

Air Carriers, Cargo Air Carriers, and Businesses Critical to Maintaining National Security Loans and Loan Guarantees Under Title IV of the CARES Act¹

The following summarizes the requirements for loans or loan guarantees made to passenger air carriers and related businesses, cargo air carriers, and businesses critical to maintaining national security under funding provided for in the CARES Act.

This program is intended to help cover losses incurred as a result of the coronavirus outbreak, and is separate from the Payroll Support to Air Carriers and Contractors Program that is intended exclusively for the continuation of payment of air carrier and contractor employee wages, salaries, and benefits.

Generally: This \$46 billion loan program is available to the following categories of businesses:

- Passenger air carriers, and Part-145 certified repair station operators and ticket agents (as defined in 49 C.F.R. § 40102) that have not received adequate economic relief under the CARES Act: \$25 billion.
- Cargo air carriers: \$4 billion.
- Businesses critical to maintaining national security that have not received adequate economic relief under the CARES Act: \$17 billion.

Eligibility Criteria:

- Borrower is created or organized in the United States and has significant operations in and a majority of its employees based in the United States.
- Credit is not reasonably available.
- Must have incurred or are expected to incur covered losses such that continued operations of the business are jeopardized.
- Intended obligation is prudently incurred.
- Borrower is not an entity in which the president, vice president, the head of an executive department, or a member of Congress (or a family member of any of them) directly or indirectly holds a controlling interest.

Commercial Terms:

- Direct federal loan.
- Loan cannot be forgiven.
- Loan is sufficiently secured or made at a rate that reflects risk of the loan or loan guarantee, but the rate is not less than an interest rate based on market conditions for comparable obligations prior to the outbreak.
- Duration of the loan is as short as practicable and not more than five years.

¹ This fact sheet is intended to provide general information and is not an exhaustive list of the CARES Act's loan criteria, terms, restrictions, and possible exceptions.

Restrictions:

- No stock buybacks (unless contractually obligated) for term of the loan plus one year.
- Cannot pay dividends for term of the loan plus one year.
- Retain 90% of workforce as of March 24, 2020 until September 30, 2020 to the extent practicable, and not reduce employment levels by more than 10% from the levels on such date.
- Borrowers must provide the treasury secretary with a warrant or equity interest in the business or, alternatively, a senior debt instrument issued by the borrower. The treasury secretary will not exercise voting power with respect to any shares of common stock and retains the right and discretion whether to sell, exercise, or surrender these interests for the primary benefit of taxpayers.
- Air carrier borrowers must maintain scheduled air transportation service that the secretary of transportation deems necessary to ensure services to any point served by that air carrier before March 1, 2020 (See Department of Transportation, [Order 2020-3-10](#)).
- Executive compensation restrictions for the term of the loan plus one year:
 - Employees > \$425,000 in 2019 cannot receive a raise, nor can severance be more than double maximum compensation.
 - Executives > \$3 million in 2019 cannot make more than \$3 million plus half of the amount over \$3 million in 2020.

Application Disclosures²:

- To access the Treasury loan application form, [click here](#).
- To access the procedures and minimum requirements, [click here](#).

Application Information Requirements

- **Debt:** A description of the borrower's existing secured and unsecured debt, credit lines with outstanding maximum balances, and major existing security holders and creditors.
- **Debt Service:** A description of the borrower's scheduled debt service for the next three years.
- **Employment Levels:** The borrower's employment levels, head count, and total compensation amount as of March 24, 2020, and any proposed changes relative to that date.
- **Financial Statements:** Consolidated financial statements of the borrower and any parents for the previous three years.
- **Covered Losses:** A line-item description of the covered losses the borrower has incurred or will incur as a result of coronavirus.
- **Lack of Credit Elsewhere:** Evidence that the borrower cannot reasonably obtain credit elsewhere, including market conditions, borrower's circumstances, or borrower's relationship with existing and potential creditors.
- **Passenger Service Operations:** For cargo air carriers, the borrower's available ton miles, revenue per ton mile, and cost per available ton mile for 2019, and a forecast for the same for 2020 that was prepared no earlier than October 1, 2019.
- **Security:** A description of the type and value of all security, available to be pledged by the borrower and its subsidiaries to secure the loan.
- **Use of Proceeds:** The purpose for which the borrower will use the loan proceeds.
- **Financial Needs:** Quantitative information about the borrower's financial needs for the remainder of 2020.
- **Operating Plan:** A discussion of the borrower's operating plan for the remainder of 2020 if loan is approved.
- **Cost Restructuring:** A description of the borrower's plans, if any, to restructure to improve its financial condition.

²To receive approval of their applications as soon as possible, applicants should submit their completed application materials not later than 5:00 p.m. EDT on April 17, 2020. Applications received after 5:00 p.m. EDT on April 17 will be considered, but may not receive approval as quickly. Applications received after 11:59 p.m. EDT on April 30, 2020, may not be considered, but the Treasury secretary may, in his discretion and subject to the availability of funds, consider such applications for approval.