

Mid-Sized Business Loans and Loan Guarantees Under Title IV of the CARES Act¹

Section 4003(c)(3)(D) of the CARES Act instructs the Treasury secretary to “endeavor to seek the implementation” of a program or facility to support bank and other lenders direct lending to mid-size businesses and nonprofit organizations with 500-10,000 employees. The implementation of a direct lending program or facility does not limit Federal Reserve from establishing a Main Street Lending Program to support lending to small and mid-sized businesses.

The following summarizes the CARES Act requirements for any mid-size business loan or loan guarantee program.

Eligibility Criteria:

- Entity or business is domiciled in the United States with significant operations and majority of its employees in the United States
- Not a debtor in bankruptcy
- Uncertainty of economic conditions make loan necessary to support ongoing operations

Commercial Terms:

- Direct loans from private lenders
- Interest rate of no more than 2% per year
- No principal or interest due for the first six months

Restrictions:

- Will not pay dividends or buy back stock
- Intends to restore not less than 90% of workforce as of February 1, 2020, and to restore all compensation and benefits within four months after declaration of the public health emergency's termination
- Will retain 90% of workforce (at full compensation and benefits) until September 30, 2020
- Will not outsource or offshore jobs for the loan's duration plus two years
- Will not abrogate collective bargaining agreements for the loan's duration plus two years
- Will remain neutral in any union organizing effort for the term of the loan
- 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 + ½ of the amount over \$3 million in 2020

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.