for more liquidity and credit. Right now, financial institutions are unwinding their financial positions to have more cash on hand.
- Without liquidity and credit, banks will not be able to provide much-needed financing for businesses to help with their day-to-day expenses like meeting payroll to paying the rent.
- The ESF will support businesses of all sizes and the new Fed facility seeks to address the gap between the relief provided to small businesses of fewer than 500 employees, and some of the largest and most sophisticated companies that have access to other relief.

## Keeping our Financial Institutions Strong

- The CARES Act provides temporary relief to our financial institutions, making it easier to extend credit to American consumers and businesses that need it most. The reforms include:
  - Debt Guarantee Authority to allow the FDIC and NCUA to temporarily guarantee noninterest bearing accounts of banks and credit unions without a maximum guarantee limit.
  - Provides community banks with relief and a reasonable grace period for complying with the Community Bank Leverage Ratio (CBLR).
  - Allows banks and credit unions to provide relief to consumers and businesses by temporarily removing the burdensome Troubled Debt Restructuring (TDR) classification requirement.
  - Exempts financial institutions from being forced to comply with the ill-advised accounting standard, Current Expected Credit Losses (CECL) standard, until the end of the public health emergency declaration or the end of the year.



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- o Treasury's Exchange Stabilization Fund (ESF) for the money markets lifts any restrictions that applied to Treasury's ESF in 2008 during this national emergency, allowing direct appropriations for any funds used for Treasury's Money Market Fund Guarantee Program.

- **Why It Matters:** Regulatory barriers shifted the focus of financial institutions away from consumers and businesses and more on costly compliance. The temporary relief provided in the CARES Act will allow financial institutions of all sizes to prioritize extending more loans to more Americans and shore up our financial system during the pandemic.

## Authorizes International Financial Institutions

- Enacts five authorizations for the international financial institutions (IFIs) to prevent the global spread of coronavirus and mitigate international coronavirus-related economic threats that could undermine the U.S. economy.
- **Why It Matters:** Authorizing resources for the international financial institutions will allow the institutions to leverage hundreds of billions in supporting those economies that may be severely impacted. This demonstrates the United States' leadership in the world and prevents China from taking advantage of this crisis.

## Defense Production Act Funding to Fight Coronavirus

- Includes \$1 billion in appropriations for DPA purchases that respond to coronavirus.

## Emergency Assistance for Housing Needs

- Provides necessary assistance to various housing initiatives, including:
  - o \$5 billion for the Community Development Block Grant.
  - o \$1 billion for Project Based Rental Assistance.
  - o \$1.25 billion for Tenant Based Rental Assistance programs and housing choice vouchers.
- **Why It Matters:** The CARES Act provides housing assistance to the people who need it the most, particularly families struggling to make rent payments or individuals experiencing homelessness.

## Protecting Homeowners and Renters from Foreclosure and Eviction

- The CARES Act not only takes steps to keep paychecks flowing to our nation's workers, but also helps those who may experience a loss of income keep a roof over their head.
- The CARES Act:
  - o Prohibits foreclosures on any federally backed mortgages for 60-days.
  - o Allows borrowers affected by COVID-19 to shift any missed payments to the end of their mortgage, with no added penalties or interest, for 180 days.
  - o Halts evictions for renters in properties with federally backed mortgages for 120 days.
  - o Gives relief to multifamily property owners through forbearance on any federally backed.



# The CARES Act Ensures Banks and Credit Unions Can Continue Lending to American Consumers and Small Businesses

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The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides regulatory relief to banks and credit unions to keep them lending and serving American consumers and businesses. These changes will provide additional support for consumers with mortgages, student, and auto loans, and to small businesses who need loans to pay their employees, in addition to other credit products.

The temporary relief is extended in four critical ways:

- **Capital Relief for Community Banks.**

The CARES Act temporarily reduces the Community Banking Leverage Ratio (CBLR) by one percent (from nine to eight percent) and allows the federal banking regulators to grant a “reasonable” grace period if any bank falls below that eight percent threshold. Today, banks are well-capitalized and strong. This change will allow community banks to deploy additional, needed capital to consumers and businesses through this time of crisis. The new standard will expire when the public health emergency ends, or by December 31, 2020, whichever comes first.

- **Relief from Troubled Debt Restructuring (TDR) Disclosures.**

The CARES Act temporarily suspends “generally accepted accounting principles” (GAAP) requirements for Troubled Debt Restructuring (TDR) classifications on loans. Many banks and credit unions are working with their customers to provide modifications to outstanding loans. These actions can strain bank and credit union balance sheets. This change will assure banks and credit unions that loan modifications resulting from coronavirus-related distress do not trigger a TDR classification or disclosure. This assurance will further incentivize banks and credit unions to exhaust all options to support consumers and businesses. This change will expire 60 days after the public health emergency ends.

- **Relief from Current Expected Credit Losses (CECL) Standard.**

The CARES Act gives banks and credit unions the option to decide whether to comply with the new ill-advised accounting standard known as CECL. Banks and credit unions have raised concerns that the new requirements will result in reserve increases that tie up capital and correspondingly reduce the supply of available credit. Currently, smaller banks and credit unions are not required to comply with the standard until 2023. The provisions in the CARES Act will give larger banks the option to free up trapped capital and will allow banks and credit unions to extend additional loans to consumers and businesses. This change will expire when the public health emergency ends, or by December 31, 2020, whichever comes first.

- **Debt Guarantee Authority.**

The CARES Act allows the federal financial regulators to temporarily guarantee noninterest bearing accounts of banks and credit unions without a maximum guarantee limit. This will help reassure depositors that their deposits are safe at any amount, which is especially relevant for companies’ payroll operations. This authority will expire on December 31, 2020.

**Why It Matters:** Congress is doing what it can to remove unnecessary obstacles to bank lending. The temporary relief provided in the CARES Act will allow financial institutions of all sizes to prioritize extending more loans to more American consumers and small businesses during this public health emergency.



# The CARES Act Supports Distressed Main Street Businesses

March 25, 2020

The CARES Act provides financing to America's Main Street businesses, complementing the efforts by the Treasury, the Federal Reserve, and the Small Business Administration during the pandemic, to make sure that small and medium size businesses all across America get the help they need.

## Quick overview:

The CARES Fund allocates \$500 billion to what is called an Exchange Stabilization Fund (ESF).

- An ESF is basically an **emergency reserve fund** that provides the Treasury Secretary with the authority to distribute emergency funding.
- Up to **\$46 billion** can be used to assist air carriers and businesses critical to our national defense.
- Up to **\$454 billion** can fund a Federal Reserve facility for distressed businesses.

## There's quite a bit of misinformation about how the \$454 billion fund works.

### Here's the truth:

- The \$454 billion would allow the Treasury Secretary to provide loans and loan guarantees to businesses of all sizes.
- These funds allow the Treasury to finance Fed facilities that will be used to provide liquidity to shore up business lending and our financial markets, including through a special bank-based program for companies that employ 500-10,000 employees.
- This \$454 billion has the potential to unleash more than \$4 trillion in lending to businesses of all sizes, consumers, local governments, and money market funds.
- This is not a bailout! The fund provides loans that must be paid back—and the loans are to Americans who, through no fault of their own, are in economic jeopardy.

### Why it matters:

- Financial markets are under tremendous pressure for more liquidity and credit. Right now, financial institutions are unwinding their financial positions to have more cash on hand.
- Without liquidity and credit, banks will not be able to provide much-needed financing for businesses to help with their day-to-day expenses like meeting payroll to paying the rent.
- The CARES Act allows the Treasury and the Fed to fix the current liquidity and credit problems in the financial markets by providing direct financing to eligible businesses.
- The ESF will support businesses of all sizes and the new Fed facility (500-10,000 employees) seeks to address the gap between the relief provided to small businesses of fewer than 500 employees, and some of the largest and most sophisticated companies that have access to other relief.
- 68 million Americans are employed by businesses with more than 500 employees.
- This program is in addition to the \$367 billion in assistance to America's small businesses.



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## As for oversight of the fund:

- Creates a new Special Inspector General for Pandemic Recovery with subpoena power to investigate the sale of loans, loan guarantees, and any other investments made by the Treasury, including the disclosure of the categories of loans, the eligible businesses that are participating, and an explanation by the Treasury Secretary for each transaction.
- Creates a five-member Congressional Oversight Commission to conduct oversight of the Treasury and Fed in implementing the fund. The Oversight Commission can hold hearings and take testimony, and will provide reports to Congress on the fund's impact on the American economy and the effectiveness of the fund for taxpayers.
- Firms controlled by the President, Vice President, most senior-level cabinet officials, Members of Congress, as well as their immediate family members, are prohibited from receiving financing from the fund.



# Summary of Housing Funding in the CARES Act

March 25, 2020

The Coronavirus Aid, Relief, and Economic Security (CARES) Act prioritizes assistance for low-income households with more than \$12.4 BILLION in new funding for the Housing and Urban Development's (HUD) programs. These HUD dollars will ensure housing stability for low-income households and vulnerable homeless populations. The funding also provides states and localities with the tools they need to fight COVID-19. Further, the CARES Act takes decisive actions to protect homeowners and renters from foreclosure and evictions during this outbreak.

This new funding is targeted toward:

## Helping Americans Meet their Monthly Housing and Public Health Needs

- With so many businesses either closed or greatly scaled-back operations, many Americans might feel increased paycheck pressure to meet their basic housing cost needs. They deserve assurances that their housing providers are taking positive steps to stop the spread of this disease.

The CARES Act provides:

- o \$5 BILLION for Community Development Block Grants with additional flexibility to meet the needs of individual communities fighting this virus.
- o \$1.25 BILLION in additional funding for Tenant Based Rental Assistance programs to assist more families in securing stable housing during this emergency and help assisted households who may lose income during the outbreak.
- o \$1 BILLION for Project Based Rental Assistance to assist PHAs and property owners in preventing the spread of COVID-19 and helping residents who lose income due to the outbreak.
- o \$300 MILLION for Native American Housing Programs to help our tribes provide housing for more individuals and prevent overcrowding in their existing housing stock.

## Protecting Our Nation's Most Vulnerable

- Without basic shelter or consistent access to health care and other preventative measures, individuals experiencing homelessness are especially at risk of COVID-19, particularly in cities with large homeless encampments like Seattle, New York, and Los Angeles. Other vulnerable populations at elevated risk during this outbreak are the elderly and individuals with disabilities.

The CARES Act provides:

- o \$4 BILLION for Emergency Homeless Assistance Grants that go directly to local governments to help provide shelter and basic facilities.
- o \$685 MILLION in emergency funding for local Public Housing Agencies (PHAs) to help prevent the spread of this disease in public housing.
- o \$65 MILLION to help prevent outbreaks for those who may be most impacted by this virus, our nation's elderly (Section 202) and disabled (Section 811).
- o \$65 MILLION in additional funding for the Housing Opportunities for Persons with AIDS program, and the flexibility to use that funding and those units to assist families affected by COVID-19.



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## Cutting Red Tape & Giving Localities The Tools They Need

- Alongside additional funding, housing providers need expedited authority to get funding out the door and into the hands of those on the frontline quickly. This means waiving lengthy public comment periods and reviews and allowing greater flexibility to use this funding as localities see fit.

The CARES Act:

- o Gives HUD broad waiver authorities to get rid of impediments.
- o Waives lengthy approval requirements for communities on the frontlines.
- o Allows PHAs flexibility and fungibility to use additional or spare funds as needed.
- o Authorizes HUD to recruit and appoint candidates on an expedited basis to fill job vacancies needed to help prevent, prepare for, or respond to COVID-19.

## Protecting Homeowners and Renters from Foreclosure and Eviction

- The CARES Act not only takes steps to keep paychecks flowing to our nation's workers, but also assists those who may experience a loss of income keep a roof over their head.

The CARES Act:

- o Prohibits foreclosures on any federally backed mortgages for 60-days.
- o Allows borrowers affected by COVID-19 to shift any missed payments to the end of their mortgage, with no added penalties or interest, for 180 days.
- o Halts evictions for renters in properties with federally backed mortgages for 120 days.
- o Gives relief to multifamily property owners through forbearance on any federally backed mortgage.



# The CARES Act Leverages the United States' Leadership Role in our International Financial Institutions

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- The U.S. is showing what true global leadership against COVID-19 means.
- In addition to working with other central banks, the U.S. is working with its international financial institution partners to ensure that they have the resources they need to support member countries who need assistance, particularly in the fight against COVID-19.
- The CARES Act expedites the Administration's requests to leverage more than \$250 billion in lending at the international financial institutions (IFIs) to stop COVID-19 from spreading abroad and to keep it from America's shores.
- The CARES Act authorizes the Administration's requests to:
  - o Increase the capital base of the International Finance Corporation (IFC), the World Bank's private-sector arm. This increase costs the U.S. nothing but requires Congress to approve it in order to trigger other countries' ability to pay in. Democrats have held up the IFC request for more than a year because of their opposition to private-sector solutions in poorer countries. The Democrats' delay has put our allies' confidence in the U.S. at risk. Republicans are saying enough is enough.
  - o Expand a U.S.-led supplemental lending facility at the International Monetary Fund (IMF), where the U.S. wields a veto over major decisions. The reforms secured by the Administration for the increase require a drastic reduction of bilateral funding for the IMF that comes from countries like China. Moreover, this expansion prevents an increase in China's IMF shareholding.
  - o Strengthen resources at the African Development Bank so that a coronavirus outbreak or economic instability in Africa do not jeopardize America's interests on the continent.
- Inclusion of these provisions demonstrates the United States' leadership in the world in confronting COVID-19 and in restoring private-sector led growth.