

## Understanding Federal Reserve Bank's Funding Programs to Support Liquidity

Navigating a crisis such as COVID-19 and its associated impacts on liquidity and funding requires detailed understanding of various relief options available for your company, enabling you to respond promptly, recover in the medium term, and thrive in the long run



### Navigating unprecedented times:

On April 9th, 2020 the Federal Reserve announced additional actions to provide up to **\$2.3 trillion in loans to support the US economy**. Key aspects of this support are the creation of the New and Expanded **Main Street Lending Program (MSLP)** and the **Primary & Secondary Market Corporate Credit Facility**, as well as adjustments to the Commercial Paper Funding Facility and Term Asset-Backed Securities Loan Facility. You should understand the various elements of these program to **increase your funding channels and secure optimal credit, based on your existing debt agreements**.

Most notable of these, Main Street **New, Priority and Expanded Loan Facilities** together provide up to **\$600 billion** in liquidity to participating lenders using the seed funding provided by the Treasury under the CARES Act. You may be eligible for a new loan ranging from **\$250 thousand to \$50 million**, or for upsizing an existing loan to **up to \$300 million**.

#### Eligibility Requirements

Criteria range from number of employees, 2019 revenues, nature of business, organization structure, geographical scale of operations, credit rating, debt to adjusted EBITDA ratios, commercial paper per issuer limit and denomination currency

#### Terms and Benefits

Terms and benefits vary across the programs. For MSLP, loans will be extended with a 5 year term with interest rate of LIBOR plus 300 basis points interest rate, with deferred principal for two years & interest payments for the first year

#### Application Fee & Processes

Programs have origination and transaction fees, and will follow the standard loan application processes as outlined by eligible lenders. The effective dates of the MSLP have yet to be released

#### Nuanced Requirements

Programs have restrictions on repayment terms affecting other debt agreements, executive compensation and dividend payments. These restrictions are dynamic subject to revision

#### Funding Mechanism

Main Street Loans will be issued by regular banks as new or upsized loans. Qualified bonds or portions of syndicated loans, commercial paper or ABS loans may be purchased by Special Purpose Vehicles backed by the FRB

#### Certification Requirements

Borrowers must attest to their ability to maintain operations for at least 90 days and certify that they were otherwise unable to secure adequate credit accommodations from other banking institutions

#### Accounting & Tax Implications

Financial reporting implications under the programs may vary. Understanding of key accounting & tax considerations that may impact entities' financial statement will be critical

### Do you understand the Federal Reserve's funding programs to secure additional credit and provide liquidity?

What does the program aim to solve for?

Is your company eligible for the program?

What are the documents, certifications and attestations required?

What are the terms and benefits of the program?

What would be the application fees and process?

What should be your strategy for procuring funding given existing debt agreements and credit relationships?

What are the accounting, tax and financial reporting implications?

**CFOs, Treasurers, and Controllers can help navigate this crisis by having a clear action plan for how to procure financing under the various programs' guardrails**

## How we help our clients navigate challenges

### Learn

#### Advise and Recommend on Eligibility Criteria Qualifications

- Research alternative methods and respective eligibility criteria to procure relief funding provided by the government and/or FRB
- Understand the various relief options and consider the accounting, tax and financial reporting implications



### Execute

#### Surge Resources for Processing Relief Applications

- Provide resources to assist clients manage execution from a project management perspective
- Identify and advise on gaps in sustenance of operations to monitor, manage, and report on loans

### Strategize

#### Develop Strategy for Procuring Funding

- Collaborate to develop a strategy for approaching existing and new lenders participating in the government-backed programs
- Review existing debt covenant calculations and simulate changes to ratios inclusive of additional debt. Advise on working with existing lenders to provide covenant relief if necessary on existing debt facilities
- Assist in defining maximum eligibility for funding amounts based on prescribed loan guidelines and refine loan amount requested based on cash flow needs
- Model impact of chosen program to the financial statements and assess reporting requirements. Understand implications to executive compensation and share repurchases arising from required attestations
- Understand your internal controls over financial reporting to confirm your operations are able to process Day 2 accounting and reporting requirements
- Provide summary of recommendations for management to leverage to present to the Board

### Assisting clients in their efforts to address treasury challenges during a crisis

Our Treasury Advisory practice collaborates with our Accounting & Reporting and Tax Advisory practices to provide services to organizations as they work to overcome operational, technical, and resource challenges. Our deep experience, vast network of relationships with banking agencies and vendors, and demonstrated performance positions us to help your organization navigate these challenging times.

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