

STIMULUS MEASURES FOR US ECONOMY

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US stimulus measures can be divided in Phase I, Phase II, Phase III and Phase IV. Lawmakers are already working at Phase V.

A. Phase I (Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, H.R. 6074, Public Law No: 116-123)

It is a \$8.3 billion package for emergency funding to federal agencies. \$6.7 billion was designated for the domestic response and \$1.6 billion for international response. Of total domestic response, the vast majority (\$6.2 billion) was allocated for the Department of Health and Human Services (HHS). \$20 million funded the Small Business Administration (SBA) disaster loans program.

The full text of the law can be downloaded [here](#).

B. Phase II (Families First Coronavirus Response Act, H.R. 6201, Public Law No: 116-127)

\$104 billion response package, which aimed to ensure the availability of free coronavirus testing, to guarantee food aid for families and to expand benefits for workers (paid leave, unemployment insurance).

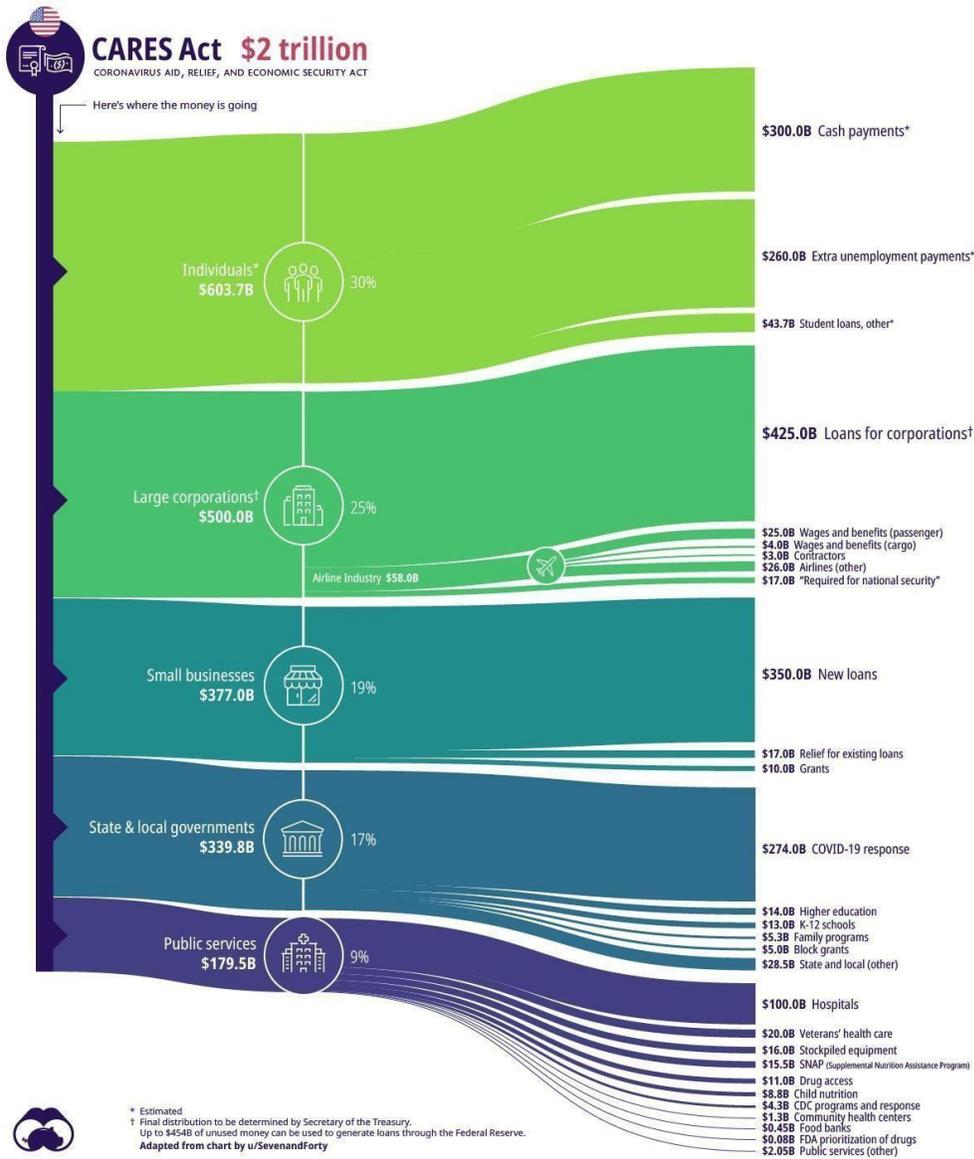
The full text of the law can be downloaded [here](#).

C. Phase III (CARES Act, H.R. 748, Public Law No: 116-136)

An abbreviation of Coronavirus Aid, Relief, and Economic Security Act is a \$2 trillion relief package, the largest relief bill in U.S. history.

The full text of CARES Act can be downloaded [here](#).

C. 1. How are the 2 trillion USD allocated?



Source:

<https://www.visualcapitalist.com/the-anatomy-of-the-2-trillion-covid-19-stimulus-bill/>

C. 2. More detail on business provisions

Business provisions can be found mainly in Title I (Measures for Small Businesses), Title IV (Measures for Large Corporations) and Title II, Section C (Additional Business Provisions).

In particular, the CARES Act established 2 loan programs:

1. The Paycheck Protection Program (PPP), managed mostly through the Small Business Administration
2. The Coronavirus Economic Stabilization Act of 2020 (CESA), which created loan programs to be directed by the Treasury Department

Measures for small businesses

Title 1 of the CARES Act (“Keeping American Workers Paid and Employed Act”) provides relief for small businesses and their employees affected by COVID-19. Through the “Paycheck Protection Program” (PPP), an emergency lending facility, administered by the Small Business Administration (SBA), Title I adds \$349 billion in new lending capacity. Eligible entities are Sole proprietorships, Partnerships, C-Corporation, S-Corporations, LLC, independent contractors and self-employed people, nonprofits (501(c)(3) organization), tribal businesses 31(b)(2)(C) and veteran’s organizations (501(c)(19) **with not more than 500 employees, or the applicable size standard for the industry as provided by SBA, if higher** and which were operational on Feb. 15, 2020

Eligible businesses can borrow up to 250% of their average monthly “Payroll Costs” (including wages, healthcare and other benefits), not to exceed \$10 million from 800 existing SBA-certified lenders (credit unions, banks and other financial institutions). Loans bear an interest rate of no more than 4% yearly and may last up to 10 years. Business can apply starting April 3 and ending June 30. Deferrals of principal, interest, and fees for six months will be built into the loans.

The loans are forgivable for the part equivalent to the sum spent on covered expenses during the eight-week period after the loan is originated, if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.

For a definition of Payroll Costs, please see the attached “Borrower Application form”

At this [link](#) it is possible to find a nearby lender eligible to issue a loan under the Paycheck Protection Program.

A note published on the Small Business Administration website on April, 16 states that SBA is currently unable to accept new applications for the Paycheck Protection Program based on available appropriations funding. The Congress is already debating about the possibility to add fresh funding to the lending facility.

Additional provisions for small businesses

In addition to \$349 billion in new loans the CARES Act includes:

- \$17 billion appropriated to cover six months of payments for small businesses with existing Small Business Administrative (SBA). According to the [official website](#), the SBA will automatically pay the principal, interest, and fees of **current 7(a) loans** (the primary SBA program for providing financial assistance to small businesses), **504 loans** (a SBA program that provides small businesses with financing to acquire fixed assets for expansion or modernization) **and microloans** (SBA loans up to \$50,000 that can be used for working capital, inventory or supplies, furniture/fixtures and machinery and equipment) for a period of six months; the SBA will also automatically pay the principal, interest, and fees of **new 7(a), 504, and microloans** issued prior to September 27, 2020. Moreover, for current SBA Serviced Disaster (Home and Business) in “regular servicing” status on March 1, 2020, the SBA is providing automatic deferments through **December 31, 2020**. Interest will continue to accrue on the loan
- \$10 billion of grants. They are allocated to EDIL (Economic Injury Disaster Loan) a loan program that provides small businesses with working capital loans of up to \$2 million that can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing. According to the [Small Business Administration website](#), with the \$10 billion grants the Small Business Administration can provide an emergency advance of up to \$10,000 to small businesses and private nonprofits whose activity was hit by the health emergency within three days of applying for an SBA Economic Injury Disaster

Loan (EIDL). The loan advance will provide economic relief to businesses that are currently experiencing a temporary loss of revenue. This loan advance will not have to be repaid.

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For more information

Click [here](#)

Measures for Large Corporations

Title IV of CARES Act (“Government Loans for Struggling Industries & Related Transparency Measures”), also known as Coronavirus Economic Stabilization Act of 2020” (CESA) defines “Eligible Business” as a U.S. business that has not otherwise received adequate economic relief in the form of loans or loan guarantees provided under the Act. It provides \$500 billion to Treasury’s Exchange Stabilization Fund in the forms of loans, loan guarantees and other investments.

Direct lending is allocated as follows:

- Not more than \$25 billion shall be available to make loans and loan guarantees for passenger air carriers, eligible businesses that are certified under part 145 of title 14, Code of Federal Regulations, and approved to perform inspection, repair, replace, or overhaul services, and ticket agents (as defined in section 40102 of title 49, United States Code).
- Not more than \$4 billion shall be available to make loans and loan guarantees for cargo air carriers.
- Not more than \$17 billion shall be available to make loans and loan guarantees for businesses critical to maintaining national security. According to some sources, the measure was tailored specifically for Boeing, which was already facing the 787 Max crisis before the outburst of the global pandemic, with the consequent suspension of many flights around the globe.
- The remaining \$454 billion is available for Federal Reserve loans, loan guarantees, and investments to eligible businesses, states, and municipalities. These loans bear an annualized interest rate that is not higher than 2% per annum. To apply for the loans eligible businesses must certified several conditions such as, for example: that the funds receive will be used to retain at least 90% of the workforce of the

recipient, at full compensation and benefits, until September 30, 2020; the recipient is an entity and business that is created, domiciled and organized in the United States (or under the laws of the United States), with significant operations and the majority of employees in the United States.

Also direct lending to airlines and national security business must meet several [criteria](#). (ex. alternative credit is not reasonably available to the carrier at the time of the transaction) and stick to certain restrictions (consult Section 4003).

Other Aviation Industry Provisions

- \$25 billion in grants for the passenger air carriers.
- \$4 billion in grants for the cargo aviation industry.

The purpose of these additional \$29 billion in grants is paying employee wages, salaries and benefits during the COVID-19 crisis.

Title IV of CARES Act also provides \$3 billion to contractors in the aviation sector, such as catering, ground crew, ticketing and check-in employees.

Title II, Subtitle C of CARES Act.

Other business provisions can be found in Title, Subtitle C of CARES Act. In particular:

- Employee retention credit. With the scope of employee retention, an eligible employer should be allowed a credit against applicable employer taxes for each calendar quarter for an amount to 50% of the qualified wages w/r to each employee (for limitations please consult Sec. 2301)
- Delay of payment of employer payroll taxes (please consult sec 2302)
- Modification for net operating losses (please consult sec 2302)
- Modification of limitation on losses for taxpayers other than corporations (please consult sec 2304)
- Modification of limitations on business interest (please consult sec 2306)

D. Phase IV (Paycheck Protection Program and Health Care Enhancement Act, H.R.266, Amendment to Public Law No: 116-139)

On April 24, 2020, after depletion of the funds made available by CARES Act, the White House signed this bill that provides additional \$484 billion for small business loans, health care providers, and COVID-19 testing.

The full text of Paycheck Protection Program and Health Care Enhancement Act is available [here](#).

The \$484 billion are allocated as follows:

- \$75 billion to reimburse health care providers for health care related expenses or lost revenues that are attributable to the coronavirus outbreak
- \$25 billion for expenses to research, develop, validate, manufacture, purchase, administer, and expand capacity for COVID-19 tests to effectively monitor and suppress COVID-19
- \$310 billion to replenish the Paycheck Protection Program for small businesses (\$321 billion were appropriated to include fees)

The SBA will resume accepting Paycheck Protection Program applications from participating lenders on Monday, April 27, 2020 at 10:30am EDT.

- \$60 billion for emergency disaster loan program for small businesses (EIDL). According to the official Small Business Administration website, with the additional funding provided by the new COVID-19 relief package, SBA will resume processing EIDL Loan and Advance applications that are already in the queue on a first come, first-served basis.

E. Additional funds for companies

US Chamber Foundation lending facility

Starting April 20, 2020, the US Chamber Foundation will open applications for small businesses which employ between 3 and 20 people, are located in an economically vulnerable community and have been harmed financially by the COVID-19 pandemic. Funded by corporate and philanthropic partners, the Save Small Business Fund is a collective effort to provide \$5,000 grants to as many small employers as possible.

Additional information is available [here](#).

Main Street Lending Program

It is a program established by the [Federal Reserve Bank of Boston](#) to support lending to small and medium-sized businesses that were in sound financial condition before the onset of the COVID-19 pandemic.

The loans range in size from \$250,000 to \$300 million – a wide range that may support a broad set of employers.

The program offers 5-year loans, with floating rates, and principal and interest payments deferred as indicated in the chart below to assist businesses facing temporary cash flow interruptions.

	New Loan Facility	Priority Loan Facility	Expanded Loan Facility
Loan Term	5 years		
Principal Payments	Principal deferred for two years, years 3-5: 15%, 15%, 70%		
Interest Payments	Deferred for one year		
Interest Rate	Adjustable rate of LIBOR (1 or 3 mo.) plus 300 basis points.		
Loan Size	\$250,000 to \$35 million	\$250,000 to \$50 million	\$10 million to \$300 million
Maximum Combined Debt to Adjusted 2019 EBITDA	4 times	6 times	6 times
Lender Participation Rate	5%		
Fed Participation Rate	95%		
Prepayment Allowed	Yes, without penalty		
Business Size Limits	15,000 employees or fewer, or 2019 revenues of \$5 billion or less		
Fees	Origination and transaction fees may apply		

An eligible borrower is business that:

1. was established prior to March 13, 2020;
2. meets at least one of the following two conditions: (i) has 15,000 employees or fewer, or (ii) had 2019 annual revenues of \$5 billion or less;
3. is created or organized in the United States or under the laws of the United States with significant operations in and a majority of its employees based in the United States;
4. has not received specific support pursuant to the Coronavirus Economic Stabilization Act of 2020 (Subtitle A of Title IV of the CARES Act)

The Program will operate through three facilities:

1. [the Main Street New Loan Facility \(MSNLF\)](#)
2. [the Main Street Priority Loan Facility \(MSPLF\)](#)
3. [the Main Street Expanded Loan Facility \(MSELF\)](#)

A business can participate in just one of these 3 lending facilities.

Main Street Lending Program Forms and Agreements are available at this [link](#).

For general questions, contact mstp@bos.frb.org.

A wide variety of financial institutions are eligible to make loans under the program. The list of lenders is available at this link:

<https://www.bostonfed.org/supervision-and-regulation/supervision/special-facilities/main-street-lending-program/information-for-borrowers.aspx#map>

F. Useful links

Coronavirus (COVID-19): Small Business Guidance & Loan Resources

Paycheck Protection Program *(A SBA loan that helps businesses keep their workforce employed during the Coronavirus (COVID-19) crisis)*

Paycheck Protection Program Guidelines

Economic Injury Disaster Loan Emergency Advance (EIDL) *(This loan advance will provide up to \$10,000 of economic relief to businesses that are currently experiencing temporary difficulties)*

SBA Express Bridge Loans *(Enables small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000 quickly)*

SBA Debt Relief

R&D Tax Credit

Paid Sick Leave

Qualified Disaster relief Payments Section 139