

Midsize Business Loan Program under Title IV of the CARES Act

The Coronavirus Aid, Relief, and Economic Security Act (H.R. 748) (CARES Act), enacted on March 27, aims to provide economic assistance to distressed sectors of the U.S. economy.

As part of this legislation, the Emergency Relief and Taxpayer Protections provisions include at least \$454 billion in aid to programs or facilities established by the Board of Governors of the Federal Reserve System that supports lending to states, municipalities, and eligible businesses. Some portion of that \$454 billion will be directed toward providing low-interest loans for eligible businesses and nonprofit organizations. This program is known informally as the "Main Street" business lending program.

Under this program, Treasury will provide financing to banks and other lenders, which will in turn make direct loans to businesses and nonprofit organizations staffed with anywhere from 500 to 10,000 employees. The terms are attractive. Annual interest rates are capped at 2 percent and no principal or interest payments are due during the first six months after the loan is made.

However, there are several requirements on applying businesses. For one, a qualifying business cannot pay dividends with respect to the common stock of the eligible business, or repurchase an equity security that is listed on a national securities exchange, except to the extent required under a contractual obligation that is in effect as of the date of enforcement of this Act. Additionally, the funds must be used to retain at least 90 percent of the company's workforce, at full compensation and benefits, until September 30, 2020, and the recipient must intend to restore not less than 90 percent of the workforce that existed as of February 1, 2020, and to restore all compensation and benefits to workers no later than four months after the termination of the declaration of a public health emergency. There are several additional requirements, and the provisions make clear that no portion of the principal of a loan can be forgiven.

At this time, there remain many uncertainties surrounding this program, including what type of collateral will be required as security for the loans, and whether the interest on the loan might be forgiven.

Treasury Secretary Mnuchin has stated that details on this program may be available this week.

Contact Us

Reach out to Fraser Stryker's business attorneys for more information. We are here to help:



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