



# Regulatory Alert for Financial Services

## Regulatory Insights



April 2020

### **CARES Act Amendment: Financial Services Implications** **H.R. 266 - Paycheck Protection Program and Healthcare Enhancement Act**

*In response to overwhelming demand for the emergency funding made available to small businesses by the CARES Act, Congress has authorized an additional \$380 billion toward SBA programs, including \$310 billion for the PPP, along with additional healthcare-related funding for hospitals, health care workers, and COVID-19 testing.*

*With exceptionally high volumes of small business and commercial credit, financial institutions must focus on operational, compliance, consumer protection/fair treatment and financial crime risks in underwriting, closing, and funding. The focus will also necessarily need to quickly address risks in areas such as loan forgiveness calculations, servicing, adherence to investor requirements, and ongoing regulatory financial and non-financial reporting.*

Congress has passed legislation that increases the level of funding available to the Small Business Administration's (SBA) Paycheck Protection Program (PPP) and the Emergency Economic Injury Disaster (EIDL) Grants as provided in the CARES Act (Coronavirus Aid, Relief, and Economic Security Act), which was passed into law on March 27, 2020. The initial CARES Act funding for each of these programs has been exhausted. The full text of the new legislation is available [here](#). The CARES Act is available [here](#). Key features impacting financial services follow.

#### **Paycheck Protection Program**

- The authorization level for commitments under the SBA's PPP is increased from \$349 billion to \$659 billion—a \$310 billion increase (Section 101/CARES Act Section 1102(b)(1))
- Of the \$310 billion increased authorization, \$60 billion is set aside:
  - \$30 billion for insured depository institutions and credit unions with total consolidated assets of \$10 billion or more and less than \$50 billion

- \$30 billion for insured depository institutions and credit unions with total consolidated assets of less than \$10 billion, and community financial institutions, which are defined to include community development financial institutions, minority depository institutions, development companies certified under Title V of the Small Business Investment Act, and certain intermediaries.

#### **Emergency Economic Injury Disaster Grant**

- The authorization level of the Emergency EIDL Grants is increased from \$10 billion to \$20 billion—a \$10 billion increase (Section 101/CARES Act Section 1110(e)(7))
- Eligibility for the Emergency EIDL Grants is expanded to include agricultural enterprises as defined in Section 18(b) of the Small Business Act that have no more than 500 employees.



## Additional Provisions

Congress has further allocated additional funding to SBA Disaster Loan Programs, including:

- \$50 billion to a Disaster Loan Program Account for direct loans authorized by Section 7(b) of the Small Business Act
- An additional \$10 billion for Emergency EIDL Grants.

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