



Key Financial Services Provisions in the CARES Act

March 25, 2020

Providing Immediate Relief to America's Job Creators & Consumers

- The CARES Fund allocates \$500 billion to what is called an Exchange Stabilization Fund (ESF).
 - An ESF is basically an emergency reserve fund that provides the Treasury Secretary with the authority to distribute emergency funding to assist companies of all sizes.
 - This critical funding would allow the Treasury Secretary to provide loans and loan guarantees to businesses of all sizes.
 - Up to \$454 billion can fund a Federal Reserve facility for distressed businesses.
 - These funds allow the Treasury to finance Fed facilities that will be used to provide liquidity to shore up business lending and our financial markets.
 - This \$454 billion has the potential to unleash more than \$4 trillion in lending to businesses of all sizes, consumers, local governments, and money market funds.
 - This is not a bailout. The fund provides loans that must be paid back—and the loans are to Americans who, through no fault of their own, are in economic jeopardy.
- Requires consumer credit scores to be maintained as “current” if a lender enters into an accommodation agreement with a consumer.

Why it matters:

- Financial markets are under tremendous pressure for more liquidity and credit. Right now, financial institutions are unwinding their financial positions to have more cash on hand.
- Without liquidity and credit, banks will not be able to provide much-needed financing for businesses to help with their day-to-day expenses like meeting payroll to paying the rent.
- The ESF will support businesses of all sizes and the new Fed facility seeks to address the gap between the relief provided to small businesses of fewer than 500 employees, and some of the largest and most sophisticated companies that have access to other relief.

Keeping our Financial Institutions Strong

- The CARES Act provides temporary relief to our financial institutions, making it easier to extend credit to American consumers and businesses that need it most. The reforms include:
 - Debt Guarantee Authority to allow the FDIC and NCUA to temporarily guarantee noninterest bearing accounts of banks and credit unions without a maximum guarantee limit.
 - Provides community banks with relief and a reasonable grace period for complying with the Community Bank Leverage Ratio (CBLR).
 - Allows banks and credit unions to provide relief to consumers and businesses by temporarily removing the burdensome Troubled Debt Restructuring (TDR) classification requirement.
 - Exempts financial institutions from being forced to comply with the ill-advised accounting standard, Current Expected Credit Losses (CECL) standard, until the end of the public health emergency declaration or the end of the year.



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o Treasury's Exchange Stabilization Fund (ESF) for the money markets lifts any restrictions that applied to Treasury's ESF in 2008 during this national emergency, allowing direct appropriations for any funds used for Treasury's Money Market Fund Guarantee Program.

- **Why It Matters:** Regulatory barriers shifted the focus of financial institutions away from consumers and businesses and more on costly compliance. The temporary relief provided in the CARES Act will allow financial institutions of all sizes to prioritize extending more loans to more Americans and shore up our financial system during the pandemic.

Authorizes International Financial Institutions

- Enacts five authorizations for the international financial institutions (IFIs) to prevent the global spread of coronavirus and mitigate international coronavirus-related economic threats that could undermine the U.S. economy.
- **Why It Matters:** Authorizing resources for the international financial institutions will allow the institutions to leverage hundreds of billions in supporting those economies that may be severely impacted. This demonstrates the United States' leadership in the world and prevents China from taking advantage of this crisis.

Defense Production Act Funding to Fight Coronavirus

- Includes \$1 billion in appropriations for DPA purchases that respond to coronavirus.

Emergency Assistance for Housing Needs

- Provides necessary assistance to various housing initiatives, including:
 - o \$5 billion for the Community Development Block Grant.
 - o \$1 billion for Project Based Rental Assistance.
 - o \$1.25 billion for Tenant Based Rental Assistance programs and housing choice vouchers.
- **Why It Matters:** The CARES Act provides housing assistance to the people who need it the most, particularly families struggling to make rent payments or individuals experiencing homelessness.

Protecting Homeowners and Renters from Foreclosure and Eviction

- The CARES Act not only takes steps to keep paychecks flowing to our nation's workers, but also helps those who may experience a loss of income keep a roof over their head.
- The CARES Act:
 - o Prohibits foreclosures on any federally backed mortgages for 60-days.
 - o Allows borrowers affected by COVID-19 to shift any missed payments to the end of their mortgage, with no added penalties or interest, for 180 days.
 - o Halts evictions for renters in properties with federally backed mortgages for 120 days.
 - o Gives relief to multifamily property owners through forbearance on any federally backed.