

CARES Act: Transitional Assistance Available to Companies Based on Number of Employees

On March 28, 2020, Congress passed and President Trump signed into the law the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provides more than \$2 trillion in economic assistance to those affected by the Coronavirus. This follows passage on March 6 of the Coronavirus Preparedness and Response Supplemental Appropriations Act (Pub.L. 116-123) and on March 18 of the Families First Coronavirus Response Act (Pub.L. 116-127). Taken together, these new laws establish new programs for companies seeking assistance in meeting payroll and other obligations in dealing with this public health emergency. The table below provides an outline of new assistance programs based on the number of employees in a company.

Number of Employees	Type of Assistance	Amount; Basic terms	Other Notable Features
“Small business” under SBA definition, based on NAICS codes	Expanded SBA section 7(b) loan guarantees	Up to \$2 million; Up to 30 years; interest rate capped at 3.75%.	
Up to 500 (subject to SBA affiliation rules; exceptions for hotels, food services)	New SBA section 7(a) loan guarantees	2.5 times the average monthly payroll costs, up to \$10 million; may be used for payroll support and benefits; fees waived.	Loan forgiveness up to amounts equal to 8 weeks of payroll costs, mortgage interest, rent, and utilities.
500 to 10,000	New Federal Reserve Mid-Size Business Assistance (direct loans from lenders financed by the Fed)	Interest rate no higher than 2%; no principal or interest for first 6 months.	Retain at least 90% of workforce; U.S. company; no dividends or stock buybacks; no outsourcing or offshoring; maintain union agreements; executive compensation limits.
Small and Mid-Size Businesses (presumably up to 10,000 employees)	Main Street Lending Program (direct loans from lenders financed by the Fed)	To be implemented by the Fed.	Unknown. There may be Federal Reserve action soon on this.
Applies to all U.S. companies that own eligible collateral and maintain an account with a primary dealer	Federal Reserve Term Asset-Backed Securities Loan Facility (TALF)	Loans secured by eligible consumer and small business asset-backed securities, such as student loans, auto and credit card loans, loans guaranteed by the SBA, and certain other assets.	Presume no dividends or stock buybacks; U.S. company; executive compensation limits; awaiting final regulations from the Federal Reserve.
Applies to all U.S. companies rated at least BBB-/Baa3	Federal Reserve Primary Market Corporate Credit Facility (PMCCF)	Loan and bond financing to U.S. companies with investment grade debt ratings; maturity of 4 years or less.	Presume no dividends or stock buybacks; U.S. company; executive compensation limits; awaiting final regulations from the Federal Reserve.
Applies to all U.S. companies rated at least BBB-/Baa3	Federal Reserve Secondary Market Corporate Credit Facility (SMCCF)	Purchase in the secondary market bonds issued by U.S. companies with investment-grade debt ratings; limited to 10% of all bonds outstanding.	Presume no dividends or stock buybacks; U.S. company; executive compensation limits; awaiting final regulations from the Federal Reserve.

** NOTE: Separate Treasury lending programs have been set up for airlines and “businesses critical to maintaining national security.”

For more information and updates on the developing situation, visit [GT’s Health Emergency Preparedness Task Force: Coronavirus Disease 2019](#) or [GT’s Economic Stimulus Team](#)