

[Banking and Finance Law Daily Wrap Up, FINANCIAL STABILITY—Crapo urges Treasury, Fed, to provide guidance on Title IV of CARES Act, \(Mar. 30, 2020\)](#)

Banking and Finance Law Daily Wrap Up

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By Nicole D. Prysby, J.D.

Senator Crapo stressed the need to act quickly to provide guidance for direct loans under Title IV of the CARES Act.

Senator Mike Crapo (R-ID), Chairman of the U.S. Senate Committee on Banking, [urged](#) the Department of Treasury and the Federal Reserve Board to act quickly to provide guidance on Title IV of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. [Title IV of the CARES Act](#) provides for \$500 billion in emergency relief to eligible businesses, states, municipalities, and Tribes related to losses incurred as a result of coronavirus. Specifically, Crapo urged Treasury and the Fed to issue guidance about how the conditions for direct loans will work; terms and conditions for eligible issuers, asset, and collateral; and points of contact. Fed programs or facilities that provide direct loans are subject to certain conditions, which include: restrictions on stock buybacks until 12 months after the direct loan is no longer outstanding; restrictions on dividend payments on common stock until 12 months after the direct loan is no longer outstanding; and restrictions on certain officer and employee compensation.

Assistance includes: \$25 billion in loans or loan guarantees for passenger air carriers, aviation repair stations, and airline ticket agents; \$4 billion in loans or loan guarantees for cargo air carriers; and \$17 billion in loans or loan guarantees for businesses critical to maintaining national security. It also includes \$454 billion for loans, loan guarantees and other investments in support of the Fed's lending facilities that support eligible businesses, states and municipalities. The \$454 billion relief item involves loans, loan guarantee or other investments in Fed 13(3) programs or facilities. Only Fed programs or facilities that provide "direct loans" are subject to certain conditions, which include: restrictions on stock buybacks until 12 months after the direct loan is no longer outstanding; restrictions on dividend payments on common stock until 12 months after the direct loan is no longer outstanding; and restrictions on certain officer and employee compensation. The Treasury Secretary may waive the restrictions on the Fed's direct loans upon a determination that such waiver is necessary to protect the interests of the federal government.

Crapo sent a letter to Treasury Secretary Steven Mnuchin and Fed Chairman Jerome Powell, urging them to work together to issue guidance to ensure that businesses and other entities understand what program are available to help them and who to contact for assistance. Specifically, Crapo recommended issuing guidance about how the 13(3) facilities and direct loans will work; terms and conditions for eligible issuers, asset, and collateral; and points of contact. He also recommended prioritizing 13(3) facilities that stabilize certain markets such as mortgage servicing and providing clear rules of eligibility and waivers.

LegislativeActivity: CommunityDevelopment Covid19 FinancialStability Loans