

# US Federal Coronavirus Update Administration Blueprint for Third Economic Relief Package

March 19, 2020

On March 18, the Department of the Treasury released a term sheet describing key terms of a proposed coronavirus economic relief package. The blueprint is broad by design, leaving considerable room for Congress to make changes.

For its part, Congress continues to speed forward in response to the pandemic with the Senate passing the Families Coronavirus Relief Act and Senate Leader McConnell announcing that the Senate will not leave Washington until it has finished work on the next package.

To that end, Leader McConnell announced the formation of three republican task forces to examine major aspects of any economic relief legislation and draft a bill that can then be negotiated with Senate democrats and the House.

## Treasury Term Sheet

### I. \$200 billion for the Treasury Department's Exchange Stabilization Fund

- **\$50 billion for an Airline Industry Secured Lending Facility** for U.S. passenger and cargo air carriers at a private interest rate and other terms and conditions determined by the Treasury Department
- **\$150 billion for secured lending or loan guarantees** to assist other critical sectors of the US economy experiencing severe financial distress due to the COVID-19 outbreak.

### II. Temporary Permission to Use The Treasury Exchange Stabilization Fund to Guarantee Money Market Mutual Funds

- The proposal would temporarily suspend the statutory limitation on the use of the Exchange Stabilization Fund for guarantee programs for the United States money market mutual fund industry with a sunset on the authority to establish any new money market mutual fund guarantee program upon the conclusion of the March 13<sup>th</sup> Coronavirus National Emergency declaration

### III. Economic Impact Payments

- This provision would authorize and appropriate funds for two rounds of direct payments to individual taxpayers, to be administered by the IRS and Bureau of the Fiscal Service.
- Payment amounts would be fixed and tiered based on income level and family size.
  - \$250 billion to be issued beginning April 6
  - \$250 billion to be issued beginning May 18
- Each round of payments would be identical in amount.

#### IV. A \$300 Billion Appropriation for a Small Business Interruption Loan Program

- To provide continuity of employment through business interruptions, this provision would authorize the creation of a small business interruption loan program and appropriate \$300 billion for the program
- The US government would provide a 100% guarantee on any qualifying small business interruption loan
- Qualifying loan terms:
  - Eligible borrowers: Employers with 500 employees or less (phased out)
  - Loan amounts: 100% of 6 weeks of payroll, capped at \$1540 per week per employee (approx. \$80,000 annualized)
  - Borrower requirement: Employee compensation must be sustained for all employees for 8 weeks from the date the loan is disbursed
  - Lender: US financial institutions
  - Streamlined underwriting process: Lender verifies the previous 6-week payroll amount and later verifies that the borrower has paid 8 weeks of payroll from date of disbursement.
  - Authority for the Treasury Department to issue regulations establishing appropriate interest rate, loan maturity, and other relevant terms and conditions

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