

An Overview of the Midsize Business Loan Program under Title IV of the CARES Act

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In response to the Coronavirus pandemic, the President signed H.R. 748, known as the Coronavirus Aid, Relief, and Economic Security (“**CARES**”) Act on March 27, 2020. The bill provides more than \$2 trillion of aid to individuals and the public and private sector.

Title IV of the CARES Act, also referred to as the Coronavirus Economic Stabilization Act of 2020, provides \$500 billion to Treasury’s Exchange Stabilization Fund to provide liquidity to eligible businesses, states and municipalities. The lending facility has two components. First, there is a \$46 billion fund administered by the Treasury Secretary to provide direct loans for a short list of distressed, industry-specific and essential companies, including air carriers and businesses critical to maintaining national security (“**Section B(1)-(3) Funds**”). Second, the remaining funds are to be used for loans, loan guarantees and investments in support of eligible businesses, states and municipalities (such funds, collectively, the “**Section B(4) Funds**”).

The Section B(4) Funds, which will include at least \$454 billion (and any leftover amounts from the Section B(1)-(3) Funds) will be available to programs or facilities established by the Board of Governors of the Federal Reserve System that support lending to states, municipalities, and eligible businesses. Such funds may be used to (i) purchase obligations or other interests directly from issuers of such obligations or other interests; (ii) purchase obligations or other interests in secondary markets or otherwise; or (iii) make secured and unsecured loans.

Perhaps most relevant to midsize businesses is the portion of Title IV of the CARES Act directing the Treasury Secretary to establish a program to provide direct low-interest loans for eligible businesses, including, to the extent practicable, nonprofit organizations (the “Midsize Business Loans”).¹

Below is a high-level summary of the provisions relating to Midsize Business Loans under the CARES Act.² We expect the U.S. Department of Treasury and the Federal Reserve Board to provide guidance on the legislation within the next two weeks. Such guidance will provide further detail on administration of Section B(4) Funds and may materially change the summary below. Businesses are encouraged to seek advice from qualified legal counsel before applying for a Midsize Business Loan.

Importantly, the Midsize Business Loans are distinct from the loans offered to small businesses pursuant to the Paycheck Protection Program. For an overview of those loans, please see our March 27, 2020 alert titled “Bridging the Gap - An Overview of SBA Loans under the Paycheck Protection Program.”

To read the full alert, please click on the PDF below:

[CARES Act - Title IV Section b4 Loans](#)