

## **Michigan Credit Union League Summary- Key Provisions of the CARES Act for Credit Unions and Members**

Given the massive amount of information in the 880 page bill and CUNA's great attention to detail in their summaries, we thought we would try to simplify or condense things down a bit further for you and offer highlights below of the various provisions in the CARES Act that are relevant to credit unions. As mentioned, for greater detail on any of the provisions mentioned below, please reference CUNA's bill summaries or contact MCUL's Director of Federal Legislative Affairs, Todd Jorns, at: [todd.jorns@mcul.org](mailto:todd.jorns@mcul.org)

1. Section 1102 – This section expands the SBA's 7(a) loan program. Among other things, the section:
  - a. Increases the maximum loan amount to \$10 million through 12/31/2020;
  - b. Provides that sole-proprietors, independent contractors and other self-employed individuals are also eligible for loans;
  - c. Expands allowable uses for loan proceeds to include payroll, mortgage/rent, insurance and other debt obligations;
  - d. Increases the government guarantee of 7(a) loans to 100% through 12/31/2020, after which it returns to 75% for loans in excess of \$150,000 and 85% for loans equal or less than \$150,000;
  - e. Allows for a complete deferment of the loan of at least 6 months but no longer than a year;
  - f. Provides that lenders will receive a process fee for servicing the loan and compensation at 5% for loans of not more than \$350,000, 3% for loans of more than \$350,000 and less than \$2 million; and 1% for loans of not less than \$2 million
2. Section 1106 – Establishes criteria and a process by which a borrower can seek to have the loan forgiven.
3. Section 1109 – This provision will allow credit unions and other financial institutions that to make loans to businesses under an expanded SBA section 7(a) program until the emergency declaration expires. Institutions may participate as long as participation does not affect the safety and soundness of the institution.
4. Section 1112 – Requires the SBA to subsidize payments on certain already existing loans, including 7(a) 504 and microloan products.
5. Section 1113 – Increases the eligibility threshold for small businesses with less than \$7,500,000 in debt to file for bankruptcy
6. Title 2, Sections 2101 thru 2308 – These sections are related to unemployment insurance and also authorize direct payments/rebates to individuals/families and extends relief to businesses. Highlights include:

- a. Provides an additional \$600 per week payment for each unemployment insurance recipient for up to four months.
  - b. Authorizes an additional 13 weeks of unemployment through 12/31/2020 to help those still looking for work after state benefits have ended.
  - c. Provides “short term compensation” programs where employers reduce employee hours instead of laying off workers and the employee with reduced hours receives a pro-rated unemployment benefit.
  - d. Offers direct payments to most American’s in the amount of \$1,200 per individual, \$2,400 for couples filing jointly. These payments are adjusted and phased out based on adjusted gross income with joint filers making over \$150,000 and individual filers making more than \$75,000 receiving a reduced payment or no payment at all. The payment is reduced by \$5 for each \$100 that a taxpayer’s income exceeds the phase-out threshold. In addition, a payment of \$500 per child would be made.
  - e. Waives the 10% early withdrawal penalty for distributions up to \$100,000 from qualified retirement accounts for coronavirus-related purposes. Income from distribution would be subject to tax over three years, not one year
  - f. Temporarily waives the required minimum distribution rule for certain retirement plans
  - g. Allows American’s to contribute to charities and write off up to \$300 of cash contributions whether they itemize or not
  - h. Changes the limits on charitable contributions in 2020 for those individuals who itemize as well as corporations.
  - i. Authorizes employers to establish a student loan repayment benefit on a tax-free basis. Employers could contribute up to \$5,250 annually toward an employee’s student loans and the payment would be excluded from the employee’s income.
  - j. Creates an employee retention credit for employer’s subject to closure as a result of the coronavirus.
  - k. Delays payment of employer payroll taxes
  - l. Modifies the limitation on business interest
7. Section 3201 – Stipulates that all testing for the coronavirus is to be covered by private insurance plans without cost sharing
  8. Section 3601 – Creates a limitation stating an employer shall not be require to pay more than \$200 per day and \$10,000 in the aggregate for each employee
  9. Section 3603 – Creates a limitation stating an employer shall not be required to pay more than \$511 per day and \$5,110 in the aggregate for sick leave or more than \$200 per day and \$2,000 in the aggregate to care for a quarantined individual or child for each employee
  10. Section 3605 – Allows an employee who was laid off by an employer 3/1/2020 or later to have access to paid family and medical leave in certain instances if they are rehired by the employer. The employee would have had to work for the employer at least 30 days prior to being laid off

11. Section 3607 – Authorized the Department of Labor to postpone certain ERISA filing deadlines for a period of up to one year in the case of a public health emergency
12. Section 4008 – Will allow the NCUA to insure deposits via the National Credit Union Shared Insurance Fund to non-interest-bearing transactions accounts (eg. checking accounts) to an unlimited amount or a lesser amount approved by the NCUA Administration Board. This program was in place during the Great Recession.
13. Section 4013 –Suspends requirements under the U.S. generally accepted accounting principles for loan modifications related to the coronavirus. Also suspends any determination of a loan modification as a result of the coronavirus as being a troubled debt restricting, including impairment for accounting purposes. Federal regulators shall defer to the determination of the financial institution to make a suspension. Such election may begin on 3/1/2020 and last no later than 60 days after the emergency declaration ends.
14. Section 4014 –Delays the implementation of CECL for those entities currently subject to the standard. This is not the long term delay we're seeking but this is still progress and could help us get the longer delay we're ultimately seeking.
15. Section 4016 –Temporarily increases access to the Central Liquidity Facility (CLF), including for corporate credit unions, to meet liquidity needs.
16. Section 4021: Credit Protection During Covid-19. The law amends the Fair Credit Reporting Act to shield borrowers from the reporting of negative information related to pandemic-related loan accommodations.
17. Section 4022: Foreclosure Moratorium and Consumer Right to Request Forbearance- The bill includes provisions related to forbearances of federally-backed mortgage loans as well as a foreclosure moratorium on those loans during the COVID-19 pandemic. These provisions seem to codify policies already announced by FHFA. CUNA continues to evaluate the impact these policies may have on credit unions and CUSOs.