



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 30, 2021

Re: 2020-03-082

Christine H. Monahan
American Oversight
1030 15th Street, NW, B255
Washington, DC 20005
christine.monahan@americanoversight.org

Dear Ms. Monahan:

This is the seventh response to the above-referenced Freedom of Information Act (FOIA) request to the Department of the Treasury (Treasury). The request asked for email communications sent by identified Treasury officials containing any of 43 separate terms related to the coronavirus from January 15, 2020 through the date of the search.

In accordance with the parties' agreed upon schedule, as memorialized in the October 30, 2020 Joint Status Report, this constitutes Treasury's eighth production in this case. Treasury has reviewed 77 documents (271 pages), of which 34 documents were responsive (201 pages, attached hereto), and 43 documents (70 pages) were non-responsive. Redactions were made pursuant to exemptions (b)(5) (deliberative process and Confidential Presidential Communications) and (b)(6) (protection of personal privacy). Treasury will continue to review and process documents and will provide another production not later than October 30, 2021.

If you have any questions, please contact James Bickford in the Department of Justice at James.Bickford@usdoj.gov.

Sincerely,

Richard S. Dodson

Richard S. Dodson
Senior Counsel
Office of the General Counsel
U.S. Department of the Treasury

RE: Update IRS press release

From: "Kautter, David" <"o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: (b)(6)@treasury.gov
Cc: "Crowley, Monica" <monica.crowley@treasury.gov>
Date: Mon, 30 Mar 2020 18:52:11 -0400

(b)(6)

Very nicely done. (b)(5) DP

Thank you

Dave

From: (b)(6)@treasury.gov
Sent: Monday, March 30, 2020 6:18 PM
To: Myers, Baylor <Baylor.Myers@treasury.gov>; Crowley, Monica <Monica.Crowley@treasury.gov>; Kautter, David <David.Kautter@treasury.gov>; Morgenstern, Brian <Brian.Morgenstern@treasury.gov>
Subject: RE: Update IRS press release

This is live

<https://www.irs.gov/newsroom/economic-impact-payments-what-you-need-to-know>

From: Myers, Baylor <Baylor.Myers@treasury.gov>
Date: March 30, 2020 at 4:50:24 PM EDT
To: Crowley, Monica <Monica.Crowley@treasury.gov>; (b)(6)@treasury.gov; Kautter, David <David.Kautter@treasury.gov>; Morgenstern, Brian <Brian.Morgenstern@treasury.gov>
Subject: RE: Update IRS press release

Yes, it got high remarks from STM. Nice work, TI

From: Crowley, Monica <Monica.Crowley@treasury.gov>
Sent: Monday, March 30, 2020 4:49 PM
To: Myers, Baylor <Baylor.Myers@treasury.gov>; (b)(6)@treasury.gov; Kautter, David <David.Kautter@treasury.gov>; Morgenstern, Brian <Brian.Morgenstern@treasury.gov>
Subject: RE: Update IRS press release

Great news---thank you. (b)(6)---please let us know when GC signs off. We need it cleared asap. And thank you for whipping this into shape so fast.

Monica Crowley
Assistant Secretary of the Treasury
For Public Affairs
Monica.Crowley@Treasury.gov

From: Myers, Baylor <Baylor.Myers@treasury.gov>
Sent: Monday, March 30, 2020 4:48 PM
To: (b)(6)@treasury.gov; Crowley, Monica <Monica.Crowley@treasury.gov>; Kautter, David <David.Kautter@treasury.gov>; Morgenstern, Brian <Brian.Morgenstern@treasury.gov>
Subject: RE: Update IRS press release

Once GC signs off, this item is approved.

From: (b)(6)@treasury.gov
Sent: Monday, March 30, 2020 4:42 PM
To: Myers, Baylor <Baylor.Myers@treasury.gov>; Crowley, Monica <Monica.Crowley@treasury.gov>; Kautter, David <David.Kautter@treasury.gov>; Morgenstern, Brian <Brian.Morgenstern@treasury.gov>
Subject: RE: Update IRS press release

Will do.

UST_000727

From: Myers, Baylor <Baylor.Myers@treasury.gov>
Date: March 30, 2020 at 4:39:17 PM EDT
To: (b)(6) <(b)(6)@treasury.gov>, Crowley, Monica <Monica.Crowley@treasury.gov>, Kautter, David <David.Kautter@treasury.gov>, Morgenstern, Brian <Brian.Morgenstern@treasury.gov>
Subject: RE: Update IRS press release

Yes, please get GC sign off.

From: (b)(6) <(b)(6)@treasury.gov>
Sent: Monday, March 30, 2020 4:39 PM
To: Crowley, Monica <Monica.Crowley@treasury.gov>; Myers, Baylor <Baylor.Myers@treasury.gov>; Kautter, David <David.Kautter@treasury.gov>; Morgenstern, Brian <Brian.Morgenstern@treasury.gov>
Subject: RE: Update IRS press release

I would think we should share with GC at least for their awareness, though I know IRS GC will review as well.

From: Crowley, Monica <Monica.Crowley@treasury.gov>
Date: March 30, 2020 at 4:37:51 PM EDT
To: Myers, Baylor <Baylor.Myers@treasury.gov>, (b)(6) <(b)(6)@treasury.gov>, Kautter, David <David.Kautter@treasury.gov>, Morgenstern, Brian <Brian.Morgenstern@treasury.gov>
Subject: RE: Update IRS press release

Thanks (b)(6). Does this need GC clearance as well?

Monica Crowley
Assistant Secretary of the Treasury
For Public Affairs
Monica.Crowley@Treasury.gov

From: Myers, Baylor <Baylor.Myers@treasury.gov>
Sent: Monday, March 30, 2020 4:37 PM
To: (b)(6) <(b)(6)@treasury.gov>; Crowley, Monica <Monica.Crowley@treasury.gov>; Kautter, David <David.Kautter@treasury.gov>; Morgenstern, Brian <Brian.Morgenstern@treasury.gov>
Subject: RE: Update IRS press release

Thanks, will circle back.

From: (b)(6) <(b)(6)@treasury.gov>
Sent: Monday, March 30, 2020 4:37 PM
To: Myers, Baylor <Baylor.Myers@treasury.gov>; Crowley, Monica <Monica.Crowley@treasury.gov>; Kautter, David <David.Kautter@treasury.gov>; Morgenstern, Brian <Brian.Morgenstern@treasury.gov>
Subject: RE: Update IRS press release

I am sending them now, but they defer to us. There is no substantive changes besides extracting superfluous information that they can include in other web materials.

From: Myers, Baylor <Baylor.Myers@treasury.gov>
Date: March 30, 2020 at 4:31:32 PM EDT
To: (b)(6) <(b)(6)@treasury.gov>, Crowley, Monica <Monica.Crowley@treasury.gov>, Kautter, David <David.Kautter@treasury.gov>, Morgenstern, Brian <Brian.Morgenstern@treasury.gov>
Subject: RE: Update IRS press release

Is IRS ok with this version?

From: (b)(6) <(b)(6)@treasury.gov>
Sent: Monday, March 30, 2020 4:30 PM
To: Myers, Baylor <Baylor.Myers@treasury.gov>; Crowley, Monica <Monica.Crowley@treasury.gov>; Kautter, David <David.Kautter@treasury.gov>; Morgenstern, Brian <Brian.Morgenstern@treasury.gov>
Subject: RE: Update IRS press release

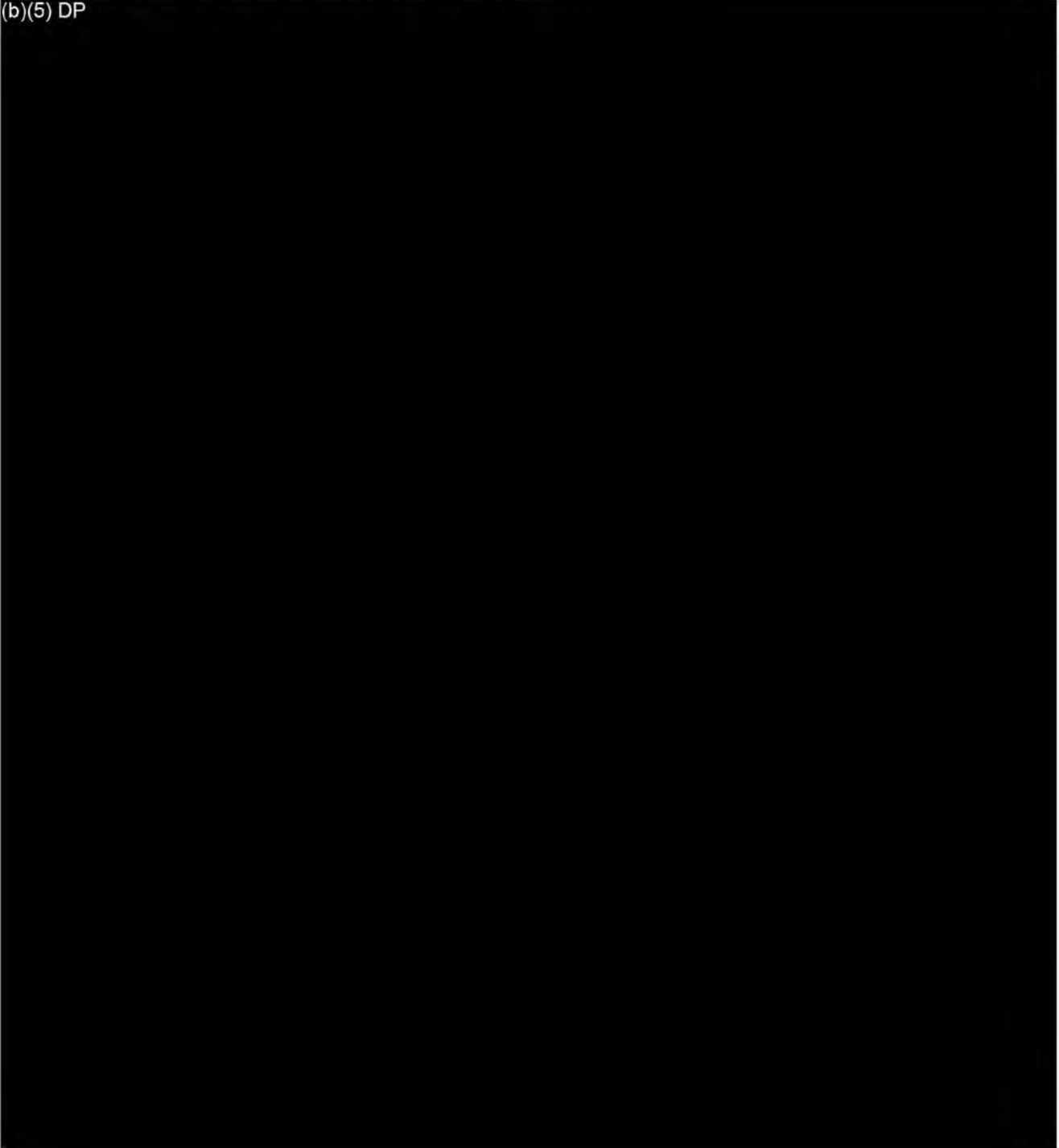
Team,

Please see updated version. Far more streamlined in easy to digest language. I think the Q&A format will help taxpayers understand what applies to them

UST_000728

Economic Impact Payments: What You Need To Know

(b)(5) DP



From: Myers, Baylor <Baylor.Myers@treasury.gov>

Date: March 30, 2020 at 4:00:48 PM EDT

To: (b)(6) <(b)(6)>@treasury.gov, Crowley, Monica
<Monica.Crowley@treasury.gov>, Kautter, David <David.Kautter@treasury.gov>, Morgenstern, Brian

UST_000729

<Brian.Morgenstern@treasury.gov>
Subject: RE: Update IRS press release

Many thanks.

From: (b)(6) <(b)(6)@treasury.gov>
Sent: Monday, March 30, 2020 4:00 PM
To: Myers, Baylor <Baylor.Myers@treasury.gov>; Crowley, Monica <Monica.Crowley@treasury.gov>; Kautter, David <David.Kautter@treasury.gov>; Morgenstern, Brian <Brian.Morgenstern@treasury.gov>
Subject: RE: Update IRS press release

Dave and I spoke. Forming This more into a simple Q&A doc

From: Myers, Baylor <Baylor.Myers@treasury.gov>
Date: March 30, 2020 at 3:41:06 PM EDT
To: (b)(6) <(b)(6)@treasury.gov>, Crowley, Monica <Monica.Crowley@treasury.gov>, Kautter, David <David.Kautter@treasury.gov>, Morgenstern, Brian <Brian.Morgenstern@treasury.gov>
Subject: RE: Update IRS press release

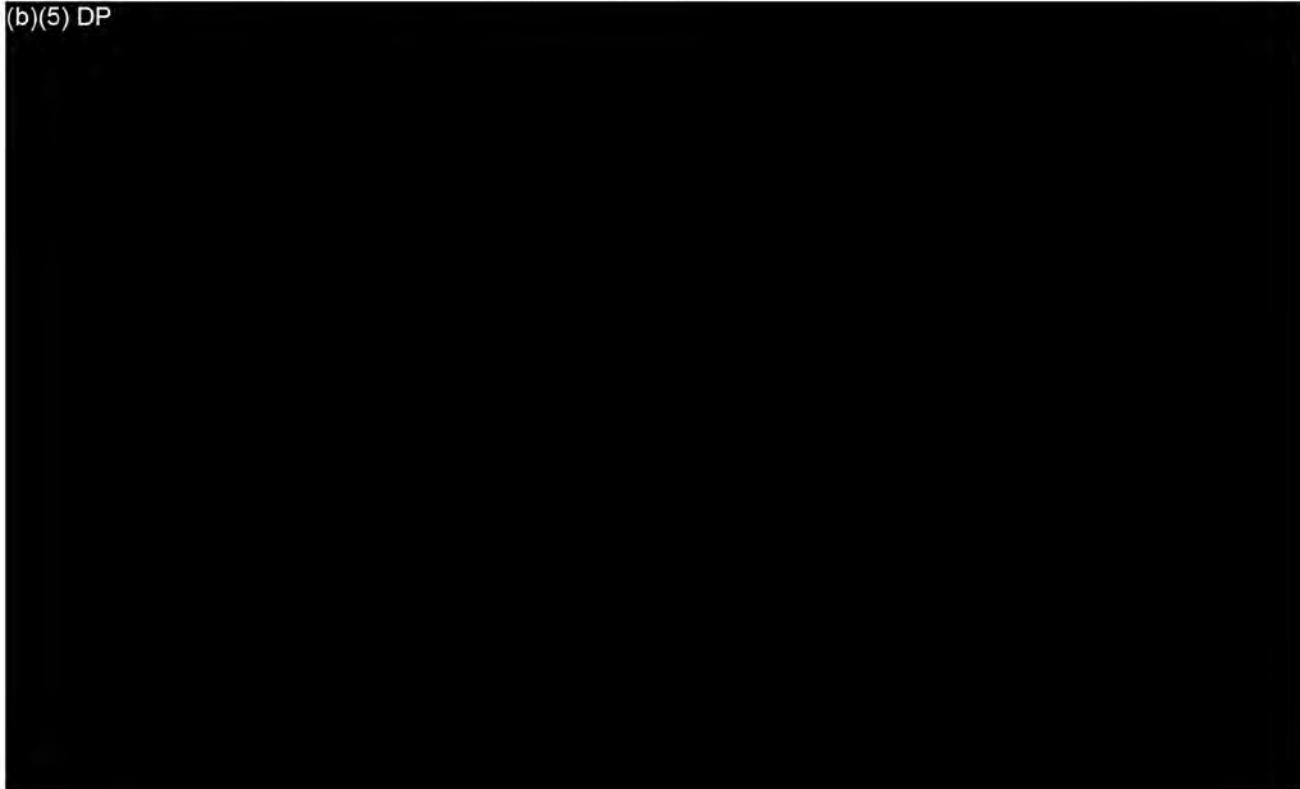
The feedback was to make this release as simple as possible. What do I need to know to get my check? Plain English for broad public audience, not just tax practitioners. Could we revise further please? Is IRS revising with you?

From: (b)(6) <(b)(6)@treasury.gov>
Sent: Monday, March 30, 2020 3:39 PM
To: Crowley, Monica <Monica.Crowley@treasury.gov>; Myers, Baylor <Baylor.Myers@treasury.gov>; Kautter, David <David.Kautter@treasury.gov>; Morgenstern, Brian <Brian.Morgenstern@treasury.gov>
Subject: Re: Update IRS press release

I cut this nearly in half. Let me know if you think there is more we can strip. Please see attached clean and red line versions.

Economic Impact Payments: What You Need To Know

(b)(5) DP



UST_000730

(b)(5) DP



From: Crowley, Monica <Monica.Crowley@treasury.gov>

Date: March 30, 2020 at 3:28:06 PM EDT

To: Myers, Baylor <Baylor.Myers@treasury.gov>, Kautter, David <David.Kautter@treasury.gov>, (b)(6) <(b)(6)@treasury.gov>, Morgenstern, Brian <Brian.Morgenstern@treasury.gov>

Subject: Update IRS press release

(b)(6) is reworking it now and will send it to us all when ready

UST_000731

FW: Follow-up -- Questions regarding Employee retention credit

From: "Kautter, David" <"o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: "Van Hove, Jeffrey" <jeffrey.vanhove2@treasury.gov>, "Desmond, Michael J." <michael.j.desmond@irscounsel.treas.gov>, "Vallabhaneni, Krishna" <krishna.vallabhaneni@treasury.gov>, (b)(6)@treasury.gov
Date: Mon, 30 Mar 2020 19:15:04 -0400

From: Jon Talisman (b)(6)
Sent: Monday, March 30, 2020 4:53 PM
To: Kautter, David <David.Kautter@treasury.gov>
Cc: Rick Grafmeyer (b)(6)
Subject: Re: Follow-up -- Questions regarding Employee retention credit

**** Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Dave -- Attached are some of the questions we are hearing most frequently from businesses regarding the application of the retention credit.

Please let me know if you have any questions.

Thanks very much,

Jon

Proposed Questions re Operation of Retention Credit

Q -- Interaction between Retention Credit and Payroll Tax Deferral?

A -- Payroll tax deferral should be stacked first and then the retention credit should be taken after the deferral to improve business liquidity and maximize the immediate cash flow gains from the two provisions.

As we very briefly discussed, there is confusion about the interaction/stacking between the employee retention credit and the payroll tax deferral provisions in the CARES Act.

To illustrate, imagine that a company has \$100 of employer social security taxes in Q2 of 2020 and \$25 of employee retention credits. That company will have at least \$100 of added liquidity under all interpretations of the interaction.

We are concerned that if you order the retention credit first without regard to the IRS authority to permit advance payment, there is no marginal liquidity benefit in 2020 as a result of the employee retention credit (i.e., because the credit first reduces the payroll tax liability from 100 to 75 and then defers the 75). Thus, for 2020, they still have the same \$100 of additional liquidity that they would have had in the absence of the employee retention credit. (While the employee retention credit results in a reduction in tax liability, that reduction does not provide any additional liquidity for companies until 2021 and 2022 when the deferred payroll taxes are due).

We think the better answer is that Congress intended for IRS/Treasury to address this interaction issue using the advance payment authority to allow for the added \$25 of employee retention credits to be pulled into 2020 resulting in \$125 of added liquidity in 2020 (i.e., payroll deferral (+100) and the employee retention credit (+25)).

If Treasury/IRS do not take action to provide for advance payment and to address the stacking issue with the payroll deferral, there will be real issues of disparate treatment and equity based on the health and size of the company, as well as the timing of payroll. For example, companies that need the credit the most today may, in some cases, not make it the 33 months to fully realize the benefit. Companies that are healthy but affected by a shutdown notice will survive and realize the full benefit in 33 months. Also, companies with relatively small payrolls may be able to reduce their current quarter employer social security liability to zero and then trigger the refund mechanism. Large companies with sizable payroll will not be able to access the refund mechanism because they will never reduce their employer social security taxes to zero.

UST_000732

It seems like Congress intended this credit to be broadly available to help all companies that face retention decisions so long as they meet the criteria of having a suspension of operations or having a significant decline in revenue. If Congress intended for the employee retention credit to simply be forgiveness of a portion of the payroll taxes that are due at the end of 2021 and 2022, they could have just built that into the payroll tax deferral provision.

Any guidance here would be helpful. Given the immediate focus on liquidity, the most important piece of information that taxpayers need to know right now about the credit is whether it helps their cash positions today.

Q -- What is a Partial Suspension?

A -- The credit is allowable with respect to any eligible employee that is retained but cannot work (fully or partially) because of government order (i.e., treat the business as "partially suspended)."

We are fielding a number of questions from various businesses seeking greater clarity as to what it means to be "partially suspended" by government order for purposes of the retention credit.

The facts vary. Some businesses are spread among different jurisdictions subject to different government orders. Others are providing both essential services that must remain operational as well as having operations that are required to cease. Others have reduced time worked by certain employees, while still paying them full-time. We assume the term "partially suspended" was meant to cover situations like the restaurant that is closed but still providing carryout, or the retailer that is providing on-line sales, but not store sales.

Obviously, the broadest rule would be to allow the credit with respect to any eligible employee that is retained but cannot work because of government order (i.e., treat the business as "partially suspended)." (At least one tax-writing committee staff thought that was the answer that was intended). Or will the definition be more limited and mean on a location-by-location and/or function-by-function basis, or something else? For example, with respect to health care businesses, would the forced cancellation of elective medical procedures qualify?

Under FAQs regarding the disaster relief retention credit issued in 2008, that once it is determined the business was inoperable, all wages paid count, whether the employee:

- a. performed any services from home or not;
- b. worked at another location after the employee's principal place of employment was rendered inoperable;
- c. resumed work at the new business location when it opened; or
- d. permanently transferred to another location.

Similarly, for example, under the CARES retention credit, would wages qualify for time not working, even if the employee works a portion of the time at the business or at home. A simple example is that employee A was scheduled to work 40 hours last week. Due to Covid-19 shutdown in the area, employee was not deemed essential and did not come into the office. Employee A did 5 hours of work last week (checking emails and calls). Other than the statutory limitations, it seems the entire 40 hours count as eligible wages.

Q -- What is a Governmental Order?

A -- It should include the CDC federal guidelines regarding social distancing as well as state or local orders under force of law.

Also, what happens if an employer shut down before an order from an appropriate governmental authority (e.g., because of social distancing, or limits on attendees). We understand that an employer that shuts down early shouldn't be able to claim a credit for wages paid before there was an applicable government shut down order. But it doesn't seem right that they shouldn't be able to claim the credit after a shutdown order, when they were exercising caution to protect their employees and customers. Thus, it seems that such an employer should be able to claim a credit for wages paid after the shutdown order (and the effective date).

Other issues arise regarding when a governmental order is rescinded. Do all orders have to be rescinded in the city, state, or entire U.S. Or is it just the orders impacting the original location of the employee's place or work?

Q -- What is the process for Statutory Employers (section 3401, 3512) to claim the credit on behalf of common law employers?

A -- Clarity should be provided as to how the credit is claimed in these situations. A mechanism needs to be provided for statutory employers to claim the credit on behalf of the common law employer (e.g., how to identify when the statutory employer is filing FICA returns for more than 500 employees vs. when the common law employer has fewer than 500 employees.)

It is the common law employer who will determine whether to retain an employee and needs the incentive provided by the credit to do so. Rules should be provided to allow statutory employers to establish that the credit is being claimed on behalf of common law employers with less than 500 employees.

UST_000733

Q – Will there be a grace period for taxpayers to repay tax benefits if they subsequently become ineligible because of other provisions of the CARES Act?

A – A grace period should be provided to repay tax benefits, including a waiver of interest and penalties, for small businesses who utilize Sections 2301 (employee retention credit) or 2302 (payroll tax deferral) and subsequently receive a loan or loan forgiveness from the small business loan facility, rendering them ineligible for the tax programs.

This will help provide small businesses needed confidence to utilize the tax proposals immediately that will help shore up balance sheets of some of the most vulnerable companies in the current economic downturn.

UST_000734

RE: IR-2020-61: Economic impact payments: What you need to know

From: "Kautter, David" </o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: "McCubbin, Janet" <janet.mccubbin@treasury.gov>, "Vallabhaneni, Krishna" <krishna.vallabhaneni@treasury.gov> (b)(6) @treasury.gov>, "Lebryk, David" <david.lebryk@treasury.gov>
Date: Mon, 30 Mar 2020 19:43:48 -0400

Adding Dave Lebryk

(b)(5) DP

From: McCubbin, Janet <Janet.McCubbin@treasury.gov>
Sent: Monday, March 30, 2020 7:37 PM
To: Kautter, David <David.Kautter@treasury.gov>; Vallabhaneni, Krishna <Krishna.Vallabhaneni@treasury.gov>; (b)(6) @treasury.gov>
Subject: FW: IR-2020-61: Economic impact payments: What you need to know

Dave, I agree. I think IRS has an error in today's guidance. Happy to discuss.

From: Chye-Ching Huang (b)(6)
Sent: Monday, March 30, 2020 7:30 PM
To: McCubbin, Janet <Janet.McCubbin@treasury.gov>
Cc: Chuck Marr (b)(6) John Wancheck <(b)(6)>
Subject: FW: IR-2020-61: Economic impact payments: What you need to know

**** Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi Janet,

Hope you and your team are all hanging in there as best as possible. We know how much you are dealing with, and were so appreciative of the thought you gave our earlier batch of questions.

We were a little surprised to see the IRS Newswire issue **below** implying that seniors and others will need to file, given the SSA-1099, RRB-1099 and other "federal payments" language in the law. We were hoping that this language would be seen as a fairly clear attempt to avoid the 2008 filing requirement situation, and we wondered how you saw this playing out, both for the SSA-1099 and RRB-1099 population, and others (such as SSI and VA recipients) who might be in the other "federal payment" category?

Guessing you are getting a lot of questions very much like this one from very many directions, and appreciate any insight, as always! And very happy to discuss by phone if more convenient.

Kind regards,

Chye-Ching

From: IRS Newswire <irs@service.govdelivery.com>
Sent: Monday, March 30, 2020, 6:34 PM
To: John Wancheck
Subject: IR-2020-61: Economic impact payments: What you need to know

UST_000735

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IR-2020-61, March 30, 2020

WASHINGTON – The Treasury Department and the Internal Revenue Service today announced that distribution of economic impact payments will begin in the next three weeks and will be distributed automatically, with no action required for most people. However, some seniors and others who typically do not file returns will need to submit a simple tax return to receive the stimulus payment.

Who is eligible for the economic impact payment?

Tax filers with adjusted gross income up to \$75,000 for individuals and up to \$150,000 for married couples filing joint returns will receive the full payment. For filers with income above those amounts, the payment amount is reduced by \$5 for each \$100 above the \$75,000/\$150,000 thresholds. Single filers with income exceeding \$99,000 and \$198,000 for joint filers with no children are not eligible.

Eligible taxpayers who filed tax returns for either 2019 or 2018 will automatically receive an economic impact payment of up to \$1,200 for individuals or \$2,400 for married couples. Parents also receive \$500 for each qualifying child.

How will the IRS know where to send my payment?

The vast majority of people do not need to take any action. The IRS will calculate and automatically send the economic impact payment to those eligible.

For people who have already filed their 2019 tax returns, the IRS will use this information to calculate the payment amount. For those who have not yet filed their return for 2019, the IRS will use information from their 2018 tax filing to calculate the payment. The economic impact payment will be deposited directly into the same banking account reflected on the return filed.

The IRS does not have my direct deposit information. What can I do?

In the coming weeks, Treasury plans to develop a web-based portal for individuals to provide their banking information to the IRS online, so that individuals can receive payments immediately as opposed to checks in the mail.

I am not typically required to file a tax return. Can I still receive my payment?

Yes. People who typically do not file a tax return will need to file a simple tax return to receive an economic impact payment. Low-income taxpayers, senior citizens, Social Security recipients, some veterans and individuals with disabilities who are otherwise not required to file a tax return will not owe tax.

How can I file the tax return needed to receive my economic impact payment?

[IRS.gov/coronavirus](https://www.irs.gov/coronavirus) will soon provide information instructing people in these groups on how to file a 2019 tax return with simple, but necessary, information including their filing status, number of dependents and direct deposit bank account information.

I have not filed my tax return for 2018 or 2019. Can I still receive an economic impact payment?

Yes. The IRS urges anyone with a tax filing obligation who has not yet filed a tax return for 2018 or 2019 to file as soon as they can to receive an economic impact payment. Taxpayers should include direct deposit banking information on the return.

I need to file a tax return. How long are the economic impact payments available?

For those concerned about visiting a tax professional or local community organization in person to get help with a tax return, these economic impact payments will be available throughout the rest of 2020.

Where can I get more information?

The IRS will post all key information on [IRS.gov/coronavirus](https://www.irs.gov/coronavirus) as soon as it becomes available.

The IRS has a reduced staff in many of its offices but remains committed to helping eligible individuals receive their payments expeditiously. Check for updated information on [IRS.gov/coronavirus](https://www.irs.gov/coronavirus) rather than calling IRS assistors who are helping process 2019 returns.

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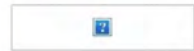
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This service is provided to you at no charge by the [Internal Revenue Service \(IRS\)](#).

UST_000737



UST_000738

Re: For consistency, do we call it the Stimulus Payment or the Economic Impact Payment.

From: "Kautter, David" <"/o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: "Eisner, David" <david.eisner@treasury.gov>, Rettig Charles P <charles.p.rettig@irs.gov>
Cc: Rettig Charles P <charles.p.rettig@irs.gov>
Date: Tue, 31 Mar 2020 08:46:57 -0400

(b)(5) DP

Monica will know

From: Eisner, David <David.Eisner@treasury.gov>
Date: March 31, 2020 at 8:44:36 AM EDT
To: Rettig Charles P <Charles.P.Rettig@irs.gov>, Kautter, David <David.Kautter@treasury.gov>
Cc: Rettig Charles P <Charles.P.Rettig@irs.gov>
Subject: Re: For consistency, do we call it the Stimulus Payment or the Economic Impact Payment.

(b)(5) DP

Monica - please confirm

From: Rettig Charles P <Charles.P.Rettig@irs.gov>
Date: March 31, 2020 at 8:33:54 AM EDT
To: Eisner, David <David.Eisner@treasury.gov>, Kautter, David <David.Kautter@treasury.gov>
Cc: Rettig Charles P <Charles.P.Rettig@irs.gov>
Subject: For consistency, do we call it the Stimulus Payment or the Economic Impact Payment.

In different communications the naming of payment has been inconsistent.

(b)(5) DP

Best,
Chuck

Charles P. Rettig | 202.317.7070 | charles.p.rettig@IRS.gov
Commissioner | Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, D.C. 20024

From: IRS Newswire <irs@service.govdelivery.com>
Sent: Monday, March 30, 2020 6:36 PM
To: Rettig Charles P <Charles.P.Rettig@irs.gov>
Subject: IR-2020-61: Economic impact payments: What you need to know

UST_000739

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WASHINGTON – The Treasury Department and the Internal Revenue Service today announced that distribution of economic impact payments will begin in the next three weeks and will be distributed automatically, with no action required for most people. However, some seniors and others who typically do not file returns will need to submit a simple tax return to receive the stimulus payment.

Who is eligible for the economic impact payment?

Tax filers with adjusted gross income up to \$75,000 for individuals and up to \$150,000 for married couples filing joint returns will receive the full payment. For filers with income above those amounts, the payment amount is reduced by \$5 for each \$100 above the \$75,000/\$150,000 thresholds. Single filers with income exceeding \$99,000 and \$198,000 for joint filers with no children are not eligible.

Eligible taxpayers who filed tax returns for either 2019 or 2018 will automatically receive an economic impact payment of up to \$1,200 for individuals or \$2,400 for married couples. Parents also receive \$500 for each qualifying child.

How will the IRS know where to send my payment?

The vast majority of people do not need to take any action. The IRS will calculate and automatically send the economic impact payment to those eligible.

For people who have already filed their 2019 tax returns, the IRS will use this information to calculate the payment amount. For those who have not yet filed their return for 2019, the IRS will use information from their 2018 tax filing to calculate the payment. The

UST_000740

[Taxpayer Advocate](#)

[Where to File](#)

[IRS Social Media](#)

economic impact payment will be deposited directly into the same banking account reflected on the return filed.

The IRS does not have my direct deposit information. What can I do?

In the coming weeks, Treasury plans to develop a web-based portal for individuals to provide their banking information to the IRS online, so that individuals can receive payments immediately as opposed to checks in the mail.

I am not typically required to file a tax return. Can I still receive my payment?

Yes. People who typically do not file a tax return will need to file a simple tax return to receive an economic impact payment. Low-income taxpayers, senior citizens, Social Security recipients, some veterans and individuals with disabilities who are otherwise not required to file a tax return will not owe tax.

How can I file the tax return needed to receive my economic impact payment?

[IRS.gov/coronavirus](https://www.irs.gov/coronavirus) will soon provide information instructing people in these groups on how to file a 2019 tax return with simple, but necessary, information including their filing status, number of dependents and direct deposit bank account information.

I have not filed my tax return for 2018 or 2019. Can I still receive an economic impact payment?

Yes. The IRS urges anyone with a tax filing obligation who has not yet filed a tax return for 2018 or 2019 to file as soon as they can to receive an economic impact payment. Taxpayers should include direct deposit banking information on the return.

I need to file a tax return. How long are the economic impact payments available?

For those concerned about visiting a tax professional or local community organization in person to get help with a tax return, these economic impact payments will be available throughout the rest of 2020.

Where can I get more information?

The IRS will post all key information on [IRS.gov/coronavirus](https://www.irs.gov/coronavirus) as soon as it becomes available.

The IRS has a reduced staff in many of its offices but remains committed to helping eligible individuals receive their payments expeditiously. Check for updated information on

[IRS.gov/coronavirus](https://www.irs.gov/coronavirus) rather than calling IRS assistants who are helping process 2019 returns.

[Back to Top](#)

UST_000741



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This email was sent to charles.p.rettig@irs.gov by: Internal Revenue Service (IRS) · Internal Revenue Service · 1111 Constitution Ave, N.W.
Washington DC 20535

UST_000742

FW: Question about Employee Retention Credit

From: "Kautter, David" <"o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: "Weiser, Carol" <carol.weiser@treasury.gov>, (b)(6)@treasury.gov
Date: Tue, 31 Mar 2020 16:56:10 -0400

FYI

From: Warren, Mark (Finance) Senate email
Sent: Tuesday, March 31, 2020 10:02 AM
To: Kautter, David <David.Kautter@treasury.gov>; Desmond, Michael J. <michael.j.desmond@irscounsel.treas.gov>
Subject: FW: Question about Employee Retention Credit

**** Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Gentlemen – I know you are working on guidance regarding the Employee Retention Credit. The note from Best Buy below raises the issue of what constitutes a "government order" under the credit, which I know you are aware of. But Kristi also makes an important point that many of the larger retailers are trying to apply this credit across many states/localities that have different orders in place (or none). While we focused more on the state/local side of this, I can make the argument that the White House's social distancing guidelines should also count if a business is reducing employee hours/services to reduce exposure, especially with larger businesses adopting a nationwide approach. If this is limited to specific state/local orders, it's going to be much more difficult for the larger businesses to implement, which may adversely affect the take up rate and undermine the policy. Any clarity you can add in the upcoming guidance will be a big help.

Thanks for considering.

Mark

From: Carlson, Kristi (b)(6)
Sent: Tuesday, March 31, 2020 9:49 AM
To: Warren, Mark (Finance) Senate email
cc: Pearson, Chad (Tax) (b)(6); Brugge, Parker <(b)(6)>; Szente, Andrew (b)(6)
Subject: Question about Employee Retention Credit

Greetings, Mark,

It is Kristi Carlson. You may recall that I was Vice President of Tax at Best Buy. I am now Senior Vice President of Finance and I have responsibility for our Tax, Treasury and Internal Audit Teams. It has been a while since we connected and I am sure this is one of hundreds (if not thousands?) of emails you are receiving. I write to you on a matter of great importance to Best Buy and our retail industry.

First, I hope this note finds you and your family healthy. Second, I want to thank you for the tremendous work you and your staff are doing to support the US economy as we navigate these unprecedented times. Third, as someone who knows retail, I want to thank you for your understanding and support of our industry. Lastly, as a retailer whose business has been significantly impacted by the COVID-19 crisis, I write to you for help in applying one of the new provisions in the CARES Act.

As you know, the CARES Act contains an employee retention credit for employers subject to closure due to COVID-19 (Sec. 2301). The credit is available to any employer whose business **"is fully or partially suspended . . . due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings** (for commercial, social, religious, or other purposes) due to the coronavirus disease 2019 (COVID-19)." For large employers, the credit can be applied to wages paid "with respect to which an employee is not providing services due to circumstances described [in the previous sentence]."

Because governmental orders vary from location-to-location, Best Buy is subject to numerous and varied governmental orders and guidelines at the local, state and federal levels. In response to these orders and guidelines, and to ensure we are protecting the health and safety of our employees and customers, Best Buy has made operational changes to its business model across the country. All stores that have not necessarily been ordered to close have instituted a reduced hours schedule, discontinued all in-store services and operate using a "curbside service only" model that does not allow customers into the stores. In addition, we have also discontinued all in-home services and installations of products, only delivering to the exterior of our customers' homes. Our consistent approach across the country allows

UST_000743

us to follow the established social distancing guidelines and keep our employees and customers safe, while also meeting our customers' essential technology needs.

Unfortunately, the changes we have made to our business model require fewer employees working at any one time. To date, Best Buy has agreed to pay employees who are not working due to these changes an amount equal to two weeks' pay. **Our interpretation of Section 2301 of the CARES Act is as follows: Wages paid for time an employee who is not working due to COVID-19 business model changes should be eligible for the employee retention credit, regardless of whether a specific governmental order is in place in the jurisdiction where the employee works. We arrive at this conclusion because, even in those areas where a specific order has not been issued by a state or local elected official, the federal social distancing guidelines apply. Are we interpreting this correctly, in your view?**

As we continue to evaluate business options from week-to-week, it will be important to confirm the credit applies to all employees paid for time not worked, regardless of the existence of a specific order or guidance in effect at that particular location. This approach certainly is in the best interests of our employees and, importantly, is better for the U.S. economy.

We would appreciate any guidance or direction you can give us. In normal times we would await Treasury guidance, but this issue is critical to vital business decisions being made in real time. I am also available for a call to discuss and can be reached on my cell at (b)(6)

Thanks for your time, Mark. We really appreciate your work and public service!

Best regards,

Kristi

Kristi K. Carlson

Senior Vice President Finance – Tax, Treasury & Internal Audit
Best Buy Enterprise Services, Inc.
7601 Penn Ave. S.
Richfield, MN 55423-3645

612-291-3777 (w)
952-430-2728 (f)

(b)(6)

UST_000744

Re: Reuters: Architect of Trump tax cut may run \$500 billion coronavirus loan program

From: "Muzinich, Justin" </o=ustreasury/ou=exchange administrative group (fydibohf23spdl)/cn=recipients/cn=3d2afce60d7e464fbd30ff8dbedefecb-muzinich, jus">
To: "Crowley, Monica" <monica.crowley@treasury.gov>
Date: Tue, 31 Mar 2020 17:17:01 -0400

(b)(5) DP

From: Crowley, Monica <Monica.Crowley@treasury.gov>
Date: March 31, 2020 at 4:38:30 PM EDT
To: Secretary Mnuchin
Cc: Muzinich, Justin <Justin.Muzinich@treasury.gov>, McIntosh, Brent <Brent.McIntosh@treasury.gov> (b)(6)
(b)(6), Myers, Baylor <Baylor.Myers@treasury.gov>
Subject: Reuters: Architect of Trump tax cut may run \$500 billion coronavirus loan program
Importance: High

Mr Secretary, for awareness

Reuters: Architect of Trump tax cut may run \$500 billion coronavirus loan program (David Lawder, 3.31.20)

WASHINGTON (Reuters) - U.S. Deputy Treasury Secretary Justin Muzinich, an architect of the sweeping 2017 Republican tax cut, is under consideration to oversee a newly created \$500 billion coronavirus rescue loan program for large companies, cities and states, two sources familiar with the agency's plans said.

The move is part of a range of staffing shifts within the Treasury Department to implement an unprecedented \$2.2 trillion coronavirus rescue plan passed by Congress last week.

Muzinich, 42, a former Morgan Stanley mergers and acquisitions banker, also served as president of Muzinich & Co, a family investment firm, and was a tax policy adviser for former Florida Governor Jeb Bush's 2016 presidential campaign.

A graduate of Harvard as well as Yale Law School, Muzinich joined the Treasury Department in 2017 as a senior adviser to Treasury Secretary Steven Mnuchin. He played a key role in creating the Tax Cuts and Jobs Act that passed Congress and was signed by President Donald Trump later that year, including authoring part of the legislation and negotiating terms with Republican lawmakers. He was confirmed as the department's number two official in December 2018.

The 2017 restructuring of the tax code cut U.S. corporate taxes from 35% to 21%, a shift that will push the 2020 federal budget deficit to more than \$1 trillion despite a strong economy, the non-partisan Congressional Budget Office reported in January, before the U.S. coronavirus outbreak.

Muzinich would be in charge of a program that would leverage \$500 billion in newly appropriated Treasury capital to back some \$4.5 trillion in Federal Reserve loans to companies, cities and states affected by the outbreak.

The designation of key Treasury officials to oversee such programs would come on top of their normal duties. Muzinich has also been overseeing the department's international sanctions and anti-money laundering efforts since a key undersecretary, Sigal Mandelker, left for the private sector last October.

Other moves under consideration include putting Brent McIntosh, who is Treasury's undersecretary for international affairs, in charge of the bill's aid programs for airlines, the sources said. McIntosh had served until last September as Treasury's general counsel.

The department is considering putting Michael Faulkender, its assistant secretary for economic policy, and Bimal Patel, the assistant secretary for financial institutions, in charge of a \$350 billion program to make forgivable payroll and overhead loans to small businesses hobbled by the pandemic.

David Kautter, who is Treasury's assistant secretary for tax policy, would be put in charge of implementing a program for direct payments to individuals of up to \$3,400 per household through the Internal Revenue Service.

"They are shifting resources in the building to try and have as many hands on deck as they can," said Tony Fratto, a former Treasury official who was White House spokesman at the start of the 2008 financial crisis. But, he noted "all of these people still have day jobs."

Economists have said that speedy implementation of disbursements of loans and payments is key to preventing a deeper U.S. recession.

News of the potential shifts within the Treasury Department to implement the massive coronavirus bill was first reported by the Washington Post.

UST_000745

UST_000746

FW: Stimulus Payments and PayPal

From: "Kautter, David" <"o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: "Till, Gregory" <gregory.till@treasury.gov>
Cc: "Lebryk, David" <david.lebryk@treasury.gov>
Date: Wed, 01 Apr 2020 09:03:28 -0400

FYI

From: Lorenz, Clam (b)(6)
Sent: Wednesday, April 1, 2020 9:01 AM
To: Ahmed, Usman (b)(6); Kautter, David <David.Kautter@treasury.gov>
Cc: (b)(6); (b)(6)
Subject: RE: Stimulus Payments and PayPal

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Assistant Secretary Kautter:

The attached outlines how COVID-19 stimulus funds can be loaded directly into PayPal and Venmo accounts.

Although we've had warm conversations with leaders within Treasury and the Bureau of the Fiscal Service, we are still awaiting concrete requirements to deploy our engineers against. We would greatly appreciate any insight you can offer on the current state of thinking, as well as your direction and help on how best to accelerate into action.

With thanks for your time and best regards,

Clam Lorenz
HEAD, PAYPAL GOVERNMENT SOLUTIONS

Phone: 202.551.9079
Email: (b)(6)



From: Ahmed, Usman (b)(6)
Sent: Tuesday, March 31, 2020 8:16 PM
To: David.Kautter@treasury.gov
Cc: Lorenz, Clam (b)(6); Nash, Richard (b)(6); Murphy, Barry (b)(6)
Subject: Stimulus Payments and PayPal

Hello Assistant Secretary Kautter,

We would love to schedule a time with you over the next few days to discuss how PayPal can help with the stimulus payments. Secretary Mnuchin recommended to our CEO earlier today that we connect with you as soon as possible.

We are preparing a document describing our capabilities that we can share with you ahead of the meeting. Please do let us know if there is a time that works on your end.

Thanks so much,
Usman

Usman Ahmed
Head of Global Public Policy and Research
Office: 202.551.9087 | Mobile: (b)(6)



Download the History of E-commerce Podcast on [Spotify](#) or [Apple](#)

UST_000747



UST_000748

From: "Kautter, David" </o=ustreasury/ou=exchange administrative group (fydyboh723spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave>
To: "McCubbin, Janet" <janet.mccubbin@treasury.gov>
Date: Wed, 01 Apr 2020 10:29:48 -0400

We need to resolve today or tomorrow.

(b)(5) DP

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B E R N I E B E C K E R

Editor's Note: Morning Tax is a free version of POLITICO Pro Tax's morning newsletter, which is delivered to our subscribers each morning at 6 a.m. The POLITICO Pro platform combines the news you need with tools you can use to take action on the day's biggest stories. [Act on the news with POLITICO Pro.](#)

QUICK FIX

— **Democrats and liberal activists aren't pleased** that Treasury and the IRS are forcing people to file tax returns to get the new coronavirus relief payments.

— **Why aren't tax experts keen on the idea** that fiddling with the \$10,000 cap on state and local tax deductions, as floated by House Speaker **Nancy Pelosi** (D-Calif.), would help the economy?

— A provision to allow taxpayers who don't itemize to deduct charitable contributions is just a minor part of the [phase three](#)

UST 000749

[coronavirus bill](#). But would it actually do much to spur donations?

IT IS officially Wednesday, and it certainly feels like the orangutans and otters of Belgium [do a better job](#) keeping each other entertained than Morning Tax does with his new WFH co-workers.

Sounds like an extreme reaction to social distancing, but apparently it's real: Today marks 33 years since a freelance writer named Steve Newman completed a solo walk around the world, totaling 22,000 miles and taking four years.

Got too much time to be lost in your thoughts? Send us tips and feedback.

Email: bfaler@politico.com, alorenzo@politico.com, teckert@politico.com and bbecker@politico.com.

You can also reach us on Twitter at [@berniebecker3](#), [@tobyteckert](#), [@brianfaler](#), [@aaronlorenzo](#), [@POLITICOPro](#) and [@Morning_Tax](#).

[Sign up for POLITICO Nightly: Coronavirus Special Edition](#), your daily update on how the illness is affecting politics, markets, public health and more.

DRIVING THE DAY

DON'T DO THIS: Here's the thing — the IRS made a special form back in 2008 for seniors and low earners to file, so they could get the proceeds the last time the federal government offered direct payments to shore up the economy.

But Democrats and progressive organizations say that's not good enough anymore. House Ways and Means Chairman [Richard Neal](#) (D-Mass.) pushed Treasury Secretary Steven Mnuchin and Andrew Saul, the head of the Social Security Administration, [to chart another path](#), as Pro Tax's Aaron Lorenzo reported.

It wasn't until Monday that the IRS spelled out that it would require even a simplified tax form to get the direct payments, prompting the outcry that the administration should find a way to get payments automatically to Social Security recipients and others who don't normally have to file a tax return.

Chuck Marr of the liberal Center on Budget and Policy Priorities said the 2008 approach [was clearly a mistake](#) — that year, he noted, some 15 million Social Security recipients or veterans were eligible to get a

UST_000750

check, and more than one in five (3.5 million) didn't file the necessary paperwork with the IRS.

What's even worse, according to Marr, is that this time Congress tried to give the executive branch an out, specifically writing the phase three legislation to allow Treasury to automatically get payments to those who don't file.

Neither Treasury nor the IRS has laid out exactly why they went this route. But Neal is at least preparing for this to be the final decision: He also wrote the Free File Alliance on Tuesday to ask that they offer some private-sector assistance to the IRS in creating an easy-to-digest form and helping people file.

NOT THE TAX CUT WE'RE AFTER: Using the broadest of brushes, retroactively lifting the SALT cap put in place by the [2017 tax law](#) doesn't sound all that different from something like a payroll tax cut — the idea, at least as voiced by Pelosi, is that it's crucial to get more money into people's pockets when it's time to reopen the economy.

But experts say there's a couple of flaws in that logic as Democrats start preparing for a phase four coronavirus package, as your Morning Taxer noted. For starters, retroactive tax policies are bad in general, and Pelosi has suggested allowing people to get refunds from a higher SALT cap for 2018 and 2019. (Not only that: Giving those refunds after the fact won't be much help to states in need, at least in the way that it would be going forward.)

Perhaps an even bigger issue is that those most likely to benefit from a more generous SALT deduction might be the least likely to pour that money back into the economy — though Pelosi's office says any change would be geared toward the middle class. As Karl Smith of the Tax Foundation noted, demand-side tax cuts work best when helping those with cash flow problems. "While that could be anyone in the current pandemic, it's less likely to be the type of affluent households that claim the SALT deduction," he added.

More phase four tidbits: Is it finally infrastructure time? Both President Donald Trump and Pelosi are [saying the right things](#) about making that a part of a next virus response, our Anthony Adragna and Sam Mintz reported. (To be fair, they've said the right things before, to no avail.)

And more Pelosi: The speaker and Senate Majority Leader [Mitch McConnell](#) (R-Ky.) [are already on a phase four collision course](#),

according to our Burgess Everett.

GOING ABOVE THE LINE: The various projections about the cost of allowing people who use the standard deduction to also deduct \$300 in charitable donations all land at around the same place. (That's a partial above the line deduction, for those using official parlance.)

The Joint Committee on Taxation says that will lose about \$1.5 billion in revenue over a decade, while the Penn Wharton Budget Model comes in at \$2 billion. But Penn Wharton also says it expects the new deduction to have a very limited impact on the amount that Americans give to nonprofits — [perhaps an even more important finding](#), given that this is another topic that could come up in phase four.

How small of an impact? Penn Wharton projects an extra \$110 million in contributions for 2020, an increase of 0.03 percent over the previously expected \$320 billion. Why? At least in part because there's not much of an actual subsidy there for non-itemizers who already give more than \$300 a year.

POLITICO Pro COVID-19 Coverage: In order to help you stay ahead of rapid shifts in public policy as the federal government, states, and municipalities adapt and coordinate responses, [we are sharing our top COVID-19 coverage here](#) in front of the POLITICO Pro paywall. If your work is affected by fast developing COVID-19 policies, we're here to help.

AROUND THE WORLD

DELAY? WE DON'T NEED NO STINKING DELAY: Mexican taxpayers [aren't getting the same dispensation](#) as their neighbors to the north — their taxes have to be paid on time, as Bloomberg reports. For companies, that meant that returns for 2019, and any revenue they might owe Mexican authorities, was due on Tuesday. Why isn't President Andres Manuel Lopez Obrador following the lead of other governments around the world and delaying tax filing? The Mexican leader has vowed to keep the country's debt in check, so has remained adamant about keeping tax collections on time. Not that he isn't getting any prodding on the issue: The Consejo Coordinador Empresarial, a top Mexican business advocate, has urged the government to push the tax filing deadline back by six months to help companies stave off layoffs.

UST_000752

TALK ABOUT UNFORESEEN CIRCUMSTANCES: The coronavirus [looks to be laying waste](#) to Colorado's efforts to overhaul its tax code, The Colorado Sun reports. Policymakers had certainly set it up for 2020 to be the year for a full-scale revamp, with Gov. Jared Polis outlining his willingness to trade tax breaks for lower rates. But that was then: It's not clear when the legislature will be back in Denver, and whether taxes will be a priority when lawmakers return after the coronavirus is just as much up in the air. The tax reform task force that Polis set up is still meeting remotely, and they have plenty left to discuss — including weighing the benefits of the \$6.6 billion in tax breaks that Colorado awards each year. The state auditor has also planned an enterprise zone program aimed at sparking economic development.

QUICK LINKS

Pelosi, Sen. [Elizabeth Warren](#) (D-Mass.) among those [pushing to shore up](#) municipal finances undercut by the coronavirus.

[It could be a slog](#) for expats to get their direct payments.

Law360: "Tax Cuts In Coronavirus Relief Bill [Raise Fiscal Questions](#)."

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DID YOU KNOW?

In filmmaking, above the line refers to people behind the creative process in a movie, like the director, screenwriter and actors. (Below the line refers more to the production crew.)

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UST_000754

RE: Leave Credits

From: "Kautter, David" </o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: (b)(6) <[REDACTED]@treasury.gov>, "Weiser, Carol" <carol.weiser@treasury.gov>
Cc: "Morrison, Helen" <helen.morrison2@treasury.gov>
Date: Wed, 01 Apr 2020 12:20:47 -0400
Attachments: 2020-04-01 Treasury Treasury and IRS Release FAQs to Help Small and Midsize Businesses Navigate Paid Sick and Family Leave Tax Credits DRAFT.docx (209.21 kB)

Comments attached. (b)(5) DP

From: (b)(6) <[REDACTED]@treasury.gov>
Sent: Wednesday, April 1, 2020 10:10 AM
To: Weiser, Carol <Carol.Weiser@treasury.gov>; Kautter, David <David.Kautter@treasury.gov>
Cc: Morrison, Helen <Helen.Morrison2@treasury.gov>
Subject: RE: Leave Credits

Please see below/attached draft.



U.S. Department of the Treasury Office of Public Affairs

Press Release: April 1, 2020
Contact: Treasury Public Affairs, (202) 622-2960

Treasury and IRS Release FAQs to Help Small and Midsize Businesses Navigate Paid Sick and Family Leave Tax Credits

(b)(5) DP

UST_000755

From: Weiser, Carol <Carol.Weiser@treasury.gov>
Sent: Wednesday, April 1, 2020 9:21 AM
To: (b)(6) <[REDACTED]@treasury.gov>; Kautter, David <David.Kautter@treasury.gov>
Cc: Morrison, Helen <Helen.Morrison2@treasury.gov>
Subject: RE: Leave Credits

Thanks very much. Please include Helen too when you send.

From: (b)(6) <[REDACTED]@treasury.gov>
Sent: Wednesday, April 1, 2020 9:02 AM
To: Kautter, David <David.Kautter@treasury.gov>; Weiser, Carol <Carol.Weiser@treasury.gov>
Subject: RE: Leave Credits

Thanks for the flag, Dave. I'll start putting together a Treasury press release with some of the highlights and send it to you both for review.

From: Kautter, David <David.Kautter@treasury.gov>
Sent: Wednesday, April 1, 2020 8:59 AM
To: (b)(6) <[REDACTED]@treasury.gov>; Weiser, Carol <Carol.Weiser@treasury.gov>
Subject: Leave Credits

(b)(6)

Yesterday a series of FAQs on the new leave credits was posted to the IRS website. They got virtually no mention at all. In fact, the link to the FAQs is buried in the last line of the IRS retention credit press release. (b)(5) DP
(b)(5) DP Here is a link to the IRS website where the FAQs appear. <https://www.irs.gov/newsroom/covid-19-related-tax-credits-for-required-paid-leave-provided-by-small-and-midsize-businesses-faqs>

Carol is the expert so she can answer any questions.

Thanks

Dave

David J Kautter
Assistant Secretary of the Treasury (Tax Policy)
Office (202) 622-0050

UST_000756

FW: Carnival Corporation CARES Act Proposal

From: "Muzinich, Justin" <"o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=3d2afce60d7e464fbd30ff8dbedefecb-muzinich, jus">
To: (b)(6)@treasury.gov
Date: Wed, 01 Apr 2020 14:01:41 -0400

From: Perez, Arnaldo (b)(6)
Date: April 1, 2020 at 1:57:39 PM EDT
To: Muzinich, Justin <Justin.Muzinich@treasury.gov>
Subject: FW: Carnival Corporation CARES Act Proposal

**** Caution: External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov ****

Justin: apologies, but I spelled your email address on the first message

Arnaldo Perez
General Counsel
3655 NW 87 Ave | Miami, FL 33178
Tel: +1 305-406-8608
Fax: +1 305-406-4758

(b)(6)



From: Perez, Arnaldo (CarnCorp)
Sent: Wednesday, April 01, 2020 1:54 PM
To: Secretary Mnuchin (b)(6); Justin.Muzinich@treasury.gov; Justin.Muzinich@treasury.gov
Cc: Arison, Micky (CarnCorp) (b)(6); O'Brien, Mark (CarnCorp) (b)(6); Bondi, Tandy (CarnCorp) (b)(6)
Subject: Carnival Corporation CARES Act Proposal

Dear Secretary Mnuchin,

Thank you for taking the time to speak with Mr. Arison and myself yesterday morning regarding Carnival's need for a loan under the CARES Act. Our immediate need for a loan results directly from the significant losses we have incurred (and expect to continue incurring) because of COVID-19, which has substantially impacted the cruise line business and, more broadly, the travel industry. As discussed, the Carnival group employs thousands of US based employees and supports hundreds of thousands of other US-based jobs related to our US cruise and land-based operations. Because of the current crisis, we have had to suspend our cruise operations in the United States (and worldwide). When we are safely able to resume our cruises, we expect a gradual restart of operations. As a result, we are facing an unprecedented need for liquidity to continue to meet our minimum operating requirements. Like many other successful US businesses, the Carnival group was very financially stable and profitable until the COVID-19 crisis.

Background on Carnival and its US Operations

Carnival Corporation is incorporated in Panama, and Carnival plc is incorporated in England and Wales. Carnival Corporation and Carnival plc, along with their subsidiaries (the "Carnival group"), operate a dual listed company (DLC) arrangement, whereby the businesses of Carnival Corporation and Carnival plc are combined and they function as a single economic entity through contractual agreements between separate legal entities. Shareholders of Carnival Corporation and Carnival plc have the same economic and voting interest but their shares are listed on different stock exchanges and are not fungible. Carnival Corporation is traded on the New York Stock Exchange (NYSE) under the symbol CCL. Carnival plc is traded on the London Stock Exchange under the symbol CCL and as an American Depositary Share on the NYSE.

The Carnival group operates the following brands in the United States: Carnival Cruise Line, Princess Cruises, Holland America Line, and Seabourn. The Carnival group's global headquarters is located in Miami, Florida, including the most senior management personnel. Carnival Corporation is registered to do business in the State of Florida. Princess Cruises has its headquarters in Santa Clarita, California. Princess Cruise Lines Ltd. is registered to do business in the State of California. Holland America Line N.V. and Seabourn Cruise Line Limited are registered to do business in the State of Washington. As of 2019, the Carnival group employed approximately 7,300 shoreside employees based in the United States.

UST_000757

Carnival plc wholly owns a US domestic subsidiary, Princess Cruises and Tours, Inc. ("PCT"), incorporated in Delaware. PCT is the leading tour company in Alaska, which complements and supports our significant Alaska cruise operations. During 2019, our US brands operated 18 cruise ships in Alaska; we expected this number to remain the same in 2020. Through its wholly owned US domestic subsidiaries (Royal Highway Tours, Inc.; Westmark Hotels, Inc.; and Tour Alaska, LLC), PCT owns and operates hotels, lodges, glass-domed railcars and motor coaches. PCT and its subsidiaries (the "PCT group") employ approximately 3,600 US based employees during the peak operating season. The cruise line industry (including the Carnival group) is the second largest employer in Alaska.

Request for Loan Under CARES Act

The Carnival group intends to apply for a loan under section 4003(b)(4) of the CARES Act. The borrower may be Carnival Corporation or PCT, depending on how the term "United States business" (as defined in section 4003(c)(3)(C)) is interpreted. We believe Treasury should define the term United States business by looking at the borrower and its US affiliates' activities and employees. As noted above, Carnival Corporation is registered to do business in the State of Florida, where the Carnival group maintains its global headquarters, including its most senior management. If "United States business" is interpreted to require PCT to be the borrower, then we request that Treasury take into account the following considerations in determining the appropriate size of the loan:

- PCT's hotel, railcar, and bus business supports our significant Alaska cruise operations, which include 18 cruise ships.
- For 2019, the PCT group's total gross assets was \$400 million.
- For 2019, the gross assets of Holland America and Princess (which operate our Alaska cruise business) was \$14 billion.
- For 2019, the Carnival group's total gross assets was \$45 billion, of which our US brand's gross assets was \$26 billion.
- Among other terms and conditions as Treasury may deem appropriate, Carnival Corporation and Carnival plc would be willing to provide a parent guarantee for any loan extended to PCT, in order to provide taxpayer protections.
- PCT would on-lend the funds to other affiliates within the Carnival group (including the guarantors), as needed in order to fund our continued operations in the United States, including the operations of our US brands and the Alaska cruise business.

The Carnival group's US brands paid \$550 million of excise "head" (per passenger) taxes in 2019 of which at least 70% (\$385M) was for US federal or state taxes. In Alaska, the US brands paid approximately \$45 million in "head" taxes and approximately \$15 million in income and casino taxes. The US brands also paid \$38 million in federal and state payroll taxes (employer portion) in 2019.

You may be aware that Carnival Corporation yesterday announced a combined public and private offering for certain senior secured notes, senior convertible notes, and common stock (totalling \$6 billion). The present crisis is unpredictable and this borrowing, together with the offerings, will help us through this difficult situation.

Thank you again for your consideration, and I suggest a call with my colleagues to walk through the proposal and answer any of your questions. We look forward to discussing the above with you or your designees at your earliest convenience.

Best regards,

Arnie

Arnaldo Perez
General Counsel
3655 NW 87 Ave | Miami, FL 33178
Tel: +1 305 406 8608
Fax: +1 305 406 4758

(b)(6)



UST_000758

FW: CEO letter on Duty Deferral

From: "Kautter, David" </o=ustreasury/ou=exchange administrative group (fydibohf23spdlit)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: "Skud, Timothy" <timothy.skud@treasury.gov>
Date: Wed, 01 Apr 2020 15:16:59 -0400

(b)(5) DP

From: Secretary Mnuchin
Sent: Wednesday, April 1, 2020 3:16 PM
To: Kautter, David <David.Kautter@treasury.gov>
Cc: McIntosh, Brent <Brent.McIntosh@treasury.gov>; Muzinich, Justin <Justin.Muzinich@treasury.gov>; Callanan, Brian <Brian.Callanan@treasury.gov>
Subject: FW: CEO letter on Duty Deferral

(b)(5) DP

From: Sonia Synga (b)(6)
Sent: Wednesday, April 1, 2020 11:25 AM
To: Secretary Mnuchin
Subject: CEO letter on Duty Deferral

**** Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Dear Mr. Secretary,

Thank you for your time to join me and other retail CEOs for a call on Sunday night. As you know, this is a very challenging time for our industry. Thank you also for the unprecedented steps your Administration has taken to meet the enormous liquidity challenges that have been created by the economic fallout of the deadly COVID 19 pandemic. We appreciate those actions and look forward to working with you to implement those measures, particularly the stabilization fund.

In addition, we believe the President should also support the current proposal by U.S. Customs and Border Protection to allow companies to defer duty payments for a short period of time, similar to what has been done for tax and other payments owed to the government. This would not absolve companies of duty liability, just extend the period of time for when we have to pay.

I am sending to you the attached letter that was sent to President Trump yesterday and signed by nearly 400 CEOs of small, medium, and large-sized companies from across the country. We believe that deferring duty payments will help preserve cash flow, which is critically important during a prolonged period of little to no revenue.

Thank you for your support and we look forward to working with you.

Best Regards,
Sonia Synga
Chief Executive Officer
Gap Inc.
415 (b)(6)



UST_000759

Fwd: BNY Mellon CEO phone call request

From: "Muzinich, Justin" <"o=ustreasury/ou=exchange administrative group (fydibohf23spdlit)/cn=recipients/cn=3d2afce60d7e464fbd30ff8dbedefecb-muzinich, jus">
To: "(b)(6)" <(b)(6)>@treasury.gov>
Date: Wed, 01 Apr 2020 15:24:04 -0400

Pls schedule

From: Lucas, Christopher (b)(6)
Date: April 1, 2020 at 3:14:06 PM EDT
To: Muzinich, Justin <Justin.Muzinich@treasury.gov>
Cc: (b)(6) <(b)(6)>@treasury.gov, Nunez, Carmen (b)(6)
Subject: BNY Mellon CEO phone call request

This message was sent securely using Zix Corp.

Deputy Secretary Muzinich,

I am reaching out on behalf of our CEO Todd Gibbons who would like to schedule a time to speak with you at some point next week about current market conditions and how we are reacting to COVID-19. As the world's largest global custodian, I think we can help provide information on the current state of financial markets and answer any questions you might have.

Please let me know what times work for you.

Thanks,

Chris

Chris Lucas
Director, Global Government Affairs
BNY Mellon

585-(b)(6)

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This message was secured by Zix Corp. (R)

UST_000760

FW: Letter regarding COVID-19 and Opportunity Zones

From: "Kautter, David" </o=ustreasury/ou=exchange administrative group (fvdihohf23sndl)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: (b)(6) @treasury.gov
Date: Wed, 01 Apr 2020 15:28:59 -0400

FOIA

From: John Lettieri <(b)(6)>
Sent: Wednesday, April 1, 2020 3:24 PM
To: Kautter, David <David.Kautter@treasury.gov>
Cc: Vallabhaneni, Krishna <Krishna.Vallabhaneni@treasury.gov>; Zarlenga, Lisa <(b)(6)>; Catherine Lyons <(b)(6)>
Subject: Letter regarding COVID-19 and Opportunity Zones

**** Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Dear Assistant Secretary Kautter,

Please find attached a letter from the Economic Innovation Group regarding steps that Treasury and the IRS can take to minimize the adverse effects of the COVID-19 emergency on investment in qualified opportunity zones.

Please let me know if my team can be of any assistance.

Best,
John

--
John W. Lettieri
President & CEO
Economic Innovation Group
w 202.839.3713
c (b)(6)
[@Lettieri](mailto:JLettieri@EIG.org)

This message and any attached documents are provided by the Economic Innovation Group for informational and educational purposes only. They are not intended to constitute legal or professional advice and should not be relied upon or treated as a substitute for consultations with professional, legal, or other competent advisers.



UST_000761

RE: CEO letter on Duty Deferral

From: "Kautter, David" <"o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: "Skud, Timothy" <timothy.skud@treasury.gov>
Cc: "Morrissey, Brian" <brian.morrissey@treasury.gov>
Date: Wed, 01 Apr 2020 16:38:29 -0400

Thanks

Brian C already responded to the Secretary

From: Skud, Timothy <Timothy.Skud@treasury.gov>
Sent: Wednesday, April 1, 2020 4:34 PM
To: Kautter, David <David.Kautter@treasury.gov>
Cc: Morrissey, Brian <Brian.Morrissey@treasury.gov>
Subject: FW: CEO letter on Duty Deferral

Dave,
Here is the draft response you requested. I'm copying Brian Morrissey, with whom I've been discussing this issue, in case he has additional suggestions/edits.
Tim

(b)(5) DP



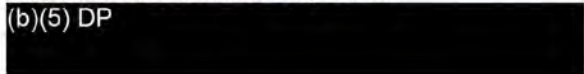
From: Kautter, David <David.Kautter@treasury.gov>
Sent: Wednesday, April 1, 2020 3:17 PM
To: Skud, Timothy <Timothy.Skud@treasury.gov>
Subject: FW: CEO letter on Duty Deferral

(b)(5) DP



From: Secretary Mnuchin
Sent: Wednesday, April 1, 2020 3:16 PM
To: Kautter, David <David.Kautter@treasury.gov>
Cc: McIntosh, Brent <Brent.McIntosh@treasury.gov>; Muzinich, Justin <Justin.Muzinich@treasury.gov>; Callanan, Brian <Brian.Callanan@treasury.gov>
Subject: FW: CEO letter on Duty Deferral

(b)(5) DP



From: Sonia Syngal (b)(6)
Sent: Wednesday, April 1, 2020 11:25 AM
To: Secretary Mnuchin
Subject: CEO letter on Duty Deferral

**** Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

UST_000762

Dear Mr. Secretary,

Thank you for your time to join me and other retail CEOs for a call on Sunday night. As you know, this is a very challenging time for our industry. Thank you also for the unprecedented steps your Administration has taken to meet the enormous liquidity challenges that have been created by the economic fallout of the deadly COVID 19 pandemic. We appreciate those actions and look forward to working with you to implement those measures, particularly the stabilization fund.

In addition, we believe the President should also support the current proposal by U.S. Customs and Border Protection to allow companies to defer duty payments for a short period of time, similar to what has been done for tax and other payments owed to the government. This would not absolve companies of duty liability, just extend the period of time for when we have to pay.

I am sending to you the attached letter that was sent to President Trump yesterday and signed by nearly 400 CEOs of small, medium, and large-sized companies from across the country. We believe that deferring duty payments will help preserve cash flow, which is critically important during a prolonged period of little to no revenue.

Thank you for your support and we look forward to working with you.

Best Regards,
Sonia Syngal
Chief Executive Officer
Gap Inc.

(b)(6)

UST_000763

RE: CEO letter on Duty Deferral

From: "Kautter, David" <"o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: "Skud, Timothy" <timothy.skud@treasury.gov>
Date: Wed, 01 Apr 2020 16:42:48 -0400

Not a problem

From: Skud, Timothy <Timothy.Skud@treasury.gov>
Sent: Wednesday, April 1, 2020 4:41 PM
To: Kautter, David <David.Kautter@treasury.gov>
Subject: RE: CEO letter on Duty Deferral

Sorry I was so slow

From: Kautter, David <David.Kautter@treasury.gov>
Sent: Wednesday, April 1, 2020 4:40 PM
To: Skud, Timothy <Timothy.Skud@treasury.gov>
Subject: FW: CEO letter on Duty Deferral

From: Callanan, Brian <Brian.Callanan@treasury.gov>
Sent: Wednesday, April 1, 2020 4:02 PM
To: Secretary Mnuchin <[REDACTED]> Kautter, David <David.Kautter@treasury.gov>
Cc: McIntosh, Brent <Brent.McIntosh@treasury.gov>; Muzinich, Justin <Justin.Muzinich@treasury.gov>; Morrissey, Brian <Brian.Morrissey@treasury.gov>
Subject: Re: CEO letter on Duty Deferral

(b)(5) DP



Deputy GC Brian Morrissey (copied) has been tracking this issue for us.

Thanks,
Brian

From: Secretary Mnuchin <[REDACTED]>
Date: April 1, 2020 at 3:16:01 PM EDT
To: Kautter, David <David.Kautter@treasury.gov>
Cc: McIntosh, Brent <Brent.McIntosh@treasury.gov>, Muzinich, Justin <Justin.Muzinich@treasury.gov>, Callanan, Brian <Brian.Callanan@treasury.gov>
Subject: FW: CEO letter on Duty Deferral

Will need to email response once we go public
What is status of POTUS EO?

From: Sonia Syngal <(b)(6)>
Sent: Wednesday, April 1, 2020 11:25 AM
To: Secretary Mnuchin <[REDACTED]>
Subject: CEO letter on Duty Deferral

**** Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

UST_000764

Dear Mr. Secretary,

Thank you for your time to join me and other retail CEOs for a call on Sunday night. As you know, this is a very challenging time for our industry. Thank you also for the unprecedented steps your Administration has taken to meet the enormous liquidity challenges that have been created by the economic fallout of the deadly COVID 19 pandemic. We appreciate those actions and look forward to working with you to implement those measures, particularly the stabilization fund.

In addition, we believe the President should also support the current proposal by U.S. Customs and Border Protection to allow companies to defer duty payments for a short period of time, similar to what has been done for tax and other payments owed to the government. This would not absolve companies of duty liability, just extend the period of time for when we have to pay.

I am sending to you the attached letter that was sent to President Trump yesterday and signed by nearly 400 CEOs of small, medium, and large-sized companies from across the country. We believe that deferring duty payments will help preserve cash flow, which is critically important during a prolonged period of little to no revenue.

Thank you for your support and we look forward to working with you.

Best Regards,
Sonia Syngal
Chief Executive Officer
Gap Inc.

(b)(6)

UST_000765

RE: Covid scams release

From: "Kautter, David" </o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: (b)(6)@treasury.gov
Date: Wed, 01 Apr 2020 16:48:39 -0400

We are fine

From: (b)(6)@treasury.gov
Sent: Wednesday, April 1, 2020 4:03 PM
To: Kautter, David <David.Kautter@treasury.gov>
Subject: FW: Covid scams release

(b)(5) DP

From: Lemons Terry L <Terry.L.Lemons@irs.gov>
Sent: Wednesday, April 1, 2020 3:13 PM
To: Morgenstern, Brian <Brian.Morgenstern@treasury.gov>; (b)(6) Eldridge, Michelle L. <Michelle.L.Eldridge@irs.gov>; Reynolds Jodie M <Jodie.M.Reynolds@irs.gov>
Subject: Covid scams release

Here's a COVID-related news release we'd like to get out as soon as feasible. Addresses some of the new scams coming in. Possible the Commissioner quote may adjust a bit. Let us know if any concerns there or if we're good to go ahead and issue.

Thanks!

IRS issues warning about Coronavirus-related scams; watch out for schemes tied to economic impact payments

(b)(5) DP

UST_000766

(b)(5) DP



—30—

UST_000767

RE: Social Security Recipients

From: "Kautter, David" <"o=ustreasury/ou=exchange administrative group (fydibohf23spdl)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: "Desmond, Michael J." <michael.j.desmond@irscounsel.treas.gov>
Date: Wed, 01 Apr 2020 18:50:24 -0400

Thanks

From: Desmond Michael J <Michael.J.Desmond@irscounsel.treas.gov>
Sent: Wednesday, April 1, 2020 6:06 PM
To: Kautter, David <David.Kautter@treasury.gov>
Subject: FW: Social Security Recipients

Assume this came to you already but just in case.

Mike

From: Lemons Terry L <Terry.L.Lemons@irs.gov>
Date: Wednesday, Apr 01, 2020, 6:04 PM
To: Grant Dianne <Dianne.Grant@irs.gov>, Desmond Michael J <Michael.J.Desmond@irscounsel.treas.gov>, Rettig Charles P <Charles.P.Rettig@irs.gov>, Eldridge Michelle L <MICHELLE.L.ELDRIDGE@irs.gov>, Lough Sunita B <Sunita.B.Lough@irs.gov>
Cc: Corbin Kenneth C <Kenneth.C.Corbin@irs.gov>, Eldridge Michelle L <MICHELLE.L.ELDRIDGE@irs.gov>, Reynolds Jodie M <Jodie.M.Reynolds@irs.gov>
Subject: RE: Social Security Recipients

Updated version of the text – now with the Secretary.

Social Security Recipients Will Automatically Receive Economic Impact Payments

(b)(5) DP



From: Grant Dianne <Dianne.Grant@irs.gov>
Sent: Wednesday, April 1, 2020 5:18 PM
To: Desmond Michael J <Michael.J.Desmond@irscounsel.treas.gov>; Rettig Charles P <Charles.P.Rettig@irs.gov>; Lemons Terry L <Terry.L.Lemons@irs.gov>; Eldridge Michelle L <MICHELLE.L.ELDRIDGE@irs.gov>; Lough Sunita B <Sunita.B.Lough@irs.gov>
Cc: Corbin Kenneth C <Kenneth.C.Corbin@irs.gov>; Eldridge Michelle L <MICHELLE.L.ELDRIDGE@irs.gov>; Reynolds Jodie M <Jodie.M.Reynolds@irs.gov>
Subject: RE: Social Security Recipients

(b)(5) DP



From: Desmond Michael J <Michael.J.Desmond@irscounsel.treas.gov>
Sent: Wednesday, April 01, 2020 5:10 PM
To: Rettig Charles P <Charles.P.Rettig@irs.gov>; Lemons Terry L <Terry.L.Lemons@irs.gov>; Grant Dianne <Dianne.Grant@irs.gov>; Eldridge Michelle L <MICHELLE.L.ELDRIDGE@irs.gov>; Lough Sunita B <Sunita.B.Lough@irs.gov>
Cc: Corbin Kenneth C <Kenneth.C.Corbin@irs.gov>; Eldridge Michelle L <MICHELLE.L.ELDRIDGE@irs.gov>; Reynolds Jodie M <Jodie.M.Reynolds@irs.gov>
Subject: RE: Social Security Recipients

(b)(5) DP



UST_000768

(b)(5) DP

Mike

From: Rettig Charles P
Sent: Wednesday, April 01, 2020 5:01 PM
To: Lemons Terry L; Grant Dianne; Desmond Michael J; Eldridge Michelle L; Lough Sunita B
Cc: Corbin Kenneth C; Eldridge Michelle L; Reynolds Jodie M
Subject: RE: Social Security Recipients

(b)(5) DP

From: Lemons Terry L <Terry.L.Lemons@irs.gov>
Sent: Wednesday, April 1, 2020 4:58 PM
To: Grant Dianne <Dianne.Grant@irs.gov>; Rettig Charles P <Charles.P.Rettig@irs.gov>; Desmond Michael J <Michael.J.Desmond@irscounsel.treas.gov>; Eldridge Michelle L <MICHELLE.L.ELDRIDGE@irs.gov>; Lough Sunita B <Sunita.B.Lough@irs.gov>
Cc: Corbin Kenneth C <Kenneth.C.Corbin@irs.gov>; Eldridge Michelle L <MICHELLE.L.ELDRIDGE@irs.gov>; Reynolds Jodie M <Jodie.M.Reynolds@irs.gov>
Subject: RE: Social Security Recipients

And here is Treasury's current version. Is the line I highlighted in red too sweeping?

Social Security Recipients Will Automatically Receive Economic Impact Payments

(b)(5) DP

####

From: Lemons Terry L
Sent: Wednesday, April 1, 2020 4:47 PM
To: Grant Dianne <Dianne.Grant@irs.gov>; Rettig Charles P <Charles.P.Rettig@irs.gov>; Desmond Michael J <Michael.J.Desmond@irscounsel.treas.gov>; Eldridge Michelle L <MICHELLE.L.ELDRIDGE@irs.gov>; Lough Sunita B <Sunita.B.Lough@irs.gov>
Cc: Corbin Kenneth C <Kenneth.C.Corbin@irs.gov>; Eldridge Michelle L <MICHELLE.L.ELDRIDGE@irs.gov>; Reynolds Jodie M <Jodie.M.Reynolds@irs.gov> <Jodie.M.Reynolds@irs.gov>
Subject: RE: Social Security Recipients

Here's the initial cut on the change involving seniors. Need a safety check on the Free File issue; may need to pare that back a bit if that creates too many initial issues.

Letting Treasury Public Affairs know we're working on something.

Draft

(b)(5) DP

UST_000769

(b)(5) DP

From: Grant Dianne <Dianne.Grant@irs.gov>

Sent: Wednesday, April 1, 2020 4:39 PM

To: Rettig Charles P <Charles.P.Rettig@irs.gov>; Desmond Michael J <Michael.J.Desmond@irscounsel.treas.gov>; Lemons Terry L <Terry.L.Lemons@irs.gov>; Eldridge Michelle L <MICHELLE.L.ELDRIDGE@irs.gov>; Lough Sunita B <Sunita.B.Lough@irs.gov>

Cc: Corbin Kenneth C <Kenneth.C.Corbin@irs.gov>

Subject: RE: Social Security Recipients

We talked about this on a 3:30 call. Terry said would work on it. But wanted to talk about timeline for it to do it on 5pm call.

From: Rettig Charles P <Charles.P.Rettig@irs.gov>

Date: Wednesday, Apr 01, 2020, 4:37 PM

To: Desmond Michael J <Michael.J.Desmond@irscounsel.treas.gov>, Lemons Terry L <Terry.L.Lemons@irs.gov>, Eldridge Michelle L <MICHELLE.L.ELDRIDGE@irs.gov>, Lough Sunita B <Sunita.B.Lough@irs.gov>

Cc: Grant Dianne <Dianne.Grant@irs.gov>, Corbin Kenneth C <Kenneth.C.Corbin@irs.gov>

Subject: RE: Social Security Recipients

Ken / Dianne?

(b)(5) DP

From: Desmond Michael J <Michael.J.Desmond@irscounsel.treas.gov>

Sent: Wednesday, April 1, 2020 4:35 PM

To: Rettig Charles P <Charles.P.Rettig@irs.gov>; Lemons Terry L <Terry.L.Lemons@irs.gov>; Eldridge Michelle L <MICHELLE.L.ELDRIDGE@irs.gov>; Lough Sunita B <Sunita.B.Lough@irs.gov>

Cc: Grant Dianne <Dianne.Grant@irs.gov>; Corbin Kenneth C <Kenneth.C.Corbin@irs.gov>

Subject: FW: Social Security Recipients

Dave Kautter is asking if we can message this publicly today. Any thoughts?

Terry, can C&L reach out to Treasury public affairs to coordinate and get their input on what to say?

From: David.Kautter@treasury.gov <David.Kautter@treasury.gov>

UST_000770

Date: Wednesday, Apr 01, 2020, 2:02 PM

To: Rettig Charles P <Charles.P.Rettig@irs.gov>, Lough Sunita B <Sunita.B.Lough@irs.gov>, Desmond Michael J <Michael.J.Desmond@irs.counsel.treas.gov>, Grant Dianne <Dianne.Grant@irs.gov>, Corbin Kenneth C <Kenneth.C.Corbin@irs.gov>
Cc: David.Lebryk@treasury.gov <David.Lebryk@treasury.gov>, McCubbin Janet G (Treas) <Janet.McCubbin@treasury.gov>, David.Eisner@treasury.gov <David.Eisner@treasury.gov> (b)(6) <[REDACTED]@treasury.gov>
Subject: Social Security Recipients

(b)(5) DP



I think we should try to get something out today to let people know what we plan to do.

Thank you

Dave

David J Kautter
Assistant Secretary of the Treasury (Tax Policy)
Office (202) 622-0050

UST_000771

FW: CARES Act

From: "Kautter, David" </o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: "Van Hove, Jeffrey" <jeffrey.vanhove2@treasury.gov>, "Vallabhaneni, Krishna" <krishna.vallabhaneni@treasury.gov>
Date: Thu, 02 Apr 2020 11:52:13 -0400

FYI

From: Peter Winslow (b)(6)
Sent: Thursday, April 2, 2020 11:18 AM
To: Kautter, David <David.Kautter@treasury.gov>
Cc: Desmond, Michael J. <michael.j.desmond@irsounsel.treas.gov>; michael.desmond@irsounsel.treas.gov
Subject: CARES Act

**** Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Dave:

Our firm has been working on behalf of a coalition of insurance companies to assist in solving a procedural problem relating to 2018 NOL carrybacks allowed under the CARES Act. We understand that the attached paper, which identifies the procedural problem, has been provided to Treasury and Chief Counsel by Mark Warren (Senate Finance Committee Staff Director). The procedural problem needs to be resolved to permit immediate refunds of 2018 NOL carrybacks as Congress intended by Section 2303 of the CARES Act.

The attached paper focuses on issues for taxpayers and does not cover potential administrative complications that could arise for the IRS. Mr. Warren has been advised of these potential IRS administrative problems and suggested we alert you to them. The administrative issues likely will arise for the IRS if guidance does not come out right way to permit the filing of Forms 1139 for 2018 NOL carrybacks. An extension of the filing period for 2018 NOLs by Form 1139 under section 6081 is the necessary solution.

The first likely problem if this is not done quickly would be that taxpayers with 2018 NOLs may file regular refund claims in an attempt to get the cash back from the carryback as soon as possible. This would be a problem because the IRS is precluded by Section 6405 from processing a regular refund claim without first submitting a report to the Joint Committee on Taxation and then waiting 30 days. A Form 1139 filing can result in immediate refunds. Therefore, a delay in guidance would likely require withdrawal of refund claims previously filed and a refiling of a Form 1139 to permit a more timely refund—with resulting confusion.

The second procedural problem relates to the refunds that the CARES Act permits for alternative minimum tax credits. For a taxpayer that has both refundable AMT credits and a 2018 NOL carryback, there could be a problem if the Form 1139 filing permitted by the statute for the AMT credits precedes the 2018 NOL filing. The reason is that the 2018 NOL carryback could affect the amount of the allowable unused AMT credit available for a refund. The 2018 NOL carryback filing should go first or at the same time as the AMT filing. Otherwise, further AMT refund corrections to

UST_000772

the previously-filed Form 1139 would need to be made.

These administrative problems could be avoided by immediate guidance that extends the time for filing a Form 1139 to receive the refunds available from 2018 NOL carrybacks. If we can do anything to help you expedite guidance, we are willing and able to assist.

Peter

Peter H. Winslow
(b)(6)
(202) 331-2032 (fax)

Scribner, Hall & Thompson, LLP

Visit < <https://hyperlink.services.treasury.gov/agency.do?origin=www.scribnerhall.com> > for more information about our firm.

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UST_000773

FW: On behalf of NYSBA Tax Section re COVID-19 Issues

From: "Kautter, David" <"o=ustreasury/ou=exchange administrative group (fydibohf23spdlit)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: "Van Hove, Jeffrey" <jeffrey.vanhove2@treasury.gov>
Date: Thu, 02 Apr 2020 13:31:55 -0400

From: Braiterman, Andy (b)(6)
Sent: Thursday, April 2, 2020 12:44 PM
To: Kautter, David <David.Kautter@treasury.gov>; Charles.P.Rettig@irs.gov; Desmond, Michael J. <michael.j.desmond@irs.counsel.treas.gov>
Cc: Gordon Warnke (b)(6); Robert Cassano Esq. (b)(6)
(b)(6) Phillip Wagman (b)(6)
(b)(6)
Subject: On behalf of NYSBA Tax Section re COVID-19 Issues

**** Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Dear Messrs. Kautter, Rettig and Desmond,

On behalf of the New York State Bar Association Tax Section, my fellow officers (copied) and I would be happy to set up one or more informal calls between members of the New York State Bar Association Tax Section executive committee and government officials to discuss issues that we have identified relating to the Coronavirus pandemic, including filing deadlines and CARES Act provisions, as well as any other issues on which you think our input would be helpful, with a view to then following up with more formal letters or reports where appropriate. Alternatively, if you prefer, you or your colleagues can email us regarding issues on which you would like our input.

Broad issues that we have identified include the following:

Filing Deadlines and Related Matters

1. The IRS notices extending filing and payment deadlines have been very helpful. We would like to discuss possible expansion of extensions to include quickie refund claims, fiscal year taxpayers, estate tax returns and payments, and information returns that are typically filed with tax returns (e.g., Forms 5471, 5472 and 3520), as well as elections such as check-the-box, Sections 336(e) and 338, and possibly Section 83(b) (although we recognize that the Section 83(b) deadline may be constrained by statute).
2. It would be helpful to have clarification as to how overpayments of 2019 taxes with July 15 extensions get applied to 2020 estimated tax payments, given that the first estimated tax due date is extended to July 15 but the second due date remains June 15.
3. We would also like to discuss the possibility of extending deadlines for actions not relating to compliance as such, including deadlines for identifying and acquiring Section 1031 replacement property and the 31 month period for spending QOZ working capital. We note in this regard that Notice 2001-68 provided relief from Section 1031 deadlines in connection with the 9/11 attacks and the current QOZ regulations provide for the possibility of extensions where there are delays in projects as a result of governmental actions or for projects in areas declared as disaster areas under the Stafford Act.

CARES Act Issues

1. Issues relating to Section 4003(h), which provides that investments by government will not give rise to Section 382 changes. These issues include effect of subsequent sales of investments by the government; similar issues arose in the 2008 financial crisis under the TARP program.
2. Issues relating to prohibition on companies that receive aid under Section 4003 of the CARES Act from paying dividends, including entities such as REITs and RICs that are required to make distributions in order to maintain their status and partnerships that typically make tax distributions to their partners. There are related issues affecting REITs and RICs that may have insufficient cash to pay dividends. We are aware of comments which have been made requesting that REITs and RICs be permitted to satisfy distribution requirements in a manner that limits their use of cash for distributions, as in the last financial crisis, by expressly permitting a dividend to be paid (say) 10% in cash and 90% in stock. However, this would appear not to address the issue created by Section 4003 which on its face appears to prohibit cash dividends entirely.

UST_000774

3. It would be helpful to confirm whether there are collateral consequences to forgiveness of loans under the PPP that are excluded from income under Section 1106(i) of the CARES Act, including whether there is an effect on deductions of expenses paid with the loan proceeds or, in the case of corporate taxpayers, basis reduction under Section 362(c) of the Code.

4. It would be helpful to have clarification of tax treatment of grants under Section 4112 of the CARES Act, including whether grants are includible in income and whether there are limitations on deduction of wages funded by the grants or whether basis reduction is required under Section 362 of the Code.

5. It appears that the normal 12 month deadline for filing a quickie refund claim for carrybacks of 2018 NOLs by calendar year taxpayers has expired, although Section 2303(d)(4) of the CARES Act permits a taxpayer with a fiscal year ending in 2018 to file such a claim up until July 25, 2020; this appears to be an oversight.

6. It would be helpful to have a procedure to facilitate receipt by SSI and public assistance recipients, who typically do not file federal income tax returns showing zero liability and do not receive Form SSA-1099, of the \$1200 payment provided by Section 2201 of the CARES Act. It will be very difficult for them to file returns or for practitioners who assist low income taxpayers to handle a spike in filings. One possible solution would be to permit the Service or the states to cross-check applicants on the SSI or public assistance rolls.

Other Issues

1. Issues relating to debt restructuring, including AHYDO and COD issues resulting from debt modification or forbearance. Possible ways to alleviate issues resulting from distressed debt markets include exercise of authority to waive AHYDO rules for debt-for-debt exchanges under Section 163(e)(5)(F) as well as giving leeway for taxpayers to claim that trading prices of thinly traded debt do not reflect true fair market value.

Please let us know whether you would like to discuss these or other issues, and we will make ourselves available at times that work for you. We may of course have additional thoughts as we continue to work with the new provisions.

Thank you very much in advance.

Very truly yours,

Andy Braiterman
Chair, New York State Bar Association Tax Section

Andy Braiterman | Partner

Hughes Hubbard & Reed LLP

One Battery Park Plaza, 12th floor | New York, NY 10004-1482

Office +1 (212) 837-6315 | Cell +1 (b)(6) | Fax +1 (212) 299-6315

(b)(6) [bio](#)

UST_000775

Re: FW: Coronavirus Relief Payments

From: "Kautter, David" <"o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: "Pinter, Kimberly" <kimberly.pinter@treasury.gov>
Cc: "Vaughan, Frederick" <frederick.vaughan@treasury.gov>, "Prus, Julia" <julia.prus@treasury.gov>
Date: Thu, 02 Apr 2020 13:51:58 -0400

Thanks

This was not easy

From: Pinter, Kimberly <Kimberly.Pinter@treasury.gov>
Date: April 2, 2020 at 1:49:45 PM EDT
To: Kautter, David <David.Kautter@treasury.gov>
Cc: Vaughan, Frederick <Frederick.Vaughan@treasury.gov>, Prus, Julia <Julia.Prus@treasury.gov>
Subject: FW: FW: Coronavirus Relief Payments

Kudos on the release not requiring non-filing SS recipients to file a return, and an offer to help –

Kimberly

From: Williams, Tyler <Tyler.Williams@treasury.gov>
Sent: Thursday, April 2, 2020 10:53 AM
To: Nunnally, Lauren <Lauren.Nunnally@treasury.gov>; Prus, Julia <Julia.Prus@treasury.gov>; Pinter, Kimberly <Kimberly.Pinter@treasury.gov>
Subject: FW: FW: Coronavirus Relief Payments

Not sure who is helping on this matter, but see the below note I received and my follow up.

Hope you're all doing well.

Tyler

From: Williams, Tyler
Sent: Thursday, April 2, 2020 10:51 AM
To: 'b.carey@ (b)(6)' <(b)(6)>
Subject: RE: FW: Coronavirus Relief Payments

Bob –

Replying from my Treasury email. I have shared with some folks internally and asked them to reach out directly at their discretion

Best,

Tyler

From: Tyler Williams <(b)(6)>
Sent: Thursday, April 2, 2020 10:34 AM
To: Williams, Tyler <Tyler.Williams@treasury.gov>
Subject: Fwd: FW: Coronavirus Relief Payments

**** Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

----- Forwarded message -----

From: Bob Carey <b.carey@independencefund.org>
Date: Thu, Apr 2, 2020 at 8:45 AM
Subject: FW: Coronavirus Relief Payments
To: williamsjt86@gmail.com <williamsjt86@gmail.com>

UST_000776

Tyler,

You're one of the few people I know at Treasury, but don't have your official email. Can you give me any guidance on how to proceed on this?

Bob "Shoebob" Carey
CAPT, USN (Ret)
Chief Advocacy Officer

Mobile: (b)(6)
Email: [\(b\)\(6\)](mailto:B.Carey@(b)(6))

1440 G St., NW, Suite 8105
Washington, DC 20005

Be a Hero for a Hero!



From: Bob Carey
Sent: Thursday, April 2, 2020 08:40
To: Lawrence, Paul R., VBAVACO <Paul.Lawrence@va.gov>; Burke, Ronald S., VBAVACO <Ronald.Burke@va.gov>
Cc: Stoddard, Michael T., VBAVACO <Michael.Stoddard2@va.gov>; margarita.devlin@va.gov
Subject: Coronavirus Relief Payments

Dear Dr. Lawrence and Mr. Burke,

The decision by Treasury to automatically send Coronavirus individual relief payments to Social Security recipients who don't otherwise file tax receipts was a great decision.

As you know, many recipients of disability compensation and/or caregiver stipends also don't file taxes as they don't have taxable income.

We believe VA and IRS should work together to get relief payments sent automatically to these veterans and caregivers as well, which would probably require you all sharing your recipient files with IRS as well.

We've raised this with the White House, but would be happy to assist on this with Treasury/IRS if you need our assistance to proceed.

Bob "Shoebob" Carey
CAPT, USN (Ret)
Chief Advocacy Officer

Mobile: (b)(6)
Email: [\(b\)\(6\)](mailto:B.Carey@(b)(6))

1440 G St., NW, Suite 8105
Washington, DC 20005

Be a Hero for a Hero!



UST_000777

RE: Flagging: Politico: First stimulus payments expected to go out week of April 13

From: "Kautter, David" <"/o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: "Lebryk, David" <david.lebryk@treasury.gov>, (b)(6)@treasury.gov, "Crowley, Monica" <monica.crowley@treasury.gov>
Date: Thu, 02 Apr 2020 16:02:19 -0400

(b)(5) DP

Dave: Are you okay with the change?

From: Lebryk, David <David.Lebryk@treasury.gov>
Sent: Thursday, April 2, 2020 3:56 PM
To: (b)(6)@treasury.gov; Kautter, David <David.Kautter@treasury.gov>; Crowley, Monica <Monica.Crowley@treasury.gov>
Subject: RE: Flagging: Politico: First stimulus payments expected to go out week of April 13

(b)(6) – The information in your response looks fine to me. (b)(5) DP

Dave

From: (b)(6)@treasury.gov
Sent: Thursday, April 2, 2020 3:50 PM
To: Lebryk, David <David.Lebryk@treasury.gov>; Kautter, David <David.Kautter@treasury.gov>; Crowley, Monica <Monica.Crowley@treasury.gov>
Subject: RE: Flagging: Politico: First stimulus payments expected to go out week of April 13

My perspective for what to offer the press:

(b)(5) DP

From: Lebryk, David <David.Lebryk@treasury.gov>
Sent: Thursday, April 2, 2020 3:44 PM
To: Kautter, David <David.Kautter@treasury.gov>; (b)(6)@treasury.gov; Crowley, Monica <Monica.Crowley@treasury.gov>
Subject: RE: Flagging: Politico: First stimulus payments expected to go out week of April 13

David – I think you have captured my views, too.

Dave

From: Kautter, David <David.Kautter@treasury.gov>
Sent: Thursday, April 2, 2020 3:31 PM
To: (b)(6)@treasury.gov; Crowley, Monica <Monica.Crowley@treasury.gov>; Lebryk, David <David.Lebryk@treasury.gov>
Subject: RE: Flagging: Politico: First stimulus payments expected to go out week of April 13

UST_000778

+ Dave Lebryk

(b)(5) DP

Dave: Please weigh in

(b)(5) DP

From: (b)(6) <(b)(6)@treasury.gov>
Sent: Thursday, April 2, 2020 3:13 PM
To: Kautter, David <David.Kautter@treasury.gov>; Crowley, Monica <Monica.Crowley@treasury.gov>
Subject: Fwd: Flagging: Politico: First stimulus payments expected to go out week of April 13

(b)(5) DP

Thoughts?

From: Ihrman, Hunter <Hunter.Ihrman@treasury.gov>
Date: April 2, 2020 at 3:05:00 PM EDT
To: DL Public Affairs <PublicAffairsDL@do.treas.gov>
Subject: Flagging: Politico: First stimulus payments expected to go out week of April 13

Politico: First stimulus payments expected to go out week of April 13 (Aaron Lorenzo, 4.2.20)

The IRS expects to start sending an initial wave of economic stimulus payments, worth up to \$1,200 apiece, to some 60 million Americans the week of April 13, Treasury Department and IRS officials have told the House Ways and Means Committee.

But it could take as many as five weeks for the payments to land in the mailboxes of people who have to be paid by check.

Taxpayers in the first wave have direct deposit information on file with the IRS from their 2018 or 2019 tax returns. Paper checks would start going out in May to people who don't have direct deposit information on file with the IRS, which includes nearly 100 million Americans. About 5 million checks will be sent weekly, and it could take up to 20 weeks to distribute all of them.

People with the lowest incomes will get their checks first.

The timeline, first divulged by Rep. Steven Horsford (D-Nev.), is still subject to change, according to a committee source.

Neither the IRS nor Treasury have responded so far to a request for comment on the timeline.

The payments were included in legislation designed to curb some of the economic damage caused by the coronavirus pandemic. They will total up to \$1,200 for individuals, \$2,400 for married couples and \$500 per child for families. The payments will start phasing out for individuals with incomes above \$75,000, or \$150,000 for couples.

To speed receipt, those without direct deposit information already on file will be able to get the information to the IRS either through an internet portal expected to debut late this month or in early May, or by filing a so-called simple tax return the IRS plans to release in the coming weeks.

That form is expected to ask filers for their names, Social Security numbers, information on dependents and deposit information.

Social Security beneficiaries who don't file tax returns will automatically get their payments just as they would their Social Security benefits, after the Treasury Department and IRS on Wednesday reversed initial instructions that they'd have to file simplified tax returns.

UST_000779

FW: CNBC reporting "no paper checks sent til May 4"

From: "Kautter, David" <"o=ustreasury/ou=exchange administrative group (fydibohf23spdl)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: (b)(6) <[REDACTED]@treasury.gov>, "Crowley, Monica" <monica.crowley@treasury.gov>
Date: Thu, 02 Apr 2020 17:25:56 -0400

FYI

From: Rettig Charles P <Charles.P.Rettig@irs.gov>
Sent: Thursday, April 2, 2020 5:17 PM
To: Eisner, David <David.Eisner@treasury.gov>; Lebryk, David <David.Lebryk@treasury.gov>; Kautter, David <David.Kautter@treasury.gov>
Cc: Rettig Charles P <Charles.P.Rettig@irs.gov>
Subject: RE: CNBC reporting "no paper checks sent til May 4"

Many Americans may have to wait months for coronavirus relief checks

PUBLISHED THU, APR 2 2020 3:31 PM EDT



NBC NEWS

Kasie Hunt and Alex Moe



President Donald Trump signs the CARES act, a \$2 trillion rescue package to provide economic relief amid the coronavirus outbreak, at the Oval Office of the White House on March 27, 2020. plan.

Jim Watson | AFP | Getty Images

The first Americans to get relief payments from the government under the coronavirus legislation signed into law last month won't see the money until at least the week of April 13, according to **new estimates from the Trump administration provided to House Democrats and outlined in a memo circulated this week by Democrats on the House Ways and Means Committee.**

Many people who don't have direct deposit information on file with the IRS might have to wait months to get the money.

The memo, obtained by NBC News, says that Americans who have their direct deposit information on file will receive their payments in mid-April, "likely" the week of April 13. The document estimates that about 60 million Americans will receive checks at that point.

About three weeks after those deposits go out, the IRS will start issuing paper checks, likely the week of May 4, according to the memo. The office that issues paper checks can process about 5 million checks per week, so it could take 20 weeks – nearly 5 months – to get them all out.

The office will process paper checks for the lowest-income Americans first.

The memo also notes that people on Social Security won't have to do anything to receive their

UST_000780

payments – the rebate will be sent to them just as their Social Security checks are.

https://www.cnbc.com/2020/04/02/many-americans-may-have-to-wait-months-for-coronavirus-relief-checks.html?_source=sharebar|email&par=sharebar

From: David.Eisner@treasury.gov <David.Eisner@treasury.gov>

Sent: Thursday, April 2, 2020 4:45 PM

To: Rettig Charles P <Charles.P.Rettig@irs.gov>; David.Lebryk@treasury.gov; David.Kautter@treasury.gov

Cc: Monica.Crowley@treasury.gov

Subject: CNBC reporting "no paper checks sent til May 4"

David F. Eisner | 202-622-2014 | david.eisner@treasury.gov
Assistant Secretary for Management | U.S. Department of the Treasury
1500 Pennsylvania Ave., NW, Washington, D.C. 20220

UST_000781

Re: Politico on ABA Panel Today

From: "Kautter, David" </o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: "Desmond, Michael J." <michael.j.desmond@irscounsel.treas.gov>
Date: Thu, 02 Apr 2020 21:40:51 -0400

Thanks

From: Desmond Michael J <Michael.J.Desmond@irscounsel.treas.gov>
Date: April 2, 2020 at 9:00:28 PM EDT
To: Kautter, David <David.Kautter@treasury.gov>
Subject: Politico on ABA Panel Today

Dave,

(b)(5) DP

Mike

(b)(5) DP

By Brian Falter

04/02/2020 05:32 PM EDT

The coronavirus outbreak is making it difficult for the IRS to implement a key stimulus tax provision designed to help struggling businesses, a top agency official said today.

The relief package signed into law last week [allows cash-strapped businesses to qualify for quick refunds](#) by redoing their previous years' taxes to account for their current losses.

The problem is that all of that is done on tax forms that are filed by mail, and office closures are making it difficult for the IRS to process them, said Sunita Lough, deputy commissioner for services and enforcement.

"Other than our one service center in Ogden, [Utah,] all of our service centers have been closed because of shelter in place," Lough said in a panel discussion sponsored by the American Bar Association. "So forms like 1139 that are mailed to the service centers – you can see there's a concern that the mail is not being sorted."

Work is also slowed by social-distancing guidelines.

"If 100 people were going in the building on an average day, when everything was good – we can't do that. We have to send a far fewer number of people in, and so we are rotating" people.

Liberalizing the rules on so-called net operating losses had been one of businesses' top priorities in the "phase three" [coronavirus stimulus package](#).

Lough asked companies eager for refunds for patience.

"We understand the need for liquidity and we understand the need for taxpayers to get the refund money because it is really important at this point, but we also have to balance it to protect our employees," she said.

"We really appreciate the patience – we're going to work it the best we can."

UST_000782

RE: On behalf of NYSBA Tax Section re COVID-19 Issues

From: "Kautter, David" <"o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: "Braiterman, Andy (b)(6)" <(b)(6)> "Desmond, Michael J." <michael.j.desmond@irscounsel.treas.gov>; Rettig Charles P <charles.p.rettig@irs.gov>
Cc: "Gordon Warnke (b)(6)" <(b)(6)> "Robert Cassanos Esq. (b)(6)" <(b)(6)> "Phillip Wagman (b)(6)" <(b)(6)>
Date: Fri, 03 Apr 2020 07:03:32 -0400

Andy

I would reiterate Mike's comments. Right now we are fairly far along on getting something out on extensions. Your input on what we may have missed and what we didn't get quite right would be of great value to Treasury and IRS.

Thanks for the offer to help.

Dave

From: Braiterman, Andy (b)(6) <(b)(6)>
Sent: Thursday, April 2, 2020 10:34 PM
To: Desmond, Michael J. <michael.j.desmond@irscounsel.treas.gov>; Kautter, David <David.Kautter@treasury.gov>; Rettig Charles P <Charles.P.Rettig@irs.gov>
Cc: Gordon Warnke (b)(6) <(b)(6)> Robert Cassanos Esq. (b)(6) <(b)(6)> Phillip Wagman (b)(6) <(b)(6)>
Subject: RE: On behalf of NYSBA Tax Section re COVID-19 Issues

**** Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Mike,

You are very welcome. If there are any issues on which you think more detailed input from us prior to your issuing guidance, please let us know.

Andy

Andy Braiterman | Partner

Hughes Hubbard & Reed LLP

One Battery Park Plaza, 12th floor | New York, NY 10004-1482

Office +1 (212) 837-6315 | (b)(6) | Fax +1 (212) 299-6315

(b)(6)

This message contains confidential information and is intended only for the individual named. If you are not the named addressee you should not disseminate, distribute or copy this e-mail. Please notify the sender immediately by e-mail if you have received this e-mail by mistake and delete this e-mail from your system. E-mail transmission cannot be guaranteed to be secure or error free as information could be intercepted, corrupted, lost, destroyed, altered or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this message which arise as a result of e-mail transmission. If verification is required please request a hard copy version.

From: Desmond Michael J <Michael.J.Desmond@irscounsel.treas.gov>
Sent: Thursday, April 2, 2020 9:58 PM
To: Braiterman, Andy <andy.braiterman@hugheshubbard.com>; david.kautter@treasury.gov; Rettig Charles P <Charles.P.Rettig@irs.gov>
Cc: Gordon Warnke (b)(6) <(b)(6)> Robert Cassanos Esq. (b)(6) <(b)(6)> Phillip Wagman (b)(6) <(b)(6)>
Subject: RE: On behalf of NYSBA Tax Section re COVID-19 Issues

CAUTION: This email was sent by someone outside of the Firm.

UST_000783

Andy,

Thanks for the prompt feedback. We have most of these issues on our list and some we should have guidance and answers out on very soon, but the NYSB Tax Section's input is always extremely helpful.

Your reaction to and comments on guidance we are able to get out in the coming days and weeks would also be appreciated. With things moving this quickly we expect some refinements may have to be made along the way.

Mike

Michael J. Desmond
IRS Chief Counsel
(202) 317-3300
michael.j.desmond@irs.counsel.treas.gov

From: Braiterman, Andy (b)(6)
Sent: Thursday, April 02, 2020 12:44 PM
To: david.kautter@treasury.gov; Rettig Charles P; Desmond Michael J
Cc: Gordon Warneke (b)(6); Robert Cassanos Esq. (b)(6); Phillip Wagman
Subject: On behalf of NYSBA Tax Section re COVID-19 Issues

Dear Messrs. Kautter, Rettig and Desmond,

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1. Issues relating to Section 4003(h), which provides that investments by government will not give rise to Section 382 changes. These issues include effect of subsequent sales of investments by the government; similar issues arose in the 2008 financial crisis under the TARP program.
2. Issues relating to prohibition on companies that receive aid under Section 4003 of the CARES Act from paying dividends, including entities such as REITs and RICs that are required to make distributions in order to maintain their status and partnerships that typically make tax distributions to their partners. There are related issues affecting REITs and RICs that may have insufficient cash to pay dividends. We are aware of comments which have been made requesting that REITs and RICs be permitted to satisfy distribution requirements in a manner that limits their use of cash for distributions, as in the last financial crisis, by expressly permitting a dividend to be paid (say) 10% in cash and 90% in stock. However, this would appear not to address the issue created by Section 4003 which on its face appears to prohibit cash dividends entirely.
3. It would be helpful to confirm whether there are collateral consequences to forgiveness of loans under the PPP that are excluded from income under Section 1106(i) of the CARES Act, including whether there is an effect on deductions of expenses paid with the loan proceeds or, in the case of corporate taxpayers, basis reduction under Section 362(c) of the Code.
4. It would be helpful to have clarification of tax treatment of grants under Section 4112 of the CARES Act, including whether grants are includible in income and whether there are limitations on deduction of wages funded by the grants or

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whether basis reduction is required under Section 362 of the Code.

5. It appears that the normal 12 month deadline for filing a quickie refund claim for carrybacks of 2018 NOLs by calendar year taxpayers has expired, although Section 2303(d)(4) of the CARES Act permits a taxpayer with a fiscal year ending in 2018 to file such a claim up until July 25, 2020; this appears to be an oversight.

6. it would be helpful to have a procedure to facilitate receipt by SSI and public assistance recipients, who typically do not file federal income tax returns showing zero liability and do not receive Form SSA-1099, of the \$1200 payment provided by Section 2201 of the CARES Act. It will be very difficult for them to file returns or for practitioners who assist low income taxpayers to handle a spike in filings. One possible solution would be to permit the Service or the states to cross-check applicants on the SSI or public assistance rolls.

Other Issues

1. Issues relating to debt restructuring, including AHYDO and COD issues resulting from debt modification or forbearance. Possible ways to alleviate issues resulting from distressed debt markets include exercise of authority to waive AHYDO rules for debt-for-debt exchanges under Section 163(e)(5)(F) as well as giving leeway for taxpayers to claim that trading prices of thinly traded debt do not reflect true fair market value.

Please let us know whether you would like to discuss these or other issues, and we will make ourselves available at times that work for you. We may of course have additional thoughts as we continue to work with the new provisions.

Thank you very much in advance.

Very truly yours,

Andy Braiterman
Chair, New York State Bar Association Tax Section

Andy Braiterman | Partner

Hughes Hubbard & Reed LLP

One Battery Park Plaza, 12th floor | New York, NY 10004-1482

Office +1 (212) 837-6315 | Cell (b)(6) | Fax +1 (212) 299-6315

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bio

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UST_000785

RE: Weekly WH Hill Call on COVID-19: CARES Act

From: "Kautter, David" </o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: (b)(6)@treasury.gov>
Date: Fri, 03 Apr 2020 09:47:08 -0400

Please make sure he knows I will not be on

Thanks

Dave

From: (b)(6)@treasury.gov>
Date: April 3, 2020 at 9:44:32 AM EDT
To: Kautter, David <David.Kautter@treasury.gov>
Subject: RE: Weekly WH Hill Call on COVID-19: CARES Act

Yes. He confirmed. Was thinking one of you is enough.

From: Kautter, David <David.Kautter@treasury.gov>
Date: April 3, 2020 at 9:29:46 AM EDT
To: (b)(6)@treasury.gov>
Subject: RE: Weekly WH Hill Call on COVID-19: CARES Act

(b)(6)

I am afraid that 5:00 PM won't work for me. I have a 5:00 PM call with IRS to go (b)(5) DP
(b)(5) DP Mike Desmond would be a good substitute and I see he is on the list.

Sorry

Dave

From: (b)(6)@treasury.gov>
Sent: Thursday, April 2, 2020 4:52 PM
To: McIntosh, Brent <Brent.McIntosh@treasury.gov>; Kautter, David <David.Kautter@treasury.gov>; Desmond, Michael J. <michael.j.desmond@irscounsel.treas.gov>; Kowalski, Daniel <Daniel.Kowalski@treasury.gov>; Vaughan, Frederick <Frederick.Vaughan@treasury.gov>; Eisner, David <David.Eisner@treasury.gov>
Cc: Nunnally, Lauren <Lauren.Nunnally@treasury.gov>; Blum, Jonathan <Jonathan.Blum@treasury.gov>; Pinter, Kimberly <Kimberly.Pinter@treasury.gov>; Dargusch, William <William.Dargusch@treasury.gov>; Prus, Julia <Julia.Prus@treasury.gov>; Pinto, Ashok <Ashok.Pinto@treasury.gov>; (b)(6)@treasury.gov>; (b)(6)@Treasury.gov>; Greenstein, Jonathan <Jonathan.Greenstein@treasury.gov>
Subject: Weekly WH Hill Call on COVID-19: CARES Act

All,

(b)(5) DP

Date/Time: Friday, April 3, 5:00 to 6:00 p.m. (this is tentative)

Audience: Bipartisan congressional members and staff, though only members can ask questions.

Agenda/Participation:

- (b)(5) DP
-
-
-
-

UST_000786

- (b)(5) DP [REDACTED]

Sincerely,

(b)(6) [REDACTED]

Senior Advisor
Legislative Affairs
U.S. Department of the Treasury
C: (b)(6) [REDACTED]

UST_000787

FW: Preliminary Comments on Impact on Taxpayers of COVID-19

From: "Kautter, David" </o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: "Van Hove, Jeffrey" <jeffrey.vanhove2@treasury.gov>
Cc: (b)(6) @treasury.gov>
Date: Fri, 03 Apr 2020 14:52:51 -0400

Kim: Not sure if (b)(5) DP

From: ABA Taxation Section <TaxIserve@americanbar.org>
Sent: Friday, April 3, 2020 2:40 PM
To: 'charles.rettig@irs.gov' <charles.rettig@irs.gov>
Cc: Kautter, David <David.Kautter@treasury.gov>; Desmond, Michael J. <michael.j.desmond@irscounsel.treas.gov>; Van Hove, Jeffrey <Jeffrey.VanHove@treasury.gov>; Sunita.B.Lough@irs.gov; Vallabhaneni, Krishna <Krishna.Vallabhaneni@treasury.gov>
Subject: Preliminary Comments on Impact on Taxpayers of COVID-19

**** Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

The attached preliminary comments on the impact on taxpayers of the COVID-19 emergency are sent on behalf of the ABA Section of Taxation.

American Bar Association
Section of Taxation
1050 Connecticut Avenue, NW, Suite 400
Washington, DC 20036
202.662.8670
202.662.8682 - fax
tax@americanbar.org
<https://hyperlink.services.treasury.gov/agency.do?origin=www.americanbar.org/groups/taxation>



UST_000788

From: Kautter, David
Sent: Friday, April 3, 2020 6:42 PM
To: McCubbin, Janet
Subject: FW: IRS COVID-19 Partner Package

FYI

From: Lemons Terry L <Terry.L.Lemons@irs.gov>
Sent: Friday, April 3, 2020 4:10 PM
To: Braiterman, Andy (b)(6); Rettig Charles P <Charles.P.Rettig@irs.gov>; Kautter, David <David.Kautter@treasury.gov>; Desmond, Michael J. <michael.j.desmond@irs.counsel.treas.gov>; gwarnke@ (b)(6); robert.cassanos (b)(6); Philip.Wagman (b)(6)
Subject: IRS COVID-19 Partner Package

Andy and friends – Following up on Commissioner Rettig's email earlier today, sharing some additional information with you. This includes outreach materials and other information that can be shared with your families, friends, partners and clients, posted to your websites, included in your internal newsletters and employee emails and shared on social media. Your assistance is vital in keeping American taxpayers informed and is greatly appreciated.

Realize this is a lot of material, but feel free to use or share any of this as you see fit.

Thanks!

IRS helps taxpayers and businesses who are affected by the Coronavirus: The IRS has established a [special section on IRS.gov](#) focused on steps to help individuals, businesses and other taxpayers affected by the Coronavirus. This page will be updated as new information is available.

Share information of Economic Impact Payments with your clients and employees: As part of a larger effort to help taxpayers dealing with COVID-19, the IRS has created special informational graphics about the upcoming economic impact payments that can be shared with your employees and clients or posted on your websites. These include details about who qualifies for the \$1,200 payments starting in a few weeks. The first two graphics are attached to this email. Additional graphics will be available at [IRS.gov/coronavirus](https://www.irs.gov/coronavirus).

Graphic

Informational e-Posters – 2 pdf files attached

- e-Poster #1: General information on Economic Impact Payments
- e-Poster #2: Economic Impact Payments – If you still need to file your return

IRS issues warning about Coronavirus-related scams; watch out for schemes tied to economic impact payments: The IRS is urging taxpayers to be on the lookout for an increase of calls and email phishing attempts about the Coronavirus, or COVID-19. Watch for scammers who may:

- Emphasize the words "Stimulus Check" or "Stimulus Payment." The official term is economic impact payment.
- Ask the taxpayer to sign over their economic impact payment check to them.
- Ask by phone, email, text or social media for verification of personal and/or banking information saying that the information is needed to receive or speed up their economic impact payment.

See the complete [April 2, 2020 IRS news release](#) for more information.

Follow IRS on social media, sign up for e-news subscriptions for urgent updates on COVID-19, scams and economic impact payment information

The IRS reminds taxpayers, businesses, tax professionals and others to follow the agency's official social media accounts and email subscription lists to get urgent information on COVID-19 and economic impact payments.

The IRS uses several [social media](#) tools including:

- Twitter: [Taxpayers](#), [businesses](#) and [tax professionals](#) can follow the IRS handles for up to the minute announcements, tips and [alerts](#) in English and [Spanish](#).
- [Facebook](#): News and information for everybody. Also available in [Spanish](#).
- [Instagram](#): The IRS Instagram account shares taxpayer-friendly information.
- YouTube: The IRS offers video tax tips in [English](#), [Spanish](#) and [American Sign Language](#).
- [LinkedIn](#): The IRS shares key agency communications and job opportunities.

Social Media: Please use the hashtag: #COVIDreliefIRS

Below are multilingual tweets to use with the attached images.

English

Economic Impact Payments: What you need to know www.irs.gov/coronavirus #COVIDreliefIRS

Spanish

Pagos de alivio por el impacto económico: lo que debe saber www.irs.gov/es/coronavirus #COVIDreliefIRS

Man (Chinese)

經濟影響付款：您需要瞭解的內容 www.irs.gov/coronavirus #COVIDreliefIRS

KO - Korean

경제 충격 지원 지불금 : 알아야 할 사항 www.irs.gov/coronavirus #COVIDreliefIRS

RU - Russian

Платежи в связи с экономическими последствиями : что Вам необходимо знать www.irs.gov/coronavirus #COVIDreliefIRS

Viet - Vietnamese

Khoản thanh toán tác động kinh tế : Những gì quý vị cần biết. www.irs.gov/coronavirus #COVIDreliefIRS

From: Kautter, David
Sent: Friday, April 3, 2020 6:43 PM
To: Crowley, Monica; Morgenstern, Brian (b)(6)
Subject: FW: IRS COVID-19 Partner Package

I don't know if you have seen this.....

From: Lemons Terry L <Terry.L.Lemons@irs.gov>
Sent: Friday, April 3, 2020 4:10 PM
To: Braiterman, Andy <(b)(6)> Rettig Charles P <Charles.P.Rettig@irs.gov>; Kautter, David <David.Kautter@treasury.gov>; Desmond, Michael J. <michael.j.desmond@irscounsel.treas.gov>; gwarne@<(b)(6)> robert.cassanos <(b)(6)> Philip.Wagmar <(b)(6)>
Subject: IRS COVID-19 Partner Package

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Viet - Vietnamese

Khoản thanh toán tác động kinh tế : Những gì quý vị cần biết. www.irs.gov/coronavirus #COVIDreliefIRS

FW: Follow-up -- Questions regarding Employee retention credit

From: "Kautter, David" <"o=ustreasury/ou=exchange administrative group (fydibohf23spdl)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: "Weiser, Carol" <carol.weiser@treasury.gov>
Date: Fri, 03 Apr 2020 19:16:57 -0400

I hope I sent this to you earlier

From: Jon Talisman (b)(6)
Sent: Monday, March 30, 2020 4:53 PM
To: Kautter, David <David.Kautter@treasury.gov>
Cc: Rick Grafmeyer (b)(6)
Subject: Re: Follow-up -- Questions regarding Employee retention credit

**** Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Dave -- Attached are some of the questions we are hearing most frequently from businesses regarding the application of the retention credit.

Please let me know if you have any questions.

Thanks very much,

Jon

Proposed Questions re Operation of Retention Credit

Q -- Interaction between Retention Credit and Payroll Tax Deferral?

A -- Payroll tax deferral should be stacked first and then the retention credit should be taken after the deferral to improve business liquidity and maximize the immediate cash flow gains from the two provisions.

As we very briefly discussed, there is confusion about the interaction/stacking between the employee retention credit and the payroll tax deferral provisions in the CARES Act.

To illustrate, imagine that a company has \$100 of employer social security taxes in Q2 of 2020 and \$25 of employee retention credits. That company will have at least \$100 of added liquidity under all interpretations of the interaction.

We are concerned that if you order the retention credit first without regard to the IRS authority to permit advance payment, there is no marginal liquidity benefit in 2020 as a result of the employee retention credit (i.e., because the credit first reduces the payroll tax liability from 100 to 75 and then defers the 75). Thus, for 2020, they still have the same \$100 of additional liquidity that they would have had in the absence of the employee retention credit. (While the employee retention credit results in a reduction in tax liability, that reduction does not provide any additional liquidity for companies until 2021 and 2022 when the deferred payroll taxes are due).

We think the better answer is that Congress intended for IRS/Treasury to address this interaction issue using the advance payment authority to allow for the added \$25 of employee retention credits to be pulled into 2020 resulting in \$125 of added liquidity in 2020 (i.e., payroll deferral (+100) and the employee retention credit (+25)).

If Treasury/IRS do not take action to provide for advance payment and to address the stacking issue with the payroll deferral, there will be real issues of disparate treatment and equity based on the health and size of the company, as well as the timing of payroll. For example, companies that need the credit the most today may, in some cases, not make it the 33 months to fully realize the benefit. Companies that are healthy but affected by a shutdown notice will survive and realize the full benefit in 33 months. Also, companies with relatively small payrolls may be able to reduce their current quarter employer social security liability to zero and then trigger the refund mechanism. Large companies with sizable payroll will not be able to access the refund mechanism because they will never reduce their employer social security taxes to zero.

It seems like Congress intended this credit to be broadly available to help all companies that face retention decisions so

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long as they meet the criteria of having a suspension of operations or having a significant decline in revenue. If Congress intended for the employee retention credit to simply be forgiveness of a portion of the payroll taxes that are due at the end of 2021 and 2022, they could have just built that into the payroll tax deferral provision.

Any guidance here would be helpful. Given the immediate focus on liquidity, the most important piece of information that taxpayers need to know right now about the credit is whether it helps their cash positions today.

Q -- What is a Partial Suspension?

A -- The credit is allowable with respect to any eligible employee that is retained but cannot work (fully or partially) because of government order (i.e., treat the business as "partially suspended)."

We are fielding a number of questions from various businesses seeking greater clarity as to what it means to be "partially suspended" by government order for purposes of the retention credit.

The facts vary. Some businesses are spread among different jurisdictions subject to different government orders. Others are providing both essential services that must remain operational as well as having operations that are required to cease. Others have reduced time worked by certain employees, while still paying them full-time. We assume the term "partially suspended" was meant to cover situations like the restaurant that is closed but still providing carryout, or the retailer that is providing on-line sales, but not store sales.

Obviously, the broadest rule would be to allow the credit with respect to any eligible employee that is retained but cannot work because of government order (i.e., treat the business as "partially suspended)." (At least one tax-writing committee staff thought that was the answer that was intended). Or will the definition be more limited and mean on a location-by-location and/or function-by-function basis, or something else? For example, with respect to health care businesses, would the forced cancellation of elective medical procedures qualify?

Under FAQs regarding the disaster relief retention credit issued in 2008, that once it is determined the business was inoperable, all wages paid count, whether the employee:

- a. performed any services from home or not;
- b. worked at another location after the employee's principal place of employment was rendered inoperable;
- c. resumed work at the new business location when it opened; or
- d. permanently transferred to another location.

Similarly, for example, under the CARES retention credit, would wages qualify for time not working, even if the employee works a portion of the time at the business or at home. A simple example is that employee A was scheduled to work 40 hours last week. Due to Covid-19 shutdown in the area, employee was not deemed essential and did not come into the office. Employee A did 5 hours of work last week (checking emails and calls). Other than the statutory limitations, it seems the entire 40 hours count as eligible wages.

Q -- What is a Governmental Order?

A -- It should include the CDC federal guidelines regarding social distancing as well as state or local orders under force of law.

Also, what happens if an employer shut down before an order from an appropriate governmental authority (e.g., because of social distancing, or limits on attendees). We understand that an employer that shuts down early shouldn't be able to claim a credit for wages paid before there was an applicable government shut down order. But it doesn't seem right that they shouldn't be able to claim the credit after a shutdown order, when they were exercising caution to protect their employees and customers. Thus, it seems that such an employer should be able to claim a credit for wages paid after the shutdown order (and the effective date).

Other issues arise regarding when a governmental order is rescinded. Do all orders have to be rescinded in the city, state, or entire U.S. Or is it just the orders impacting the original location of the employee's place or work?

Q -- What is the process for Statutory Employers (section 3401, 3512) to claim the credit on behalf of common law employers?

A -- Clarity should be provided as to how the credit is claimed in these situations. A mechanism needs to be provided for statutory employers to claim the credit on behalf of the common law employer (e.g., how to identify when the statutory employer is filing FICA returns for more than 500 employees vs. when the common law employer has fewer than 500 employees.)

It is the common law employer who will determine whether to retain an employee and needs the incentive provided by the credit to do so. Rules should be provided to allow statutory employers to establish that the credit is being claimed on behalf of common law employers with less than 500 employees.

Q – Will there be a grace period for taxpayers to repay tax benefits if they subsequently become ineligible because of other provisions of the CARES Act?

A – A grace period should be provided to repay tax benefits, including a waiver of interest and penalties, for small businesses who utilize Sections 2301 (employee retention credit) or 2302 (payroll tax deferral) and subsequently receive a loan or loan forgiveness from the small business loan facility, rendering them ineligible for the tax programs.

This will help provide small businesses needed confidence to utilize the tax proposals immediately that will help shore up balance sheets of some of the most vulnerable companies in the current economic downturn.

UST_000795

From: Muzinich, Justin
Sent: Saturday, April 4, 2020 6:37 AM
To: Callanan, Brian; Faulkender, Michael; Patel, Bimal
Subject: Fwd: Cypress COVID-19 Response Update (47/47): Treasury Addresses Applicability of Affiliation Rules in the PPP

From: Jeb Mason via Treasury Plus (b)(6)
Date: April 4, 2020 at 1:53:10 AM EDT
To: Jeb Mason (b)(6)
Subject: Cypress COVID-19 Response Update (47/47): Treasury Addresses Applicability of Affiliation Rules in the PPP

**** Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

1. **PPP – Affiliate Guidance.** The Treasury Department this evening released additional guidance addressing the applicability of affiliation rules under the Paycheck Protection Program (PPP).
 - a. We will have to digest further, but our very preliminary read is that they simplified the control test through guidance to ownership or ability to control 50% of voting equity. Our initial sense is that this is aimed at addressing most VC-backed businesses, but fails to solve for PE-backed small businesses.
 - b. Combined with the explicit waivers of affiliate rules under the CARES act, this seems likely to lead to some very peculiar outcomes in which one small business will essentially paid to keep their employs and another otherwise similarly situated small business will not, based solely upon the source of outside investment.
 - c. Tonight's documents:
 - i. [Paycheck Protection Program – Applicable Affiliation Rules](#)
 - ii. [Paycheck Protection Program – Interim Final Rule on Affiliation](#)

Jeb Mason

From: Jeb Mason (b)(6)

Sent: Friday, April 3, 2020 9:01 PM

To: Jeb Mason (b)(6)

Subject: Cypress COVID-19 Response Update (46/46): PPP Meets First Day Test, As Details & Capacity Are Still to Come; Plus Updates on Relief Checks, Munis, DPA, Mortgage Servicing, and CBO Scores Phase 2 as Congress Eyes Phase 4

1. **Payment Protection Program (PPP) First Day.** SBA officially launched the program with a [press release](#) this morning, and by launch Treasury's [PPP site](#) had been updated to include a [Final Borrower Application Form](#) and a [Lender Electronic Data Form](#), as well as the Interim Final Rule (IFR) we shared last night, and a few lenders were off to the races processing loans with ~\$4 billion of the total \$350bn allocated to the program so far, out the door by the end of normal business hours today. It wasn't all smooth sailing from the outside perspective - and we imagine even less so from the inside perspective - but all in all, our impressions are of a positive launch, even as there is a lot of work to be done over the next several hours and days to get the program up to full operational capacity, as they clearly launched with bare bones functionality this morning, with additional lenders, borrowers and guidance to be incorporated incrementally over the next few days.

a. **New Resources Posted During the Day today:**

- i. Treasury: The Lender [application](#) form for insured depository institutions (IDIs) posted midday.

b. **Other items we are still waiting for:**

- i. **Non-banks/fintech lenders.** We understand Treasury to still be working on an application form for non-bank/fintech lenders wishing to participate in the program. We expect this will post before Monday.
- ii. **Affiliation Rules.** SBA is working on guidance on the applicability of affiliation rules for PPP loans. We expect we might still see this tonight, but expect it by tomorrow at the latest, and further expect they will open the program up to additional small businesses who have taken outside equity investment, but it remains to be seen exactly how many small businesses they will include and what filters they will use.
- iii. **Loan Forgiveness.** SBA guidance in the works.
- iv. **Advance Purchase/Secondary Market.** SBA guidance regarding any advance purchase for loans sold in the secondary market remains in the works.
- v. **Non-Profits/Religious Liberty Protections.** SBA intends to promptly issue additional guidance with regard to religious liberty protections under this program.

c. **Initial Take-Up.**

- i. Secretary Mnuchin kicked things off around 8:30am with a [tweet](#): “I just got first report on #PPPloan The system is up and running. Community banks have already processed over 700 loans processed [sic] for \$2,500,000” and, several minutes later, that “Large banks expected to go live soon this morning as well on #PPPloan.”
 - ii. Anecdotally we heard they had put out over \$1bn in loans by midday.
 - iii. By 5:30pm, SBA administrator Jovita Carranza indicated they have made closed over **12k** loans valued at roughly **\$4 billion**.
 - iv. We expect their pace to accelerate greatly next week as more lenders come online early next week, and more borrowers can gain access through their preferred FI.
- d. **Other’s touch on Program and Suggest Desire for Broad Access.**
- i. **SEC’s Clayton.** We note an SEC Small Business Advisory Committee call yesterday also focused on the affiliation regulations and SEC Chair Clayton stated, “I hear you on the affiliate issue...We are in regular contact with SBA and Treasury. I will echo these comments to them based on this call.” You can find our notes of the call [here](#).
 - ii. **Rubio Comments On Complexity of Affiliate Issue.** Senate Small Business Chair Rubio (R-FL) who’s committee produced the section of the CARES act creating the Paycheck Protection Program (PPP) made comments in an [MSNBC interview](#) this morning that may suggest broader eligibility for small businesses than can be read into the relatively narrow exceptions to the affiliate rules than can be read into the text of the legislation alone.
 1. Senator Rubio, stating that “way over half the people in the country work for one of the eligible entities”
 2. When asked about what the questioner basically suggests are underserving businesses accessing a first-come, first-serve program, Rubio responded “I agree with your view that there is the opportunity here for some people to try to come in who aren’t the dry cleaner down the street or the bakery around the corner or the small restaurant... and those regulations are still due out.”
 3. “The more you open this up, the more you realize the complexity of ownership. What happens to a truly small business who happens to have 1 of 5 owners that is a 20% shareholder in the company that is an investment fund that maybe capitalized them a year ago? Because that’s something we’ve also been encouraging is for investment to flow towards small business.”
 4. “There are some entities that may have some minority stake held by some investment fund and there might be some exceptions depending on the size of that. But that hasn’t been determined yet.”
 5. “But ultimately, I agree with your point, and that is I don’t want to read headlines that the well-financed, well-capitalized companies because of their ownership structure were able to suck up all the money and we ran out of money.”

- iii. **Velazquez Signals Support For Broad PPP Program, While Requesting Conference with Treasury:** House Small Business Chair, Nydia Velazquez (D-NY) sent a [letter](#) to Secretary Mnuchin yesterday requesting a briefing today over challenges and confusion in the final day leading up to launch. Among other points, on PPP she states “[...] Congress created basic requirements, including eligibility, loan size, and forgiveness criteria, to reach as many businesses as possible as quickly as possible while also providing lenders with the tools they need to deliver this vital support.”
- iv. **SBA Resources.** SBA posted resources on the PPP and other programs.
 1. Paycheck Protection Program (PPP): <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp>
 2. Economic Injury Disaster Loan (EIDL) Emergency Advance: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/economic-injury-disaster-loan-emergency-advance>
 3. SBA Express Bridge Loans: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/sba-express-bridge-loans>
 4. SBA Debt Relief: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/sba-debt-relief>
2. **Bond Dealers Association Urges Support for Muni Markets.** The Bond Dealers of America sent a [letter](#) to Secretary Mnuchin and Fed Chair Powell recommending that they “concentrate the majority of your municipal market resources on purchasing obligations or other interests directly from issuers as permitted by the Act.” The group also urged the agencies to consider establishing a “standby, short-term lending facility for states and localities experiencing cash flow timing shortfalls” but that any intervention should be as brief as possible so as not to create an “artificial dependency.”
3. **Individual Relief Checks.** Secretary Mnuchin stated yesterday that the IRS will be making direct deposit payments “within two weeks.” A recent memo sent to House Democrats from the Ways & Means Committee confirmed that timeline for direct deposits, and stated that the IRS will begin putting paper checks in the mail in early May, but indicated it could take up to five months before some Americans would receive their checks. When asked about the memo, Mnuchin stated it would not take that long and that the money would go out “quickly, as a matter of weeks and not months.”
 - a. Mnuchin also noted that the IRS expects to create a portal by early May to allow individuals to update their direct deposit information and check the status of their payment in order to speed the disbursement process.
 - a. He also confirmed that Social Security beneficiaries who aren’t required to file a tax return will not need to take any action to receive their payment.
4. **Defense Production Act.** The President signed an [order](#) directing DHS to acquire from 3M Company “the number of N-95 respirators that the [FEMA] Administrator determines to be appropriate.” 3M today issued a [response](#) to the DPA order, warning of “humanitarian implications” of a request from the administration that the company cease exporting U.S.-made respirators to the Canadian and Latin American markets, while noting they have secured approval to export 10 million respirators from China to the U.S.

- a. President Trump yesterday also signed a separate [order](#) directing HHS “to facilitate the supply of materials to the appropriate subsidiary or affiliate of the following entities for the production of ventilators” – General Electric, Hill-Rom, Medtronic, ResMed, Royal Phillips and Vyaire.
5. **CBO Estimates Phase 2 Bill at \$192 Billion.** The CBO yesterday [published](#) a preliminary cost estimate of the Families First Coronavirus Response Act (Phase 2). The estimate states that the package will increase federal deficits by \$192 billion over the 2020-2030 period, mostly in FY20 and FY21. CBO states, however, that the estimated effects are “extremely uncertain because they depend on the severity of the novel coronavirus epidemic and its related economic effects.”
6. **Phase 4 Legislation - Content Still Up In Air, With Likely Pivot Back to Mitigation Mode In the Cards.**
 - a. Speaker Pelosi (D-CA) stated on CNBC this morning that “While I’m very much in favor of doing what we need to do to meet the needs of clean water, more broadband and the rest of that, that may have to be for a bill beyond this...I think right now we need a fourth bipartisan bill – and I think the bill could be very much like the bill we just passed...So I’d like to go right back and say let’s look at that bill let’s update it for some other things that we need, and again put money in the pockets of the American people.”
 - b. This tracks with what we’re hearing from leadership and marks a shift back to focus on continued mitigation – an extension of Phase 3 legislation – rather than a move toward a recovery package that includes infrastructure and other measures. We are hearing that Pelosi has asked Committee Chairs to send her requests/recommendations/principles for Phase 4 by Tuesday, with a bill possibly coming together by the end of next week (though we think they’ll likely wait to drop text until they’re closer to a vote so there is less time for it to be attacked).
 - c. We’d expect many of the Committees will reiterate their priorities from Phase 3 that didn’t end up included in the final package, and are also likely to be informed by issues they’re encountering in implementation of the CARES Act.
 - a. *Our view remains that it’s still a bit early for Congressional leaders or the White House really to know what they will want in Phase 4 legislation until they have better visibility into the implementation of Phase 3 programs and as well as the overall success in flattening the curve and optimism about returning the country to work in a reasonable timeframe. As both Pelosi and McConnell signaled today, if the PPP program take-up is high and money is flowing rapidly to a wide set of small businesses as most should hope, then policymakers may need to focus in the immediate term in adding to that program, for instance, before pivot to what has been referred to as economic stimulus or the recovery phase in a Phase 5 bill. Bottom line, work is underway to create the wish lists for economic stimulus legislation, but when that gets addressed and the both the size and scope of that prospective legislation remains very much up in the air even as there are some fairly detailed and predictable ideas floating around.*
 - b. *The actual voting process itself also remains somewhat of a wild card given we don’t know when exactly Congress will return and McConnell and Pelosi have thus far been resistant to rank and file calls for remote voting.*
7. **Mortgage Forbearance/Servicer Relief.**
 - a. HUD Secretary Carson in an emailed statement to Bloomberg said that mortgage relief is “for those who do not have the means to make payments due to economic hardship caused by

- COVID-19. If people are in a situation where they can pay their mortgage or rent on time, they should do so.”
- b. An FHFA spokesperson further echoed that “the agency interprets the stimulus legislation as requiring that consumers have to have lost jobs or income to qualify for forbearance.”
 - i. *These follow similar comments from FHFA Director Calabria and Treasury Secretary Mnuchin in recent days that borrower need must have a legitimate need. In our view, this balanced messaging – that forbearance is there for those who need it, but if you don’t need it, don’t claim it – is extremely important if help is to reach the borrowers who do need it so that mass forbearance requests do not overwhelm the mortgage ecosystem exacerbating a liquidity challenge for which longer solutions are still being crafted. for the mortgage system.*
 - a. **Banking Regulators Provide Flexibility to Mortgage Servicers.** Federal depository regulators (FRB, FDIC, OCC, NCUA) and the Conference of State Banking Supervisors (CSBS) issued a joint policy [statement](#) today providing regulatory flexibility to enable mortgage servicers to place consumers in short-term repayment forbearance programs.
 - a. Specifically, the statement clarifies that the agencies “do not intend to take supervisory or enforcement action against mortgage servicers for delays in sending certain early intervention and loss mitigation notices and taking certain actions relating to loss mitigation set out in the mortgage servicing rules, provided that servicers are making good faith efforts to provide these notices and take these actions within a reasonable time.”
 - b. **CFPB Releases Video on Mortgage Forbearance Process.** The CFPB [released](#) an instructional video on how the mortgage forbearance process under the CARES Act, and also linked to prior guidance on mortgage relief options, student loans, consumer scams, and tips for beginners in online and mobile banking.
 - a. [Guide to coronavirus mortgage relief options](#)
 - b. [What you need to know about student loans and the coronavirus pandemic](#)
 - c. [Beware of scams related to the coronavirus](#)
 - d. [Online and mobile banking tips for beginners](#)
8. **FDIC Extends Comment Period on Brokered Deposits.** [announced](#) it will extend by 60 days the public comment period for its proposed rule on brokered deposits. Recall, this proposal would create a new framework for analyzing certain provisions of the “deposit broker” definition.
 9. **FinCEN.** FinCEN today [issued](#) a notice providing additional information to assist banks in complying with their Bank Secrecy Act (BSA) requirements during the COVID-19 crisis.

As always, please reach out with your comments, questions, clarifications... and have a great weekend.

Jeb Mason

From: Jeb Mason (b)(6)

Sent: Thursday, April 2, 2020 8:31 PM

To: Jeb Mason (b)(6)

Subject: Cypress COVID-19 Response Update (45/45): PPP Regulation Released, Highlights. Notes From White House Briefing

1. **PPP Regs Out** The Interim Final Rule on the SBA PPP program is out and available [here](#). We are still reviewing the reg, but at first take a few key highlights and expectations.
 - a. **Lender Liability.** it looks as though they took steps to address lender liability and/or rescission risk.
 - i. "SBA will allow lenders to rely on certifications of the borrower in order to determine eligibility of the borrower and use of loan proceeds and to rely on specified documents provided by the borrower to determine qualifying loan amount and eligibility for loan forgiveness.
 - ii. "Lenders must comply with the applicable lender obligations set forth in this interim final rule, but will be held harmless for borrowers' failure to comply with program criteria; remedies for borrower violations or fraud are separately addressed in this interim final rule."
 - b. **Lender Compensation.**
 - i. **Interest rate** was doubled from 50bps to **100bps** (i.e. 1%) on the rationale that it offers an attractive interest rate relative to the cost of funding for comparable maturities (more on this from the Secretaries remarks below).
 - ii. **Origination fees.** Lenders also receive origination fees on a sliding scale.
 1. 5% for loans <= \$350,000;
 2. 3% for loans \$350,000 to \$2,000,000; and
 3. 1% for loans > \$2,000,000.
 - c. **Lender Eligibility.**
 - i. Any federally insured depository institution or any federally insured credit union;
 - ii. "Any Farm Credit System institution (other than the Federal Agricultural Mortgage Corporation) as defined in 12 U.S.C. 2002(a) that applies the requirements under the Bank Secrecy Act and its implementing regulations (collectively, BSA) as a federally

regulated financial institution, or functionally equivalent requirements that are not altered by this rule.”

- iii. Any depository or non-depository financing provider that originates, maintains, and services business loans or other commercial financial receivables and participation interests;

- 1. has a formalized compliance program;
- 2. applies the requirements under the BSA as a federally regulated financial institution, or the BSA requirements of an equivalent federally regulated financial institution;
- 3. has been operating since at least February 15, 2019, and
- 4. has originated, maintained, and serviced more than \$50 million in business loans or other commercial financial receivables during a consecutive 12 month period in the past 36 months, or
- 5. is a service provider to any insured depository institution that has a contract to support such institution’s lending activities in accordance with 12 U.S.C. § 1867(c) and is in good standing with the appropriate Federal banking agency.

- d. **Affiliation.** The rule alludes to further guidance from SBA yet to come.

- i. “SBA intends to promptly issue additional guidance with regard to the applicability of affiliation rules at 13 CFR §§ 121.103 and 121.301 to PPP loans.”

- e. **Non-profits.** We also anticipate further guidance related to non-profit eligibility.

- 2. **Waters Letter Suggests She’s Not A Fan of Private Equity, But Isn’t Hung Up on Affiliate Rules as it Relates to PPP.** Maxine Waters (D-CA), chairwoman of the House Committee on Financial Services (HFSC) meanwhile sent a [letter](#) to Treasury Secretary Steven Mnuchin and Small Business Administration Administrator Jovita Carranza which her office released this evening. The [release](#) reads like an attack on private equity, though the body reads as though she would support the extension of support to workers of small business regardless of affiliation.

- a. “it is absolutely imperative that the relief provided under PPP be extended to protect all workers, irrespective of the affiliations of their employers”
 - b. “Any funds granted through [the paycheck protection program] must not be used to pay any debts or obligations to private funds, including management or consulting fees,”
 - c. We read this as potentially creating political air cover for the administration to include more small businesses that might have otherwise been excluded by the affiliate rule.

- 3. **White House Coronavirus Task Force Press Briefing 4/2/20 5pm ET.** The briefing only ended moments ago, but we offer a few highlights of the early portion pertaining to small business support below.

- a. President Trump
 - i. Racing to get relief to American workers and small businesses
 - ii. Paycheck Protection Program is launching tomorrow
 - iii. \$350 billion in loans up to 100% forgivable as long as workers keep getting paid
 - iv. Treasury will deposit money directly into bank accounts for those on Social Security.
- b. SBA Administrator Carranza
 - i. 30 million small businesses front and center in response effort, we know that there will be challenges.
 - ii. Private and public sector must work together to make sure workers are put first.
 - iii. Prioritizing emergency capital for small businesses suffering as a result of coronavirus.
 - iv. Paycheck Protection Program
 - 1. PPP is to help keep employees on payroll and small businesses open.
 - 2. SBA will forgive job retention and other expenses.
 - 3. Working with lenders to that businesses can go to local lenders.
 - 4. Also providing advances on SBA disaster loans and forgiving existing SBA loan payments for the next 6 months.
- c. Treasury Secretary Mnuchin: We now need to execute and get money to small business.
 - i. PPP
 - 1. Will be up and running tomorrow.
 - 2. "Any FDIC institution will be able to do this. Any credit union, existing SBA lenders, and fintech lenders."
 - 3. Incorporated feedback from community banks and lenders.
 - 4. Interest rates will be raised to 1% vs. 50 bps originally announced.
 - 5. Encourage all small businesses with fewer than 500 employees to talk to lenders.
 - 6. You will get money the same day to pay your workers
 - 7. Bring your workers back to work if you let them go
 - 8. 8 weeks plus overhead
 - 9. 90-day loan on average
 - 10. "If we run out of money on the small business program, we'll be back right away to Congress"
 - ii. Economic impact payments

1. Within two weeks, the first payments will be direct deposit into taxpayers' account
- iii. Main Street Lending Facility
 1. Working with the Fed to design the Main Street Lending Facility
- iv. Munis
 1. Working on "State government facilities as well"
- v. Employee retention credit is up and running
 1. \$5,000 per person
 2. You can immediately get the money
 3. Refundable tax credit if you don't owe anything
- vi. Treasury Direct Lending Program:
 1. Taking applications from airlines, cargo companies, and national security companies.
 2. In response to a question about energy companies, Mnuchin confirmed our expectation that energy companies, like all US companies, will be able to use fed facilities that have been set up, "but not direct lending out of the Treasury.

Jeb Mason

The Cypress Group

(b)(6)

From: Jeb Mason <(b)(6)>
Sent: Thursday, April 2, 2020 5:38 PM
To: Jeb Mason <(b)(6)>
Subject: Cypress COVID-19 Response Update (44/44): SBA-Treasury Briefing on Small Business Loan Programs Now

SBA administrator Jovita Carranza and Secretary Mnuchin are briefing on Small Business loans presently. Q&A starting now. Watch live [here](#).

We will follow up with additional details as they become available.

Jeb Mason

The Cypress Group

(b)(6)

(b)(6)

From: Jeb Mason <(b)(6)>

Sent: Thursday, April 2, 2020 5:02 PM

To: Jeb Mason <(b)(6)>

Subject: Cypress COVID-19 Response Update (43/43): World On Edge for PPP Program Details, and Other Recent Developments

Our live *Cypress Tracker: Legislative and Regulatory Responses to COVID-19* can be found [here](#). If you're unable to access the Google Sheet, see our most recent Excel version [here](#).

1. **Paycheck Protection Program.** Treasury continues to work on clarifications and further guidance, with plans to launch the program tomorrow as the world awaits final details and the analysts begin judging the likely effectiveness of the program in staving off significant unemployment. Obviously, major concerns remain about the executability of the program based on the early guidance [released](#) by Treasury on Tuesday, including the qualification of eligible borrowers and the fact that the lender application has yet to be published. Substantial concerns also remain around the affiliation rules, which has received a high-level of interest from Congress and kicking up an astonishing level of concern across the country from businesses that have taken outside equity who fear they won't have access because they are not among the three explicit statutory exceptions NAICS code 72 businesses (food & accommodation), franchises, or SBIC-sponsored small businesses.
 - a. **Affiliation Asphyxiation?** SBA affiliation rules combined with the CARES act exceptions looks poised to create a peculiar and potentially tragic division among small businesses that will essentially be paid to keep their workers, and those that will not.
 - i. **The In Group:**
 1. Franchises,
 2. SBIC-sponsored businesses,
 3. businesses in food and accommodation e.g.
 1. bars,
 2. restaurants,
 3. Hotels & casino hotels,
 4. RV parks,
 5. Catering
 6. Food trucks
 4. We might also add Air carriers, though that support comes from other sections of the CARES act.
 - ii. **The Out Group (subject to the administration exercising their full statutory power and regulatory flexibility):**

1. Non-franchise, non-NAICS 72 businesses, with non-SBIC sponsors in
 1. Agriculture,
 2. Education,
 3. Construction,
 4. Manufacturing,
 5. Retail,
 6. Transportation,
 7. Real Estate Rental and Leasing,
 8. Waste management,
 9. Social assistance
 10. and others.
- b. **Potential VC Fix?** In an Axios [interview](#) earlier today, House Minority Leader McCarthy (R-CA) said that he has spoken with Secretary Mnuchin and the affiliate matter will be resolved, stating “the way you solve this is to make sure that a portfolio company isn’t controlled by 50% or more.” He also stated that Treasury will release additional guidance on the PPP program in the next day or two.
 - i. *This may suggest a “fix” for many VC funds, but would as described, presumably leave numerous small businesses with non-SBIC equity sponsors without access to the PPP program and thus loan forgiveness for keeping their employees on payroll.*
- c. **Are there other potential Fixes?** We believe there are several things the administration could possibly do to expand the reach of the program. These could include, but may not be limited to:
 - i. modifying the affiliation rules,
 - ii. adjusting SBA size standards and classifications,
 - iii. offering regulatory waivers to employers that have been supported by small business investors of all types (including Rural Business Investment Companies, lower middle market equity and debt funds, smaller venture funds, etc.), and/or
 - iv. adjusting size standards per NAICS code that determine qualification as a small business for the PPP.
- d. **Some recent Congressional and third party letters on the affiliation issue:**
 - i. Waters [letter](#) re allowing all FIs to participate
 - ii. Gottheimer-led [letter](#) supporting expansion of affiliation waiver
 - iii. Pelosi, Khanna [letter](#) re startups SBA
 - iv. Moran [letter](#) supporting expansion of affiliation waiver
 - v. Rubio, Cardin, Collins, Shaheen [letter](#) to Treasury, SBA
 - vi. Third party coalition [letter](#) on SBA affiliation rule for startups
- e. **Is \$350bn The True Limit?**
 - i. Our view has been that running out of money in the PPP program is what we would consider a high-class problem, and the administration should prefer to err on that side vs. focusing on concerns that some “undeserving” small businesses might get relief.
 - ii. We are encouraged that Treasury Secretary Mnuchin has already stated publicly he will ask Congress for more money to sustain U.S. small businesses during the coronavirus pandemic if they succeed in getting out all of a new \$349 billion loan pool allocated to the PPP program, and we believe Congress would likely support the additional funds.

- iii. We aren't certain of the government accounting, but one other idea we have is that the Federal Reserve could create an off-take facility for the SBA-backed loans such that it might be possible to recycle the capital already appropriated in the program. Our sense is they will need such an off-take facility regardless to have any hope of the economics working for most lenders.

2. **Main Street Lending Facility.** Secretary Mnuchin told CNBC yesterday that "Both the Fed and Treasury have a team of people, we're meeting on this [facility] everyday, it's a very big priority... we want to make sure that mid-market companies have access to liquidity" and that the facility will take off "soon."

- a. Boston Fed President Eric Rosengren, however, [said](#) the rollout of the program may still be "another couple" of weeks away, and that the facility is "still in the design phase" and "it's a complicated facility to appropriately scope" but they are working as fast as they can.
- b. *We are speculating, but we believe that the main street lending facility could potentially be used to purchase the SBA loans made under PPP, and thus could become the off-take facility we describe the necessity for above.*

3. Other Small Business News.

- a. The FDIC put out a [statement](#) encouraging financial institutions to consider the relief available to small businesses administered by the SBA and Treasury.
- b. The SEC Small Business Advisory Committee held a meeting earlier today to discuss the challenges small businesses face in coping with COVID-19. Much of the discussion surrounded the affiliate issue noted above. Chair Clayton stated that "We are in regular contact with SBA and Treasury and I will echo these comments."
- c. The Small Business Administration made available the [application](#) for its Economic Injury Disaster Loan (EIDL) program.
- d. Treasury and IRS also [released](#) FAQs to help small and midsize businesses navigate the paid sick and family leave tax credits. Recall, the CARES Act provides businesses with fewer than 500 employees funds to provide employees with paid leave related to COVID-19. Eligible employers can receive a credit in the full amount of the leave wages paid between April 1, 2020 and December 31, 2020.
- e. Separately, the SEC Small Business Capital Formation Advisory Committee is [scheduled](#) to host a meeting tomorrow (4/2) to discuss challenges to small business in coping with COVID-19.

4. Fed Facilities.

- a. **Muni Bonds.** Groups representing state and local finance officials and members of the municipal bond issuer and user community wrote a [letter](#) to Treasury Secretary Mnuchin and Fed Chair Powell asking them to expedite implementation of the ESF allocation directed toward purchasing municipal securities in the secondary market.
 - i. The National Association of State Treasurers penned an additional [letter](#) to Mnuchin and Powell calling for a temporary Municipal Securities Purchasing Facility and Bridge

- b. **Nonbank Lending.** Reps. Foster (D-IL) and Loudermilk (R-MO) led a bipartisan [letter](#) urging Fed Chair Powell to expand the TALF term sheet to include any investment-grade securities back by unsecured consumer loans as eligible collateral in an effort to facilitate credit for non-bank lenders and fintech platforms.
- c. **Non-Primary Dealers.** The American Securities Association sent a [letter](#) to Fed Chair Powell urging the Fed to offer collateralized loans to a broader range of securities dealers, such as by authorizing a non-primary dealer credit facility or affirming that non-primary dealers have access to one of the credit facilities that Board has already created.

- 14

9. **CECL.** The Fed, FDIC, and OCC released a joint statement last night clarifying the interaction between an interim final rule (IFR) released March 27 providing for a five-year transition period to CECL and the statutory relief provided by the CARES Act. The guidance states that no banking organization is required to comply with CECL during the statutory relief period in the CARES Act (but may choose to do so). A banking organization's five-year transition period under the CECL IFR begins on the date it would have been required to adopt CECL under the U.S. GAAP, regardless of whether the institution used the statutory relief. For a bank that uses the statutory relief and then subsequently opts to use to the relief provided in the IFR, the transition period would be reduced by the number of quarters during which the institution uses the statutory relief.
10. **Leverage Ratio Relief.** The Fed announced a temporary change to its supplementary leverage ratio requirements that would exclude U.S. Treasury securities and deposits at Federal Reserve Banks from the calculation until March 31, 2021. The change is effective immediately but will be open for comment for 45 days. The Fed stated the change will "allow banking organizations to expand their balance sheets as appropriate to continue to serve as financial intermediaries, rather than to allow banking organizations to increase capital distributions," and estimates the change will reduce capital holdings by roughly 2 percent overall.
 - a. *This may not be the last regulatory relief offered aimed at getting bank balance sheets more engaged in supporting the economy at a time when the world needs more balance sheet space despite the Fed's commitment to expanding theirs*
11. **Rulemaking Activities.** Fourteen House Committee Chairs sent a letter to OMB Director Vought requesting that the OMB direct agencies to extend public comment periods by at least 45 days beyond the end of the declared national emergency, including comment periods which closed between March 13 and the present, and those still open. The members also request that OMB direct federal agencies to immediately reschedule all public hearings and meetings.
 - a. The Fed, CFTC, FDIC, OCC and SEC released a joint statement today that they will consider comments submitted before May 1, 2020 on proposed amendments to the **Volcker rule**. The original comment deadline was April 1.
 - b. The SEC released a notice stating that while the comment period on a variety of proposed actions had closed in March 2020, the Commission will not take final action on any of those proposed actions before May 1, 2020 to allow potential commenters more time to submit comments for consideration if needed. The notice did state, however, that it believes the June 30, 2020 compliance date for Reg BI "remains appropriate" but that the SEC will take into account good faith efforts.
12. **Relief Fund Oversight.** House Financial Services Chair Waters (D-CA) sent a letter to Secretary Mnuchin urging him to utilize his waiver authority with regard to conditions around executive compensation, worker retention, and stock buybacks "only in the most exceptional cases, if at all." She also states that Treasury should use its discretionary authority to impose stricter terms and conditions on the use of funds to provide further protections for workers beyond those in the statute. Waters also urges Treasury to "fully comply with the law and not interfere with the Special Inspector General's duty to report any cover up by the Administration immediately to Congress."

- a. Senate Banking Committee Ranking Member Brown (D-OH) led Senate Democrats in a similar [letter](#) to Secretary Mnuchin yesterday.
 - b. Speaker Pelosi (D-CA) also announced this morning that the House will form a Select Committee on the Coronavirus Crisis chaired by Majority Whip Clyburn (D-SC).
13. **Airline Service Cuts.** The Department of Transportation Tuesday (3/31) [proposed](#) a plan for ensuring continuity of airline service in exchange for the CARES Act relief. The proposal would permit airlines to consolidate flights into a single airport in cities with more than one and to fly into cities from a single hub instead of multiple. Airlines flying to cities once or more daily for at least five days a week must maintain at least one daily flight, five days per week. Airlines will still maintain significant leeway to continue operations and can request exemptions from DoT at any time. Comments on the proposal are due today (4/2).
- a. The FAA separately [released](#) parameters for the disbursement of \$10 billion in aid to airports.
14. **HFSC FAQ.** In case you missed it, the House Financial Services Committee [released](#) a Q&A document regarding the financial services provision in the CARES Act.
15. **Non-Traditional Workers.** HFSC Chair Waters (D-CA) also sent a [letter](#) to Treasury Secretary Mnuchin and SEC Chair Clayton calling on them to resist rolling back protections for non-traditional workers during the COVID-19 crisis, such as by expanding Rule 701 of the Securities Act to allow companies to compensate such workers with equity in lieu of a traditional paycheck.

Jeb Mason

The Cypress Group

(b)(6)

From: Jeb Mason

Sent: Tuesday, March 31, 2020 4:03 PM

To: Jeb Mason (b)(6)

Subject: Cypress COVID-19 Response Update (42/42): Fed Creates Repo Facility for Monetary Authorities; Treasury Releases Initial PPP (Small Biz) Guidance; Servicer Liquidity & Munis

March 31, pm edition.

1. The **White House Task Force** will hold its next briefing at ~5pm tonight. You can watch [here](#).
2. **Social Distancing Extended.** President Trump announced Sunday that the administration will extend its social distancing guidelines until April 30. The President had previously indicated he would like to return to normal business by Easter (April 12).

3. **FIMA Repo Facility.** The Fed this morning announced the establishment of a temporary repurchase agreement facility for foreign and international money authorities ([FIMA](#)). The facility will allow central banks and other international money authorities with accounts at the New York Fed to enter into repurchase agreements in which account holders can temporarily exchange their U.S. Treasury securities for U.S. dollars.
 - a. Our sense is this will help address the global demand for dollars, and avoid a situation in which foreign central banks might otherwise feel the need to sell Treasuries.
4. **Treasury Releases Small Business Guidance.** Treasury today [released](#) additional information on the Paycheck Protection Program (PPP) including a [topline overview](#), and additional information for [lenders](#) and [borrowers](#). The application for borrowers can also be found [here](#).
 - a. The release reiterates that Treasury and SBA expect to have the program “up and running by April 3 [Friday] so that businesses can go to a participating SBA 7(a) lender, bank, or credit union, apply for a loan, and be approved the same day.”
 - b. The new program will be available retroactive to February 15, 2020 so that employers can rehire their recently laid-off employees through June 30, 2020.
 - c. We expect additional guidance documents to be released before EOD, which may provide some additional clarity with regard to the role SBA will play in qualifying borrowers and Treasury’s process for approving lenders and providing implementation oversight.
 - d. Other color/info on Small Business Lending programs:
 1. Secretary Mnuchin stated during recent TV interviews that he expects the SBA loans authorized under the CARES Act to be available starting this Friday (4/3) and that “any FDIC bank, any credit union, any fintech lender will be authorized to make these loans” to subject to certain approvals.
 2. Small Business Committee Chair Rubio (R-FL) and Ranking Member Cardin (D-MD) led a [letter](#) to Secretary Mnuchin urging Treasury to quickly issue publicly-available, comprehensive guidance to lenders and businesses on the assistance available, including the Paycheck Protection Program, Economic Injury Disaster Relief Loan grants, and debt relief provisions.
 3. Speaker Pelosi (D-CA) and Rep. Khanna (D-CA) also sent a [letter](#) to Secretary Mnuchin and SBA Administrator Carranza urging that start-up businesses be considered in regulatory guidance implementing the CARES Act Paycheck Protection Program.
 4. Separately, the SBA has [launched](#) a Small Business Guidance & Loan Resource and the Senate Small Business Committee [majority](#) and [minority](#) released related separate FAQs.
5. **Crapo Urges Speed on Fed Facilities for Business & Servicer Liquidity.** Senate Banking Committee Chair Crapo (R-ID) sent a [letter](#) to Secretary Mnuchin and Fed Chair Powell urging them to release public guidance as soon as possible related to implementation of the CARES Act. In particular, with regard to how the 13(3) facilities and direct loans will work.
 - a. The letter also urges the regulators to prioritize facilities that stabilize markets that FSOC has highlighted, such as mortgage servicing.

6. **Margin Calls.** MBA sent a [letter](#) to FINRA and the SEC noting that recent dramatic price volatility in the agency MBS market has led to broker-dealer margin calls on mortgage lenders' hedge positions that are "unsustainable." The letter urges the regulators to issue guidance to broker-dealers "making clear that margin calls on mortgage lenders' TBA hedge positions should not be escalated to destabilizing levels."
7. **CFPB Pressed For Guidance on Forbearance & ATR/QM Patch.** Industry and consumer advocates are pressing the CFPB to issue more stakeholder guidance around the COVID-19 response, particularly with regard to mortgage servicing regulatory compliance and consumer protections in light of widespread forbearance, as well as the upcoming expiration of the QM Patch for Fannie Mae and Freddie Mac in January 2021.
 - a. We believe the Bureau is coordinating with FHFA on some mortgage-servicing related guidance and may also act to further loosen disclosure and timing requirements for servicers.
 - b. Additional guidance on related implications credit reporting is also likely.
 - c. **ATR/QM (Patch extension?)** – Temporary Patch Extension – we have long expected CFPB will likely temporarily extend the "GSE-patch" to ensure a smooth market transition to what CFPB devises to replace the patch (i.e. likely removing the DTI from the QM definition). We still believe CFPB will remain committed both to a smooth transition and bringing the patch to an end. We have been expecting an proposed rule on the topic in late May. It's possible they might offer guidance on a temporary patch extension sooner than that under the circumstances, but we have not seen public indications of that so far.
8. **Waters (D-CA) Leans on Fed/Treasury To Support Servicer Liquidity, Muni Market.** House Financial Services Chair Waters (D-CA) [released](#) an extended statement for the record on the CARES Act. Among others, Waters applauds those measures in the bill to provide relief to federal mortgage and student loan borrowers but expresses continued concern with regard to homeowners, renters and students that do not have federally-backed loans who are excluded from relief under the Act.
 - a. **Mortgage Servicer Liquidity.** Critically, she underscores that the Fed has sufficient existing authority to create a facility to ensure that mortgage servicers have liquidity, and "Congress expects the Fed will act promptly to establish and implement this facility." Waters adds that Congress expects Treasury, HUD and FHFA to continue to use their authorities to provide sufficient relief to consumers.
 - b. **Muni Market – Support for Direct Purchase and Long-dated Maturity.** She also flags that "In addition to \$150 billion in grants to states and cities in this bill, H.R. 748 authorizes the Treasury Department to provide financing to a Federal Reserve facility that would support states and municipal government financing, including through the purchase of longer dated maturity bonds. The bill also instructs the Treasury Secretary to endeavor to lend through the Federal Reserve's facility to states and cities to help them meet the huge needs they will see in the months ahead. Given how urgent the needs are, Congress expects this program to be stood up quickly, and for the support that it provides for state and local borrowing to be robust, including through the direct purchase of new debt issuances and long-dated municipal securities."
9. **HUD Streamlines Appraisal and Re-verification of Employment.** HUD released policy [guidance](#) easing appraisal requirements and providing waivers for damage inspection reports

and condominium approvals as a result of the COVID-19 emergency. FHA also issued an updated Single Family COVID-19 Q&A for stakeholders.

10. **FHFA Loan Processing Guidelines.** FHFA just moments ago [announced](#) Fannie and Freddie will provide additional loan processing flexibilities to expedite closings including allowing desktop appraisals on new construction loans; allowing alternatives to construction completion reports; allowing borrowers to provide documentation (rather than requiring an inspection) for renovation disbursements; and expanding the use of power of attorney and remote online notarizations.
11. **FHFA Update FAQ.** FHFA also [released](#) new FAQs on assistance options for Families/borrowers impacted by COVID 19.
12. **Guidance on Airline Relief.** Treasury late last night [released](#) guidance on how airlines and related industries can apply for loans and direct grants pursuant to the CARES Act. Treasury did not yet set a deadline for the loan applications, but recommends that companies submit their grant requests no later than 5pm this Friday, April 3 to avoid processing delays and applications submitted after 11:59pm on April 27 may not be approved. Treasury said it will release more details on the loan program “promptly,” including how the principal loan amounts will be determined, how applications will be evaluated, and other loan terms and conditions.
 - a. American Airlines CEO Doug Parker said in a message to employees Monday that the company will seek ~\$12 billion in government aid.
13. **Employee Retention Credit.** Treasury and the IRS separately today [launched](#) the Employee Retention Credit – the refundable tax credit is 50% of up to \$10,000 in wages paid by an eligible employer who has been financially impacted by COVID-10. The credit is available to all employers, regardless of size of business.
14. **House Democrats Eye Fourth Package.** Speaker Pelosi (D-CA) and Energy & Commerce Chair Pallone (D-NJ) held a conference call with reporters yesterday where they emphasized that increasing aid for states, bolstering worker safety protections, and providing free treatment for COVID-19 will be priorities for Democrats in the next legislative response. She also mentioned certain infrastructure projects related to clean water and broadband, and, potentially, additional direct payments to individuals, among other policy items.
 - a. Pelosi stated that remote voting will not be an option for the fourth package, and that the House may hold hearings during the current recess (set to go through at least April 20).
 - b. Pelosi separately sent a [Dear Colleague](#) letter to members with a “coronavirus toolkit” to help constituents understand the CARES Act benefits.
15. **PRAC Chair.** The Council of the Inspectors General on Integrity and Efficiency [announced](#) that Glenn Fine will serve as the Chair of the Pandemic Response Accountability Committee (PRAC). Fine currently serves as the Principal Inspector General Performing the Duties of the Inspector General for the Department of Defense and prior to that served as Inspector General of the Justice Department. Recall, the CARES Act provides for 9 members of the PRAC – the IGs of the Departments of Defense, Education, HHS, Homeland Security, Justice, Treasury and the Small Business Administration and Tax Administration.
16. **Industry Calls for Federal Recovery Fund.** 36 trade associations, including the American Property Causality Insurance Association and National Retail Federation, sent a [letter](#) to the President and congressional leadership calling for the establishment of a “COVID-19 Business Employee Continuity

and Recovery Fund” that would direct federal funds to businesses disrupted by the pandemic. The Fund would be in addition to the loan programs enacted in the CARES Act as the groups state additional liquidity will be required for affected industries and businesses.

17. **DoL Provides Added Guidance on Expanded Paid Family Medical Leave (PFML).** Over the weekend, the Department of Labor [released](#) additional guidance for employees and employers around the expanded paid family and medical leave provisions as implemented by the Families First Coronavirus Response Act (Phase II legislation).
18. **McHenry (R-NC) Urges Benefit for Gig Workers.** House Financial Services Committee Ranking Member McHenry (R-NC) sent a [letter](#) to Treasury Secretary Mnuchin and SEC Chair Clayton urging them to ensure that emergency relief distributed via the Exchange Stabilization Fund benefits gig worker by asking eligible companies to provide equity compensation to all workers as well as by eliminating certain regulatory barriers, such as Rule 71 under the Securities Act.

As always, please reach out with comments, observations, questions.

Jeb Mason

The Cypress Group

(b)(6)

From: Jeb Mason

Sent: Friday, March 27, 2020 6:28 PM

To: Jeb Mason (b)(6)

Subject: FW: Cypress COVID-19 Response Update (41/41): POTUS Signs CARES Act; Invokes Defense Production Act wrt GM; Ginnie Offers Comfort on Mortgage Servicer Liquidity Concerns

1. **President Signs CARES Act.** President Trump [signed](#) the CARES Act into law around 4:30pm. It's done! Also this evening...
2. **Defense Production Act.** The President also [signed](#) a Presidential Memorandum directing HHS to use its authority under the Defense Production Act to compel General Motors to accept, perform, and prioritize federal contracts to produce ventilators. This follows some early reluctance on the part of the President to invoke the DPA, stating that companies were responding to crisis needs voluntarily.
3. **Ginnie Mae Signals Support for Servicer Liquidity.** Ginnie Mae put out a comfort [statement](#) a short time ago, acknowledging servicer liquidity concerns and indicating that the agency plans, “within the next two weeks,” to put out an All Participants Memorandum (APM) implementing a Pass-Through Assistance Program (PTAP) under its authority to tailor existing disaster assistance programs.

- a. The PTAP will allow issuers with a P&I shortfall to request that Ginnie advance the difference between available funds and scheduled payments to investors.
- b. It will be effective immediately upon the publication of the APM, with changes to its MBS guide to follow in "due course."
- c. **No EOD!** Ginnie also states that "because the current national emergency is not limited in geographic scope the way a natural disaster is, a P&I advance will not be considered an event of default, though all other program requirements will continue to apply."
- d. We view this as significant relief for the servicer liquidity challenge as they are called upon to make mortgage forbearance widely available to consumers.
- e. However, we see this as a temporary and partial solution to bridge to the creation of a broader liquidity facility that will still be needed at the Fed, using their authorities using 13(3) in combination with credit protection out of Treasury's.

Jeb Mason

The Cypress Group

(b)(6)

(b)(6)

From: Jeb Mason (b)(6)

Sent: Friday, March 27, 2020 3:28 PM

To: Jeb Mason (b)(6)

Subject: Cypress COVID-19 Response Update (40/40): House Passes CARES Act Heading to POTUS for Signature Soon. Fed Facilities Recap and Possible Next Steps

1. **House Passes CARES Act (aka "Phase 3" legislation).** The House a short while ago passed the CARES Act by Voice Vote. It will now head to the President to be signed into law today.
 - a. The House adjourned until 3pm, Tuesday, March 31, 2020.
2. **JCT Score.** The Joint Committee on Taxation [released](#) an estimate for the Phase III legislation, which estimates the tax provisions will cost more than \$960 billion in fiscal year 2020 and fiscal year 2021.
3. **CECL.** The Fed, FDIC, and OCC [issued](#) an interim final rule today that allows banking organizations that are required to adopt CECL this year to mitigate the estimated cumulative regulatory capital effects for up to two years. This is in addition to the three-year transition period already in place. Alternatively, banking organizations can follow the capital transition rule issued by the banking agencies in February 2019. The agencies also announced that they are allowing banking organizations to early adopt SA-CCR early – for the reporting period ending March 31.
4. **Fed Facilities.** As we noted yesterday, we anticipate we should see additional announcements from the Fed soon (as early as today possibly) announcing the creation of a **Main Street Business Lending**

Program to support lending to eligible small-and-medium sized businesses, and there could be others in the works in the coming days and weeks as necessary.

- a. We have included below our recap of other emergency-related facilities already created by the Federal Reserve to date, and a few notes about what we are looking for next.
- b. **Size Expansion.** We would anticipate that with the additional capital provided in the CARES Act the Fed will likely expand some of the facilities they have already created as Treasury can now increase the credit protection it provides using the ~\$450 billion+ available to them once the bill is signed into law. As we noted last night, we see the PMCCF, SMCCF, and TALF as likely candidates to grow dramatically from their existing \$100bn commitments each to several times that.
- c. **New Facilities.** We see potential for new facilities targeted to main street business as possible yet, with distinct terms and pools of capital, the Main Street Business Lending Facility being at least one of those. But we can also imagine facilities to provide liquidity to mortgage servicers, and possibly to muni markets, among other potential concepts. Some of these will take some time to organize even if they decision were made today, so some borrowers may have to bootstrap off of existing facilities for a time, until a facility more perfected to a particular purpose can be created.
- d. **Collateral/Risk Expansion.** Expanding ESF capital for Treasury also allows the FRB and Treasury together to at least consider moving further out the risk in terms of duration or collateral, though as they do so, they may have to reduce leverage as the credit protection costs to Treasury may rise. We suspect they will do so only incrementally and we are somewhat skeptical they will move out into high yield corporates for instance in the next several steps they take.
- e. **Ratings Required?** As we noted last night, we don't see how they can require a rating on small and mid-size businesses that we anticipate are intended to have access to the Main Street Business Lending Program. Our guess though is that they will have to rely upon lenders to provide a credit underwrite. We have a hard time seeing a scenario where they don't differentiate upon credit risk. And it may also be that the perceived risk in lending without ratings will mean they require more credit protection from Treasury (i.e. less leverage) than in other facilities they have announced to date.

Primary Dealer Credit Facility (PDCF) – [Term Sheet](#)

- **Stated purpose:** To allow primary dealers to support smooth market functioning and facilitate the availability of credit to businesses and households.
- **Establishment:** March 20, 2020
- **Termination:** The PDCF will remain available to primary dealers for at least six months, or longer if conditions warrant.
- **Assets:** All collateral eligible for pledge in open market operations (OMO); plus investment grade corporate debt securities, international agency securities, commercial paper, municipal securities, mortgage-backed securities, and asset-backed securities; plus equity securities.

Foreign currency-denominated securities are not eligible for pledge under the PDCF at this time.

- **Eligible Borrowers:** Only primary dealers of the New York Fed.
- **Term/maturity:** Maturities up to 90 days.
- **Pricing:** Loans made under the PDCF will be made at a rate equal to the primary credit rate in effect at the New York Fed offered to depository institutions via the Discount Window.
- **Size:** Loans will be limited to the amount of margin-adjusted eligible collateral pledged by the dealer and assigned to the New York Fed's account at the clearing bank.
- **Authority:** Section 13(3) of the Federal Reserve Act
- **Treasury commitment:** N/A

Commercial Paper Funding Facility (CPFF) – [Term Sheet](#)

- **Stated purpose:** To support the flow of credit to households and businesses by providing a liquidity backstop to U.S. issuers of commercial paper.
- **Establishment:** March 17, 2020; Modified on March 23, 2020
- **Termination:** March 17, 2021
- **Assets:** U.S. dollar-denominated commercial paper (including asset-backed commercial paper) that is rated at least A1/P1/F1 by a major NRSRO or, if rated by multiple major NRSROs, is rated at least A1/P1/F1 by two or more major NRSROs, in each case subject to review by the Fed.
- **Eligible Issuers:** U.S. issuers of commercial paper, including municipal issuers and U.S. issuers with a foreign parent company.
- **Term/maturity:** The SPV will purchase from eligible issuers three-month U.S. dollar-denominated commercial paper through the New York Fed's primary dealers.
- **Pricing:** For commercial paper rated A1/P1/F1, pricing will be based on the then-current 3-month overnight index swap ("OIS") rate plus 110 basis points. For commercial paper rated A2/P2/F2, pricing will be based on the then-current 3-month OIS rate plus 200 basis points.
- **Authority:** Section 13(3) of the Federal Reserve Act
- **Treasury commitment:** \$10 billion from the ESF

Primary Market Corporate Credit Facility (PMCCF) – [Term Sheet](#)

- **Stated purpose:** To support credit to large employers through new bond and loan issuance.
- **Establishment:** March 23, 2020
- **Termination:** September 30, 2020
- **Assets:** The Facility will purchase eligible corporate bonds directly from eligible issuers and will make eligible loans to eligible issuers. Eligible corporate bonds and loans must meet each of the following criteria at the time of bond purchase or loan origination by the Facility:
 - Issued by an eligible issuer;
 - Issuer is rated at least BBB-/Baa3 by a major nationally recognized statistical rating organization (“NRSRO”) and, if rated by multiple major NRSROs, rated at least BBB-/Baa3 by two or more NRSROs, in each case subject to review by the Federal Reserve; and
 - Have a maturity of four years or less.
- **Eligible Issuers:** U.S. companies headquartered in the United States and with material operations in the United States. The scope of eligible issuers may be expanded in the future. Eligible issuers do not include companies that are expected to receive direct financial assistance under pending federal legislation.
- **Term/maturity:** Maturity of four years or less. Borrowers may elect to defer interest and principal payments during the first six months of the loan, extendable at the Federal Reserve's discretion.
- **Pricing:** The Facility will purchase bonds and make loans that have interest rates informed by market conditions.
- **Authority:** Section 13(3) of the Federal Reserve Act
- **Treasury commitment:** \$10 billion from the ESF

Secondary Market Corporate Credit Facility (SMCCF) – [Term Sheet](#)

- **Stated purpose:** To support credit to large employers by providing liquidity for outstanding corporate bonds.
- **Establishment:** March 23, 2020
- **Termination:** September 30, 2020

- **Assets:**
 - *Eligible Individual Corporate Bonds.* The Facility may purchase corporate bonds that meet each of the following criteria at the time of purchase by the Facility:
 - Issued by an eligible issuer;
 - Rated at least BBB-/Baa3 by a major nationally recognized statistical rating organization (“NRSRO”) and, if rated by multiple major NRSROs, rated at least BBB-/Baa3 by two or more NRSROs, in each case subject to review by the Federal Reserve;
 - Have a remaining maturity of five years or less.
 - *Eligible ETFs.* The Facility also may purchase U.S.-listed ETFs whose investment objective is to provide broad exposure to the market for U.S. investment grade corporate bonds.
- **Eligible Issuers:** Eligible issuers for direct purchases of individual corporate bonds on the secondary market are U.S. businesses with material operations in the United States. Eligible issuers do not include companies that are expected to receive direct financial assistance under pending federal legislation.
- **Term/maturity:** Remaining maturity of five years or less.
- **Pricing:** The Facility will purchase eligible corporate bonds at fair market value in the secondary market. The Facility will avoid purchasing shares of eligible ETFs when they trade at prices that materially exceed the estimated net asset value of the underlying portfolio.
- **Authority:** Section 13(3) of the Federal Reserve Act
- **Treasury commitment:** \$10 billion from the ESF

Money Market Mutual Fund Liquidity Facility (MMLF) – [Term Sheet](#)

- **Stated purpose:** To support the flow of credit to households and businesses by taking steps to enhance the liquidity and functioning of crucial money markets.
- **Establishment:** March 18, 2020
- **Termination:** September 30, 2020
- **Assets:** Collateral that is eligible for pledge under the Facility must be one of the following types:
 - 1) U.S. Treasuries & Fully Guaranteed Agencies;

- 2) Securities issued by U.S. Government Sponsored Entities;
- 3) Asset-backed commercial paper, unsecured commercial paper, or a negotiable certificate of deposit that is issued by a U.S. issuer,² and that has a short-term rating at the time purchased from the Fund or pledged to the Reserve Bank in the top rating category (e.g., not lower than A1, F1, or P1, as applicable) from at least two major nationally recognized statistical rating organizations (“NRSRO”) or, if rated by only one major NRSRO, is rated within the top rating category by that NRSRO;
- 4) U.S. municipal short-term debt (excluding variable rate demand notes) that:
 - i. Has a maturity that does not exceed 12 months; and
 - ii. At the time purchased from the Fund or pledged to the Reserve Bank:
 - 1. Is rated in the top short-term rating category (e.g., rated SP1, MIG1, or F1, as applicable) by at least two major NRSROs or if rated by only one major NRSRO, is rated within the top rating category by that NRSRO; or
 - 2. If not rated in a short-term rating category, is rated in one of the top two long-term rating categories (e.g., AA or equivalent or above) by at least two major NRSROs or if rated by only one major NRSRO, is rated within the top two rating categories by that NRSRO.
- 5) Variable rate demand note that:
 - i. Has a demand feature that allows holders to tender the note at their option within 12 months; and
 - ii. At the time purchased from the Fund or pledged to the Reserve Bank:
 - Is rated in the top short-term rating category (e.g., rated SP1, VMIG1, or F1, as applicable) by at least two major NRSROs or if rated by only one major NRSRO, is rated within the top rating category by that NRSRO; or
 - If not rated in a short-term rating category, is rated in one of the top two long-term rating categories (e.g., AA or equivalent or above) by at least two major NRSROs or if rated by only one major NRSRO, is rated within the top two rating categories by that NRSRO.

- In addition, the facility may accept receivables from certain repurchase agreements. The feasibility of adding these and other asset classes to the facility will be considered in the future.
- **Eligible Issuers:** All U.S. depository institutions, U.S. bank holding companies (parent companies incorporated in the United States or their U.S. broker-dealer subsidiaries), or U.S. branches and agencies of foreign banks are eligible to borrow under the Facility.
- **Term/maturity:** The maturity date of an advance will equal the maturity date of the eligible collateral pledged to secure the advance made under this Facility except in no case will the maturity date of an advance exceed 12 months.
- **Pricing:** Advances made under the Facility that are secured by U.S. Treasuries & Fully Guaranteed Agencies or Securities issued by U.S. GSEs will be made at a rate equal to the primary credit rate in effect at the Reserve Bank that is offered to depository institutions at the time the advance is made. Advances made under the Facility that are secured by U.S. municipal short-term debt, including variable rate demand notes, will be made at a rate equal to the primary credit rate in effect at the Reserve Bank that is offered to depository institutions at the time the advance is made plus 25 bps. All other advances will be made at a rate equal to the primary credit rate in effect at the Reserve Bank that is offered to depository institutions at the time the advance is made plus 100 bps.
- **Size:** Each advance shall be in a principal amount equal to the value of the collateral pledged to secure the advance.
- **Authority:** Section 13(3) of the Federal Reserve Act
- **Treasury commitment:** \$10 billion from the ESF.

Term Asset-Backed Securities Loan Facility (TALF) – [Term Sheet](#)

- **Stated purpose:** To help meet the credit needs of consumers and small businesses by facilitating the issuance of ABS and improving the market conditions for ABS more generally.
- **Establishment:** March 23, 2020
- **Termination:** September 30, 2020
- **Assets:** Eligible collateral includes U.S. dollar denominated cash (that is, not synthetic) ABS that have a credit rating in the highest long-term or the highest short-term investment-grade rating category from at least two eligible nationally recognized statistical rating organizations (“NRSROs”) and do not have a credit rating below the highest investment-grade rating category from an eligible NRSRO. All or substantially all of the credit exposures underlying eligible ABS must have been originated by a U.S. company. Eligible ABS must be issued on or after March 23, 2020. Eligible collateral must be ABS where the underlying credit exposures are one of the following:

- 1) Auto loans and leases;
- 2) Student loans;
- 3) Credit card receivables (both consumer and corporate);
- 4) Equipment loans;
- 5) Floorplan loans;
- 6) Insurance premium finance loans;
- 7) Certain small business loans that are guaranteed by the Small Business Administration; or
- 8) Eligible servicing advance receivables.
- Eligible collateral will not include ABS that bear interest payments that step up or step down to predetermined levels on specific dates. In addition, the underlying credit exposures of eligible collateral must not include exposures that are themselves cash ABS or synthetic ABS. To be eligible collateral, all or substantially all of the underlying credit exposures must be newly issued. The feasibility of adding other asset classes to the facility will be considered in the future.
- **Eligible Issuers:** All U.S. companies that own eligible collateral and maintain an account relationship with a primary dealer are eligible to borrow under the TALF. A U.S. company would be defined as a U.S. business entity organized under the laws of the United States or a political subdivision or territory thereof (including such an entity that has a non-U.S. parent company), or a U.S. branch or agency of a foreign bank.
- **Term/maturity:** Each loan provided under this facility will have a maturity of three years.
- **Pricing:** For eligible ABS with underlying credit exposures that do not have a government guarantee, the interest rate will be 100 basis points over the 2-year LIBOR swap rate for securities with a weighted average life less than two years, or 100 basis points over the 3-year LIBOR swap rate for securities with a weighted average life of two years or greater.² The pricing for other eligible ABS will be set forth in the detailed terms and conditions.
- **Size:** The TALF SPV initially will make up to \$100 billion of loans available.
- **Authority:** Section 13(3) of the Federal Reserve Act
- **Treasury commitment:** \$10 billion from the ESF

Jeb Mason

The Cypress Group

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From: Jeb Mason <(b)(6)>

Sent: Thursday, March 26, 2020 7:04 PM

To: Jeb Mason <(b)(6)>

Subject: Cypress COVID-19 Response Update (39/39): FSOC Meeting Highlights and Key Takeaways; WH Task Force Briefing Notes

Thursday Evening, 3/26/2020:

The FSOC met in closed and open session earlier today. The open session was webcast live and archived [here](#). The Council also released a readout [here](#).

During the executive (closed) session, the Council discussed the impact of the COVID-19 outbreak on financial institutions and the markets. Members also received an update from Treasury staff regarding nonbank mortgage origination and servicing, following up on the Council's September 2019 meeting and recommendations in its Annual Report. In the open session, Council members provided updates regarding how their agencies are responding to the coronavirus. We've summarized those statements below, with links to the full remarks where available.

Notable Takeaways & Analysis:

1. **Fed Facilities to Grow** – Fed Chair Powell made clear that some or all of the Fed facilities stand to increase in size from once Phase 3 legislation is signed into law as Treasury will be able to offer greater credit protection.
 - a. This is what we have expected, and again why the total amount of capital Treasury has for these facilities was so important.
 - b. We are speculating, but would particularly expect them to increase the size of the two corporate credit facilities in particular. The Primary Market (PMCCF) and the Secondary Market (SMCCF) could each grow dramatically from their \$100bn commitments each to several times that. The Term ABS (TALF) facility we also think is a prime candidate for expansion.
2. **Main Street Lending Facility Could Stand Up As Early As Tomorrow (Friday).** Fed Chair Powell noted that Main street business lending program – will supplement SBA section of law, support even smaller business lending.
 - a. We expect they could announce the formation of this facility as early as tomorrow after the bill is signed into law.
 - b. To answer a question, we will be surprised if the Fed requires credit ratings for this facility which would be a departure from other facilities they have stood up to date. They may have to

devise another means of differentiating upon credit risk. And it may also be that the perceived risk in lending without ratings will mean they require more credit protection from Treasury (i.e. less leverage) than in other facilities they have announced to date.

3. **Providing Liquidity to Support to Mortgage Servicers Implementing Extraordinary Forbearance Needs Related to COVID-19.** Secretary Mnuchin noted in his closing remarks that the Council has established a Task Force on issues related to nonbank mortgage servicing that “will report back on Monday.”

- a. Mnuchin also emphasized that it’s the preference of the regulators to keep markets open during this time.

As always, please reach out with any questions.

Financial Stability Oversight Council Member Remarks in Open Session

1. **Treasury Secretary/FSOC Chair Mnuchin**

- a. Closed session meeting just concluded.
- b. Open session:
 - i. Hear from all Council members on COVID-19
 - ii. Approve minutes of previous meeting
- c. Appreciate what all the regulators are doing. Unprecedented time where we’re shut down significant portions of the economy.
- d. Thank the Senate, in particular MM and Schumer. Spoke to Pelosi and McCarthy today; look forward to House taking it up tomorrow and passing it.
- e. Won’t go through all aspects of the package. Highlight that it’s focused on protecting American workers and business. Combination of small lending, taxpayer, and UI is meant to protect workers. We also have \$500b to use for direct loans and with Fed.
- f. Even prior to legislation being passed, we’ve used funds from ESF. Fed has been active, and I’ve granted all requests from Fed.

2. **Fed Chair Powell**

- a. We’re facing an unprecedented situation.
- b. We’ve taken a series of aggressive actions in what must be multifaceted and collaborative response across public and private sector institutions.
- c. First priority is using our tools to supporting households and businesses across the country and make sure they have access to the financial resources they need, and to that end, we’ve taken a number of steps to increase the availability of credit and the capacity to lend.
- d. We’ve lowered the Fed funds rate to close to zero, which will make loans more accessible and more affordable—and we’ve said we’ll keep rates there until we’re confident that the economy has weathered recent events and is on track to achieve our goals of max employment and price stability.
- e. Taken steps to increase liquidity and stability, in close collaboration with Treasury.
- f. Eased terms for banks to borrow and working with central banks
- g. Announced Monday morning actions to support households and businesses. We’ll purchase Treasuries and agency MBS in the amount needed to support the smooth functioning of those markets which had been weighing on the availability of loans.

- h. Working on Main street business lending program—will supplement SBA section of law, support even smaller business lending, that we believe will be coming when the bill passes. Some or all of these facilities stand to increase in size from the additional backstop Treasury authority expected to be available when the Senate bill becomes law.

3. SEC Chair Clayton

- a. Focused on two issues:
 - i. Facing national challenge, which requires Americans to change daily behavior, including at market participants.
 - ii. Reality that continuing operation of markets is essential factor. Healthcare, pharma, manufacturing, etc. depend on continuing receipt of credit. Focusing on orderly function of securities market, consistent with evolving health and safety recommendations.
- b. Ensuring orderly operation of markets and regulatory safeguards.
- c. Markets have functioned in orderly manner as we've shifted to telework and implemented business plans.
- d. Continued flow of capital greatly reduces possibility that this shock to economy will transition to systemic financial risk.
- e. SEC is continuing vigilance in investor protection, cybersecurity, etc.

4. CFTC Chair Tarbert

- a. Commend Mnuchin for leadership and for convening public meeting. Important that market participants and public know we're on the job and know what we're doing.
- b. We're actively monitoring derivatives markets—in contact with trading venues, and focused on critical pipes of clearinghouses. Market infrastructures continue to function seamlessly.
- c. Responding swiftly to changing conditions re regulatory requirements. For example, recorded phone lines. Issued 9 no-action letters on recordkeeping requirements like this. Continue to encourage registrants to recommend additional relief.
- d. Frequent communications with stakeholders, including FSOC.
- e. Pandemic has led to one of the most volatile times the derivatives market has experienced. Market has acted as shock absorber for volatility.

5. FDIC Chair McWilliams

- a. Rapid spread of COVID has destructed our economy, but our banks are safe and the crisis didn't originate in banks. Banks are well positioned to deliver much needed capital and liquidity. FDIC is working closely with other regulators to provide flexibility.
- b. Brunt of economic impact will fall on consumers and small businesses. Have taken steps to allow encourage banks to assist these consumers. Will continue to monitor banks and markets.
- c. We will work to maintain stability and public confidence in system.
- d. Warn the public about misinformation being propagated regarding the safety of bank deposits.

6. Comptroller of the Currency Otting

- a. Oversee agency that ensures banking and federal savings system operates.
- b. Banks are open for business and continue to lend. Deposits have been insured at FDIC, as always.
- c. Both in the near and long term, banks have held capital at historic highs.
- d. Have provided banks greater flexibility. OCC week took additional steps to ease pressure on short term investment funds to extend maturities; have joined federal and state agencies encouraging loan modifications; provided guidance to banks to allow restructuring and existing

- borrowed debts due to temporary hardship; Extended community reinvestment act to support this.
- e. OCC remains fully operational.
7. CFPB Director Kraninger
- a. Thank you for working with Congress. CFPB diligently working to protect consumers.
 - b. Several efforts underway:
 - i. Joined tougher to provide guidance to lenders to encourage them to work with borrowers impacted by COVID. Institutions want to help their customers. Consumers should contact their financial institution if they need assistance.
 - ii. Actively engaged with regulated entities, consumer advocates, and stakeholders to ensure we provide appropriate flexibility. CFPB announced temp and targeted flexibility, like delaying reporting requirements to ensure resources can focus on consumers
 - iii. Launched a dedicated web page on steps for consumers in the short term and long term. Social isolation is already an issue for older adults—social distancing can exacerbate older adults falling for scams.
8. FHFA Director Calabria
- a. Seen disruptions to both primary and secondary mortgage markets. Bottlenecks in mortgage origination. Agency MBS declined until Fed intervention. Took number of important steps at FHFA. Hopeful that they offer peace of mind to renters and homeowners and that the rest of the market moves to this. Commend HUD for aligning with this as well.
 - b. FHFA directed enterprises to suspend foreclosure and evictions for 60 days. Enterprises are offering mortgage forbearance for 12 months as well.
 - c. For renters in multifamily properties, forbearance for property owners.
 - d. Directed GSEs to streamline appraisals and employment verification.
 - e. FHLBs continue to provide liquidity for members.
9. NCUA Chair Hood
- a. Nation's credit union system is liquid, well capitalized and ready to continuing offering affordable financial services.
 - b. Emphasize that CU members have never lost a penny of insured savings at insured CU.
 - c. Letter encouraged CUs to work with impacted members by reminding them of steps they can take for financial relief.
 - d. Offering or expanding small dollar loans products, extending payment due dates, easing credit terms for new loans.
 - e. Emphasized prudent efforts CUs can take for existing loans—not subject to examiner criticism.
 - f. Launched web page for CU members.
10. **OFR Director Falaschetti (non-voting)**
- a. Carrying out OFR's charge, we analyze new developments while looking to clarifying causes of volatility.
 - b. Increasing volatility in equity markets provided challenge.
 - c. Index has risen sharply in March from 1 to 10. Remains well below the highest levels we saw in 08 crisis, when financial stress index approached 30.
 - d. Will continue to further our contributions and share what we see with FSOC colleagues.
11. **Commissioner Cooper, Texas Department of Banking (non-voting)**

- a. State regulators charter and oversee 70% of nation's banks. We're in constant contact with our institutions.
- b. Banks are facing logistical and practical issues around efforts to contain virus.
- c. Working with banks who are seeking flexible options for maintaining operations.
- d. Looking for more clarity on supervisory expectations—guidance went out this weekend.
- e. Oversee range of companies, including mortgage servicers, and we're working with them as well

12. Superintendent Cioppa, Maine Bureau of Insurance (non-voting)

- a. Regulators are in ongoing communication with companies and insurance departments continue to be open for business.
- b. Insurance regulation and supervision requires insurers
- c. Few if any immediate solvency issues are likely.
- d. Exposure is small—largest exposure is bonds, most of which are high grade. Not to say they wouldn't be impacted in long downturn.
- e. Taken several actions:
 - i. Health: conduct additional outreach to consumers re telehealth
 - ii. COVID testing without deductibles or co-share
 - iii. Prescriptions for those in quarantine

13. Commissioner Lubin, Maryland Office of the Attorney General (non-voting)

- a. 30 states including MD have extended certain deadlines
- b. Regulators are reaching out to registrants to address delays.
- c. Drafted model emergency order to grant relief from certain requirements.
- d. Remain focused on mission to protect investors from fraud.
- e. Recommend investors perform due diligence as usual.

14. Secretary Mnuchin – Closing Remarks

- a. Even though we won't have formal meetings in the coming weeks, emphasize that we will be having many calls on a substantive basis
 - i. In particular we talked about nonbank mortgage servicing—forbearance and liquidity issues that the market may have
 - ii. Asked several members to establish task force on this, and they will report back on Monday
- b. In best interest to keep markets open—other regulators agree
- c. Made comment in past—if for whatever reason we get to point where we determine it can't stay open for all hours, we may take steps to limit hours, but that is not our preference. Want to keep markets completely open.

White House Task Force Press Briefing Takeaways:

- 1. President Trump spoke to G20 Leaders today.
- 2. President Trump sent a letter to governors today stating that the administration will soon release new guidelines categorizing certain counties as "high-risk" or "low-risk."
- 3. President Trump applauded the Senate for passing the stimulus package last night and provided an overview of the relief package: job retention loans with loan forgiveness for small businesses, direct

cash payments to individuals, expands unemployment benefits, support for industries impacted by the virus, funding for hospitals, funding for disaster relief fund, funding for virus response, funding to expand assistance to childcare providers and provides childcare benefits to healthcare workers, and funding for the Defense Production Act procurement.

4. NIH and the private sector are working closely with FDA to discover test treatments and therapies.
5. The administration is currently discussing ways to address the health insurance issue with Americans losing their health insurance due to layoffs.
6. President Trump agrees that cruise lines should consider moving to the U.S., addressing concerns that they may not qualify for any assistance under the stimulus package since the bill requires a company to be created or organized in the U.S. in order to receive relief and many cruise lines are not.
7. President Trump reiterated his desire to relax social distancing guidelines but conceded that economic uncertainty has not passed.

Jeb Mason

The Cypress Group

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From: Jeb Mason <(b)(6)>

Sent: Thursday, March 26, 2020 4:11 PM

To: Jeb Mason <(b)(6)>

Subject: Cypress COVID-19 Response Update (38/38): Senate Passes CARES Act Unanimously; Fed on Authority; FRBNY to Buy Agency CMBS

Afternoon Update, 3/26/2020

1. **Senate Passes CARES Act.** The Senate passed the [CARES Act](#) (third stimulus package, i.e. "Phase 3") in the wee hours of this morning by a vote of 96-0, and now stands in recess until April 20. The House will vote tomorrow at 9am and Leadership has urged their respective caucuses to pass the measure by voice vote. We expect it to pass.
2. **FSOC.** The FSOC started to at 3pm today. The [agenda](#) includes an update on market developments related to COVID-19 and an update on nonbank origination and servicing.
 - a. FDIC Chair McWilliams underscored: banks are safe..Your FDIC-insured deposits are safe...The FDIC was borne out of a crisis, and it has witnessed many crises. We will get through this one together. Since 1933, no depositor has ever lost a penny in an FDIC-insured institution, and that will not change." *This is no doubt true and becoming truer with the Phase 3 legislation moving through congress which includes the ability for FDIC to guarantee transaction accounts and the debt of insured depositories. The statement and other actions we see as mitigating the risk of runs in this environment, and ensuring banks have adequate liquidity to be able to be source of liquidity for their customers, individuals and businesses alike.*
3. **FHFA Director Calabria Remarks.** We expect FHFA will publish remarks by FHFA Director around 4:15pm today. We mostly expect a recap of actions to date. Not a lot of breaking news.

4. **Powell Interview.** Fed Chair Powell gave a rare live interview on the Today Show this morning. The clip is [here](#). Among other comments, he stated that “the only limit on our emergency lending authorities is how much backstop we get from Treasury.” When asked about the President’s recent comments around opening up the economy by Easter, Powell stated “The virus is going to set the timetable...First order of business is to get the virus under control and then open back up the economy.” He also noted that he expects a significant increase in unemployment and decrease in economic activity in the second quarter, but that the US economy will bounce back in the second half of the year.
5. **CMBS.** The New York Fed [announced](#) that its Open Market Trading Desk will conduct its first purchase of Agency CMBS tomorrow (3/27) of up to \$1 billion of Fannie Mae DUS pools. Next week, the Desk plans to purchase a total of \$3 billion in Fannie Mae DUS pools, Freddie Mac K-series Deals and Ginnie Mac Project Loan pools.
6. **RON.** A coalition of housing and banking industry trade groups sent a [letter](#) to Congressional leadership today pressing for the inclusion of the SECURE Notarization Act in the stimulus package. Senators Cramer (R-SD) and Warner (D-VA) introduced the bill last week, which would permit immediate nationwide use of Remote Online Notarizations (RONs), a type of electronic notarization where the notary and signer are in different physical locations. The legislation would allow allowing people to securely execute on mortgage closings, and other financial or other legal documents, while still adhering to social distancing protocols.
7. **CFPB.** The CFPB [announced](#) it is postponing some data collections from industry and making changes to its supervisory activities to account for operational challenges for regulated entities related to the COVID-19 response. Specifically, the Bureau will not expect the reporting of HMDA quarterly data or certain information related to credit card and prepaid accounts under TILA, Reg Z and Reg E. The Bureau also announced it is postponing industry surveys related to Section 1071 and PACE financing. The Bureau announced last week that it will extend the comment period for its Supplemental Notice of Proposed Rulemaking on the FDCPA from May 4 to June 5 “given the challenges posed by the COVID-19 pandemic.”
8. **SEC Filings.** The SEC [announced](#) today that it will further extend conditional exemptions from public company filing obligations, providing companies with a 45 day extension to file certain disclosure reports that otherwise would have been due between March 1 and July 1.
9. **Muni Debt.** Reps. Ocasio-Cortez (D-NY), Pressley (D-MA) and Tlaib (D-MI) led other House Democrats in a [letter](#) to House Leadership calling for the Fed to commit to purchasing state and municipal debt to ensure state governments can meet their funding needs and relieve some of the stress on the secondary muni market.
10. **Small-Dollar Loans.** The Fed, FDIC, CFPB, NCUA and OCC put out a [joint statement](#) encouraging financial institutions to offer responsible small-dollar loans to consumers and small businesses affected by COVID-19, stating that such loans “play an important role in meeting customers’ credit needs because of temporary cash-flow imbalances, unexpected expenses or income disruptions during periods of economic stress or disaster recoveries.”

Jeb Mason

From: Jeb Mason <(b)(6)>

Sent: Wednesday, March 25, 2020 10:47 PM

To: Jeb Mason <(b)(6)>

Subject: Cypress COVID-19 Response Update (37/37): New, Final-Final Text Available. Senate Likely to Vote Withing the Hour.

1. **Senate Poised to Pass Cares Act** The Senate is voting now. They will first vote on a Sasse amendment (that will fail), then on the final bill. McConnell announced that after the vote tonight, the Senate's next scheduled vote will be on April 20.
 - a. **Final-Final Text?** The Senate leadership shared what was supposed to be final text just before 8pm tonight, however, there were just a few more tweaks before truly final. (you can access the almost final 8pm version and what we understand to be the actual final version by link in Key Documents below)
 - b. **House Timing.** We expect the House will aim to pass by unanimous consent (UC) or voice vote (VV) within 24-30 hours of senate passage suggesting a vote very late Thursday night, or more likely in our view happening Friday. But a big vote out of the Senate may help accelerate their timing.
 - c. **Notable Changes** between this morning and the 8pm almost final draft include the following (and there may be more yet to discover).
 - i. **Collective Bargaining clause addition.** There is a new section in the economic stabilization title, SEC. 4025. PROTECTION OF COLLECTIVE BARGAINING AGREEMENT, which underscores that nothing in the title would prevent a recipient from entering into a collective bargaining negotiation, and prevents the conditioning of loans upon a requirement to enter into a negotiation on collective bargaining.
 - ii. **Harmful Mortgage Servicing provisions struck.** Provisions that would have forced government housing agencies to offer a menu of loan modification options to borrowers in a way that would have greatly exacerbated liquidity stress on servicers was struck from today's earlier draft.
 - d. **Summary of the Almost Final Text.** We've linked the latest key documents below, and present our own summary of some key provisions at the very bottom of this email – however, note that this summary is largely based upon today's earlier draft.
2. **Key Documents**
 - a. [Final-Final text](#)
 - b. [Almost final text](#)

- c. [Majority Summary](#)
 - d. Senate Dem [Summary](#) & [Talking Points](#)
 - e. Senate Small Business [summary](#)
 - f. Senate HELP [summary](#)
 - g. Senate Approps [title-by-title summary](#); final [summary](#)
 - h. Banking [summary](#)
 - i. Judiciary provisions [summaries](#)
 - j. Vets [summary](#)
 - k. Senate Finance [section-by-section summary](#) (tax, UI)
 - l. House Approps THUD [summary](#) (& Price Dear Colleague)
 - m. Subtitle B - Air Carrier Worker Support [summary](#)
 - n. Indian Affairs [summary](#)
 - o. Senate RPC [section-by-section summary](#)
3. **Conference of State Banking Supervisors (CSBS)** sent a [letter](#) to Secretary Mnuchin and Fed Chair Powell urging them to create a liquidity facility to support mortgage servicers who need to finance broad scale mortgage forbearance for borrowers due to peculiar nature of crisis created by government urging a hunkering down during the COVID-19 outbreak.
 4. **Education Secretary DeVos** today [announced](#) that the Department will halt collection actions and wage garnishments on federal student loans through May 12, 2020.

Cypress Summary of Key Provisions in the CARES Act
(Pending Further Updates Based on Final Text)

1. **DIVISION IV – ESF/Airlines (Section 4003).** \$25 billion in loans and loan guarantees for passenger air carriers, eligible contractors and ticket agents. \$4 billion in loans and loan guarantees for cargo air carriers. \$17 billion in loans and loan guarantees for businesses critical to maintaining national security. \$454 billion for loans and loan guarantees and investment in programs or facilities established by the Fed.
 - a. **Terms and Conditions.** Required to maintain employment levels as of March 24 through September 30, 2020 “to the extent practicable” and, in any case, not reduce employment levels by more than 10% from that level. Until the date 12 months after the date on which the direct loan is no longer outstanding, the business cannot repurchase an equity security or pay dividends with respect to the common stock, and must limit executive compensation.
 - b. **Mid-Size Businesses.** Authorizes the Secretary to implement a program or facility that provides financing to banks and other lenders that make direct loans to eligible businesses with between 500 and 10,000 employees with annual interest rates no higher than 2% and no P&I due for 6 months.
 - i. **Terms and Conditions.** Such businesses will be required to maintain 90% of its workforce at full compensation and benefits until September 30, 2020 and/or restore not less than 90% of the workforce that existed as of February 1 and all compensation and benefits no later than 4 months after the termination of the public health emergency. The recipient is also prohibited from paying dividends with respect to the common stock or repurchase an equity security. The recipient will not outsource or offshore jobs the term of the loan and 2 years thereafter, will not abrogate existing collective bargaining agreements for

that same period and remain neutral in any union organizing effort for the term of the loan.

- ii. "Nothing in this subparagraph shall limit the discretion of [the Fed] to establish a Main Street Lending Program or other similar program or facility that supports lending to small and mid-sized businesses."
- c. **Special Inspector General for Pandemic Recovery (Section 4018)**
- d. **Congressional Oversight Commission (Section 4020).** Will consist of five members – 1 member each appointed by the House Speaker, House Minority Leader, Senate Majority Leader, Senate Minority Leader with the Chair jointly between the four.
- e. **Disclosure/Reports (Section 4025).**
 - i. Requires **Treasury** to disclose information about any transactions within 72 hours and to submit to Congress 7 days after any loan or loan guarantee a report summarizing its actions during that time period. Every 14 days for the next year and every 30 days after that, Treasury must also publish and submit to Congress reports summarizing its actions, including a detailed financial statement. The Treasury Secretary must also testify before Congress.
 - ii. The **Federal Reserve** must submit a similar report to Congress every 30 days while a loan or loan guarantee is outstanding. The Fed Chair must also testify before Congress.
 - iii. The **GAO** must conduct annual studies on the loans and loan guarantee programs.
- f. **Direct Appropriation (Section 4026).** \$500 billion.
- g. **Maximum Loan Duration (Section 4028):** 5 years; Unless otherwise provided, the authority provided to make new loans, loan guarantees, or other investments shall terminate December 31, 2020.
- h. **Grants for Pandemic Relief for Aviation Workers (Section 4112).** Treasury will also provide financial assistance that will exclusively be used for the continuation of payment of employee wages, salaries and benefits in the amount of **\$25 billion** for air carriers, **\$4 billion** for cargo air carriers, and **\$3 billion** for contractors. Initial payments will be made within 10 days of enactment.
 - i. **Required Assurances.** To be eligible for financial assistance an air carrier or contractor shall refrain from conducting involuntary furloughs or reducing pay rates and benefits until September 30, 2020. Recipients will also be prohibited from purchasing an equity security or pay dividends or other capital distributions with respect to common stock, increasing executive compensation, and with limits on severance packages. Air carriers will also be required to maintain scheduled service through March 1, 2022.
 - ii. The assistance will not be conditioned on the recipients implementation of measures to enter into a collective bargaining agreement.
 - iii. **Treasury may receive warrants, options, preferred stock, debt securities, notes or other financial instruments issued by recipients of financial assistance which the Secretary determines provide appropriate compensation.**

2. **State and Local Funding.** Provides a \$274.3 billion in supplemental appropriations and creates a \$150 Coronavirus Relief Fund (Section 5001) to make payments to state, tribal and local governments, with a small state minimum of \$1.5 billion.
3. **Recovery Rebates (Section 2201).** Credit of \$1,200 per individual (\$2,400 for joint filers) and \$500 per child. The full payment is available for individuals making \$75,000 (individual) or \$150,000 (joint) before decreasing/phasing out for higher incomes.
4. **Unemployment Benefits.**
 - a. **Pandemic Unemployment Assistance.** Creates a temporary program through December 31, 2020 to provide payment to those not traditionally eligible – part-time, self-employed and gig economy workers etc.
 - b. **Emergency Increase in Compensation.** Provides an additional \$600 per week to each recipient of unemployment insurance or Pandemic Unemployment Assistance for up to 4 months.
 - c. **Extends Duration.** Provides an additional 13 weeks of federally-funded unemployment insurance benefits through December 31, 2020.
 - d. **Short-Time Compensation Payments.** Provides funding for programs where employers reduce hours instead of laying off workers and those employees would receive pro-rated unemployment benefits. Funding would cover 100 percent of employer costs for such programs through December 31, 2020.
5. **Small Business (\$366 billion total).**
 - a. **Paycheck Protection Program - \$349 billion.**
 - i. \$10 million max loans from covered period February 15, 2020 to June 30, 2020.
 - ii. 100% guaranteed by SBA through December 31, 2020, at which point guarantee percentages will return to 75% for loans exceeding \$150,000 and 85% for loans equal to or less than \$150,000.
 - iii. Up to 500 employees or meet SBA size standards.
 - iv. **Affiliation rules** waived for food and accommodation industries (NAICS code beginning with 72), franchises, and SBIC sponsored. Our sense is lawmakers are aware this narrow definition could deny relief to countless small businesses just because they accessed some outside capital, and a fix
 - v. Any participating small business is not subject to the “**credit elsewhere**” test that prohibits extension of credit to businesses that can access credit from other sources.
 - vi. Does not prohibit recipients of EIDL from receiving this loan.
 - vii. Eligible for forgiveness if used for payroll, mortgage, rent, utilities.
 1. Covered payroll costs include salary, wages, and payment of cash tips (up to an annual rate of pay of \$100,000); employee group health care benefits, including insurance premiums; retirement contributions; and covered leave.
 - viii. Deferment of payments for one year and no prepayment penalties.

- ix. Treasury authorized to include **additional lenders**.
- x. Opt-in for current SBA-qualified lenders.
- xi. SBA required to provide a lender with a process fee for servicing the loan.
- xii. Subject to a zero percent risk-based capital charge and temporary relief from troubled debt restructuring (TDR) disclosures for loans that are deferred under this treatment.
- xiii. SBA Express Loans max amount increased to \$1 million through December 31, 2020.
- b. **Emergency EIDL Grants** - \$10 billion in direct grants for business that do not qualify for EIDL.
- c. **Existing SBA loans** - \$17 billion to have SBA cover six months of principle and interest payments for existing SBA loans.

6. Key Tax Provisions

- a. Clean energy tax credits and downward attribution are OUT.
- b. **Employee retention credit**. Eligible employers are allowed a tax credit equal to 50 percent of qualified wages for each employee. Qualified wages must be less than \$10,000.
- c. **Employer payroll tax delay**. Payroll tax payments can be delayed so that 50 percent of the tax is paid by December 31, 2021 and the remainder is paid by December 31, 2022.
- d. **Net Operating Losses**. Five-year carryback of NOLs and temporary suspension of taxable income limitation.
- e. **Limitation on losses for non-corporations**. Prevents excess business loss for taxable years from December 31, 2020 to January 1, 2026.
- f. **Credit for minimum tax liability**. Adjusts the taxable years to only 2018 or 2019 and adds a possible election to take entire refundable credit amount in 2018.
- g. **Limitation on business interest**. Amends Section 163(j) to increase the adjusted taxable income deduction from 30 percent to 50 percent for 2019 and 2020.
- h. **Qualified Improvement Property**. The provision fixes the retail glitch.
- i. **Alcohol excise tax exemption for hand sanitizer**. Eliminates the excise tax for alcohol to produce hand sanitizer from December 31, 2019 to January 1, 2021.

7. Mortgage-Related Provisions.

- a. **Foreclosure Moratorium and Consumer Right to Forbearance (Section 4022)**. During the covered period, a borrower with a federally-backed loan (Fannie, Freddie, FHA, VA, USDA, RHS) who experiences a financial hardship directly or indirectly due to COVID-19 may request forbearance – regardless of delinquency status – by submitting a request to their servicer and affirming they are experiencing a financial hardship.
 - i. **Duration**. Forbearance will be granted for up to **180 days**, and can be extended for **an additional period of up to 180 days at the request of the borrower**.
 - ii. **Accrual of Interest or Fees**. During the forbearance period no fees, penalties or interest shall accrue beyond the amounts that would be calculated as if the borrower was making payments on time and in full.

- iii. **Servicer Requirements.** The servicer will provide 180 days forbearance following a borrower request (no additional documentation required other than the borrower's attestation of financial hardship). ~~Before the end of the forbearance the servicer is required to evaluate the borrower's ability to return to regular payments, and, if needed, evaluate the borrower for loan modification or other loss mitigation option, including further extending the repayment period.~~
- b. **Foreclosure Moratorium.** A servicer of a federally-backed mortgage may not initiate any judicial or non-judicial foreclosure process or execute a foreclosure-related eviction or sale for not less than the 60-day period beginning on March 18, 2020.
 - ~~i. **Covered Period.** Beginning on the date of enactment and ending on the sooner of the termination date of the national emergency or December 31, 2020.~~
- c. **Forbearance for Federally-Backed Multifamily Properties (Section 4023).** During the covered period (same as above), a multifamily borrower with a federally-backed mortgage experiencing a financial hardship may request forbearance. The multifamily borrower must be current as of February 1.
 - i. **Servicer Requirements.** Servicers must document the financial hardship and can provide forbearance for up to 30 days, with an option to extended for up to two additional 30 day periods (total of 90 days) at the borrower's request.
 - ii. **Renter Protection.** A multifamily borrower who receives forbearance may not, for the duration of the forbearance, evict or initiate the eviction of a tenant solely for nonpayment of rent or other fees, or charge any late fees or other penalties to a tenant for the late payment of rent.
- d. **Temporary Moratorium on Eviction Filings (Section 4024).** During the 120-day period beginning on the date of enactment, the lessor of a covered dwelling may not make any filing to initiate a legal action to recover possession of the covered dwelling. From the tenant for no payment of rent or charge any fees, penalties, or other charges to the tenant related to nonpayment of rent.

8. Financial Services Provisions.

- a. **Credit Reporting Protections (Section 4021).** If a furnisher makes an accommodation (defined below) and the consumer makes the payments or is not required to make the payment pursuant to the accommodation the furnisher will report the credit obligation as current or, if the consumer was delinquent, maintain the delinquent status and report as current if/when the consumer brings the account current. These requirements will not apply with respect to an account that has been charged-off.
 - i. § Defines an **"accommodation"** as an agreement to defer 1 or more payments, make a partial payment, forbear any delinquent amounts, modify a loan contract, or any other relief granted to an affected consumer for **the covered period** – beginning January 31, 2020 and ending the later of 120 days after the date of enactment or 120 days after the date on which the national emergency is terminated.

- b. **CECL (Section 4014).** No insured depository institution, bank holding company, or any affiliate thereof shall be required to comply with CECL during the period beginning on the date of enactment and ending the earlier of the date on which the national emergency is terminated or December 31, 2020.
- c. **Federal Student Loan Relief (Section 3513).** Suspends payments for loans without accrual of interest through September 30, 2020.

9. Healthcare Funding.

- a. **Public Health Agencies. \$4.3 billion** to the CDC to support federal, state, and local public health agencies.
- b. **\$1.5 billion** to support states, locals, territories, and tribes for the following:
 - i. To purchase personal protective equipment;
 - ii. Surveillance;
 - iii. Lab testing;
 - iv. Contact tracing;
 - v. Infection control and mitigation at the local level to prevent the spread of the virus; and
 - vi. Other public health preparedness and response activities.
- c. **Hospitals. \$100 billion** for a new program to provide grants to hospitals, public entities, not-for-profit entities, and Medicare and Medicaid enrolled suppliers and institutional providers to cover unreimbursed health care related expenses or lost revenues attributable to the public health emergency resulting from the coronavirus.
- d. At least **\$250 million** for the Hospital Preparedness Program.
- e. **Strategic National Stockpile. \$16 billion** for the Strategic National Stockpile for critical medical supplies, personal protective equipment, and life-saving medicine.
- f. **\$4 billion** for Community Health Centers for FY 2020 and **\$668 million** for period beginning October 1, 2020 and ending November 1, 2020.
- g. **HRSA. \$275 million** for the Health Resources and Services Administration, including **\$185 million** to support rural critical access hospitals, rural tribal health and telehealth programs, and poison control centers.
- h. Provides funding to support U.S.-based next generation manufacturing facilities.
- i. Expands access to telehealth services.
- j. Requires health insurers to reimburse providers for COVID-19 testing
- k. **Expands the Medicare accelerated payment program that would provide certain hospitals with an advanced payment as a loan. Hospitals in rural areas, critical access hospitals, and others that qualify for the program would be able to request up to a six month advanced lump sum or periodic payment. This advanced payment would be based on net reimbursement represented by unbilled discharges or unpaid bills. Most hospital types could elect to receive up to 100 percent of the prior period payments, with critical access hospitals able to receive up to 125 percent. Finally, a qualifying hospital would have at least 12 months to complete repayment of the loan without a requirement to pay interest.**

10. Puerto Rico

- a. **Individual payments.** Residents of Puerto Rico are eligible for individual payments.
 - i. Puerto Rico is defined as a “possession” that must have a Treasury Secretary-approved plan to distribute payments to residents.
- b. **Reserved funds.** \$3 billion of the Coronavirus Relief Fund is reserved for DC, Puerto Rico, the US Virgin Islands, Guam, Northern Mariana Islands, and American Samoa.
 - i. Puerto Rico is defined as a “state” under Title VI to receive funds

11. Other Domestic Appropriations. Among many other provisions, provides for:

- a. **Airports.** \$10 billion.
- b. **Public Transit.** \$25 billion.
 - i. **Amtrak.** 1 billion.
- c. **FEMA.** Appropriates \$43.4 billion to DEMA’s Disaster Relief Fund.
- d. **CDBG.** \$5 billion.
- e. **HUD.** Provides a total of \$17.4 billion to HUD for homeless and tenant-based rental assistance, senior housing, additional operational assistance for public housing agencies, and fair housing enforcement, among other items.

12. Other Key Items NOT Included

- a. Prohibition on Non-COVID-19 Federal Rulemaking
- b. Usury Rate Caps
- c. Credit Facility for Mortgage Servicers
- d. Remote Voting
- e. Air Carrier Emissions Requirements
- f. Minimum Wage Requirements
- g. Strategic Petroleum Reserve (SPR) Appropriations

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From: Jeb Mason <(b)(6)>

Sent: Wednesday, March 25, 2020 11:27 AM

To: Jeb Mason <(b)(6)>

Subject: Cypress COVID-19 Response Update (36/36): New Text Emerges (not certain if final); SEC Announces Temporary MMMF Relief

1. **New Text.** Not certain if it is final-final, but appears to include a number of new compromises from other versions.
 - a. [Division A](#)
 - b. [Division B](#)
 - c. [Approps summary](#)
2. The SEC [announced](#) additional temporary money-market fund relief that will run until June 30. In light of fund outflows and market volatility, the SEC provided exemptive [relief](#) for mutual funds to access emergency, short-term funding from affiliates and parent asset-management companies. The SEC took similar action in 2008.

Jeb Mason

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From: Jeb Mason

Sent: Wednesday, March 25, 2020 9:47 AM

To: Jeb Mason ((b)(6)) <(b)(6)>

Subject: FW: Cypress COVID-19 Response Update (35/35): Text Expected to Emerge Very Shortly... some summaries trickling out. Senate to vote as early as 1pm. House Timing Still TBD

9:44am

1. **That Textual Feeling.** All of Washington waits with anticipation for comprehensive text which we are told should be emerging very soon. High level figures/ framework we've been able to confirm so far, seem consistent with what we shared Monday night (included in chain below). Details matter, of course.
2. **Summaries trickling out.**
 - a. [HELP](#)
 - b. [Small Business](#)
3. **Senate Timing.** Senate reconvening at noon, could vote as early as 1pm.
4. **House Timing.** Leadership to hold a series of conference calls with rank and file to explain various sections of the bill with the last of these planned so far to occur at 7pm. So we tentatively conclude the House won't likely vote until tomorrow. May even take until Friday if they have to have members fly back.
5. [Pelosi Dear Colleague.](#)
6. [Schumer Dear Colleague.](#)

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From: Jeb Mason <(b)(6)>

Sent: Wednesday, March 25, 2020 4:02 AM

To: Jeb Mason <(b)(6)>

Subject: Cypress COVID-19 Response Update (34/34): Deal At Last. Awaiting Text. Senate to Vote This Afternoon. House Timing Still TBD

2:30am, Wednesday, March 25th

1. **Deal at Last.** the world has anxiously awaited final deal tonight like so many novice homeschoolers have undoubtedly be awaiting bedtimes this week. Senate stands adjourned and will return at Noon EDT to resume consideration of the motion to proceed (MTP) to H.R. 748. A vote time has been scheduled yet, but we expect the Senate to pass it sometime this afternoon. Timing for House consideration to follow remains a bit up in the air.
 - a. **Text tomorrow.** We do not expect to see new text for some hours yet.
 - b. **Content.** The contours of the deal we believe are very similar to those high-level terms we outlined in our last note Monday night (see note immediately below).
 - c. **What took so long?** Our check-ins suggested a lot of drafting, but also some wrangling over final text, as well as several material items in the last several hours.
 - i. **Minority Leader Chuck Schumer in the well of the Senate was touting the following five Democratic achievements:**
 1. **"Marshal plan for hospitals"** – added healthcare spending.
 2. **"unemployment compensation on steroids"** idea is that every person furloughed keeps their full salaries paid by the gov't, while employers pay health benefits, so they can return to work quickly.
 3. **Strict oversight.** A SIGTARP-like board we mentioned last night, as well as an inspector general.
 4. **State & Local Resources.** \$150bn for states and localities.
 5. **Help for small businesses.** Its unclear what changes were made here.
 - ii. **Airlines** - , we also hear grant versus loans was one of the last sticky items. The term "snap loans" has been used. We may have to wait for bill text, or at least morning to get

more info, but we're hearing there may be some discretion for exec branch/ treas to decide.

1. whether grants, loans or some hybrid, we anticipate air carriers accessing any aid are likely to have to avoid furloughs, retain collective bargaining agreements in addition to the executive comp and buyback limitations.
 2. Guessing a bit at this stage, but we're imagining "snap loans" may be structured as loans, but with the possibility of loan forgiveness if certain conditions are met at the discretion of the Treasury secretary—again we're speculating, but things such as maintaining certain routes we could imagine coming into play.
- d. We will have to wait for the text to share added detail.

2. **Meanwhile... Making Sense of the Business Loan Programs, and how do you get to a number like \$4-5 Trillion.** Caveat that some of the key details are still being finalized and we haven't seen final deal text yet, and like others, we only understand the whole picture imperfectly at this stage. However, we thought folks might appreciate a little more clarity on how these loan programs fit together. Keep in mind these lending programs are not the only benefits for businesses contained in the massive legislation, which also includes various tax benefits and a host of broader stimulus measures, including major support for state and local governments, guarantees for transaction accounts and other goodies yet to be discovered. But...

- a. In the broad strokes, we are likely to wind up with essentially three loan programs:
 - i. **Small Biz Loans / Paycheck Protection Plan (~\$367 billion)** The paycheck protection program is for companies with fewer than 500 employees that was operational on February 15, 2020, and had employees for whom it paid salaries and payroll taxes, and has been impacted by COVID-19. This program provides access to streamlined/enhanced SBA loans up to \$10mn, that come with a 100% government guarantee through calendar year-end (steps down to 75-85% after depending on loan size). These loans also come with the opportunity to have the loans forgiven to the extent they are used for payroll, mortgage, rent or utilities (in place/service before 2/15/20), which really turns them into grants. There are a number of criteria that were in flux in the eleventh hour that could impact eligibility and other details including affiliate rules which could impact whether or which companies with non-SBIC sponsors might qualify (SBIC sponsors are waived).
 - ii. **Treasury Direct Assistance (\$75 billion)** This is the ~\$50bn for air passenger carriers, \$8bn for cargo carriers, and \$17bn for business important to national security. It's in the national security bucket where we think they have in mind GE and Boeing mainly. These loans (and some possible grants) we expect will come with considerable restrictions on exec comp, share buybacks, maintaining employment to the extent practicable, and probably various other concessions to workers including avoiding layoffs, and respecting collective bargaining agreements (not to mention a possible Congressional grilling or few for the lucky CEOs). [10] days after enactment, the Treasury is supposed to publish guidelines for applying for this category of loans.

iii. **Federal Reserve Credit Facilities (~\$425 billion x 10 = ~\$4.25 trillion in lending power).**

This includes the existing facilities established by the Federal Reserve plus others yet to come. The most interesting of these for most companies not mixed up in the plumbing of very short term financing markets, will be the two corporate credit facilities (primary and secondary) established by the Fed Monday, as well as the Main Street Business Lending Program they plan to soon establish to support lending to eligible small-and-medium sized businesses. And there are possible others yet to come. The strings attached for companies accessing these facilities are less clear at this stage (and we'll have to see the compromise text). Restrictions on share buybacks could be part of the equation for any direct loans through the facilities, but we expect the conditions will be far less onerous for these broad-based programs/facilities at the Fed than for the Treasury Direct Loans. It's a bit uncertain too whether companies accessing these facilities will need to certify they have been impacted by COVID-19, but if they are using these facilities in the first place, it's probably a testament that they can plausibly claim to have at least felt secondary effects.

1. Getting to \$4.25 trillion

- a. There's a reason we have been so focused for over a week on the Fed's 13(3) authority and the size of funds in the "ESF" bucket which started last week at just \$150bn in Treasury's original request.
- b. That reason is leverage.
- c. In most instances, the Fed will create a special purpose vehicle (SPV) and Treasury will use capital from the ESF to provide credit protection to the Fed on the assets the Fed buys through the facilities. Most of these facilities have been/will be established under the Fed's 13(3) "unusual and exigent circumstances" authority, which requires approval of 5 members of the Board, and the Treasury Secretary.
- d. In the post-Dodd-Frank world, these programs also must be broad-based, which the Fed has determined through rule-making to mean they are available to no fewer than 5 entities.
- e. This is how they can take ~\$425 billion, and turn it into ~10x that amount or roughly ~\$4.25 billion (though the real leverage factor could vary from one SPV to the next based on the risk of the assets the SPV is set up to buy, and the credit protection the Fed demands in conjunction)

2. Moving Out the Risk Curve

- a. With these programs, as we've been signaling many days, we expect the Fed will gradually move out the risk curve by incrementally increasing the duration and diversifying the collateral they accept in these facilities in an effort to unfreeze markets and minimize the risk a liquidity problem in the general economy becomes an acute solvency problem across large swaths of the economy. This is after all, what lender of last resort power is all about! The question here to us at this point, is how far out on the risk curve in terms of duration and collateral will the Fed ultimately go. This is one reason why we have been so very focused on the amount

of money the Treasury gets for the ESF, b/c it speaks not just to the size of market interventions, but also indirectly to how far they can go in buying duration and diversifying into riskier assets given that the Fed itself, will want to avoid taking substantial credit risk. \$425bn is a lot. That doesn't mean, we expect the Fed can or should step into every market, or attempt to save every highly leveraged company – clearly they should not. But, the more capital Treasury has with which to provide credit protection to the Fed, the further they might be able to go in both size and risk. The markets we hear the most anxiety from market participants over at this point after the Fed's impressive actions this week, are Agency CMBS, Non-agency RMBS, and Munis.

- b. The fed facilities established/named to date are listed and linked below.
 - 1. [Commercial Paper Funding Facility \(CPFF\)](#)
 - 2. [Primary Dealer Credit Facility \(PDCF\)](#)
 - 3. [Money Market Mutual Fund Liquidity Facility \(MMLF\)](#)
 - 4. [Primary Market Corporate Credit Facility \(PMCCF\)](#)
 - 5. [Secondary Market Corporate Credit Facility \(SMCCF\)](#)
 - 6. [Term Asset-Backed Securities Loan Facility \(TALF\)](#)
 - 7. Main Street Business Lending Program (pending establishment)

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From: Jeb Mason

Sent: Monday, March 23, 2020 11:48 PM

To: Jeb Mason (b)(6) <(b)(6)>

Subject: Cypress COVID-19 Response Update (33/33): Leaders On Edge Of a Deal... almost

- 1. **Deal tonight?** We are hearing from credible sources that Schumer & Mnuchin have/had essentially cut a deal, though not quite there yet. McConnell and Trump have talked recently.. A few open items remain – maybe paid leave - however we don't expect the basic framework to change dramatically from the following. We sense Senators are about exhausted and ready to be done...
 - a. Among some of the more notable/probable key elements of the tentative deal (note some of these items or others could still change):
 - i. Treasury ESF funds to provide loan/guarantees/investments to eligible businesses/states/municipalities: ~\$500bn that can be levered to ~\$4 trillion impact via the Federal Reserve's 13(3) authority.

1. Addition of a robust, SIGTARP-like oversight function, possible changes on exec comp and share buybacks, and possible other oversight.
 2. Incentives added for Treasury-fund loan recipients to keep employees.
- ii. Airlines: Hearing **\$25bn** in grants for the airlines, but with restrictions to maintain employees, ban stock buybacks, and retain collective bargaining agreements
 - iii. Individual checks – means-tested credit or **\$1,200-1,500** per individual (x2 joint)
 - iv. Lengthened UI benefit eligibility **~4 months**
 - v. Small business funding increased (companies with fewer than 500 employees) **~375bn**
 - vi. Additional healthcare money
 1. **~\$100bn** for hospitals, community health centers, nursing homes, etc.
 2. **~\$30bn** for frontline COVID response.
 - vii. Additional \$ for State and local stabilization **~\$150bn**
 - viii. Additional \$ for other domestic priorities including child care, seniors, transportation & housing. **~\$200bn**
- b. In general, seems like they split the bid-ask on a number of other key items.
 - c. Timing considerations. Up in the air/unconfirmed, but
 - i. Agreement could be announced as early as tonight.
 - ii. Staff likely to be drafting late into the night, with final vote tomorrow.
 - iii. Senators Lee (R-UT), Paul (R-KY), others in self-quarantine, so may be fewer bomb-throwers to object to UC, allowing the Senate to move quickly.
 - d. We expect the House will have made some imprints on the bill and will take what the Senate sends and pass by unanimous consent (UC) or voice vote, rather than flying everyone back, being proximate and having to wait a day.
2. **3/23 White House Task Force Briefing Highlights (from earlier this evening).**Phase III. President Trump stated that he believes Congress is close to a deal.
 - a. **Social Distancing.** The administration will wait to make a decision until the end of the 15-day period to determine how to move forward, but President Trump noted that he is contemplating easing the social distancing guidance, arguing that closing businesses indefinitely can cause a larger set of problems.
 - a. **DPA.** President Trump signed an executive order today invoking authority under the Defense Production Act to prohibit “hoarding and price gouging” of vital medical supplies.

- b. **Real ID.** Postponing deadline for compliance with Real ID requirements and will announce a new deadline soon
 - c. **Travel Restrictions.** Currently, not considering additional travel bans.
 - d. **Boeing.** The President said, "Boeing's going to need some help...Obviously the airlines are going to have a problem, but the airlines aren't going to be buying from Boeing or anybody else right now because of this difficulty."
3. **House Bill Text Posts.** This is largely moot point, but final text of the House bill just posted.
- a. Our sense is this allowed the House majority a way to claim some sway on the final Senate product, so Pelosi can get her caucus to agree to the negotiated package.
 - i. One pager here.
 - ii. Summary here.

Jeb Mason

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From: Jeb Mason <(b)(6)>

Sent: Monday, March 23, 2020 5:50 PM

To: Jeb Mason <(b)(6)>

Subject: Cypress COVID-19 Response Update (32/32): Senate negotiations continue as Pelosi Drops Bill; FSOC Reschedules; Housing/Mortgage In Focus

1. **White House Task Force Briefing Scheduled for 5:30pm.** Watch live here:
<https://www.whitehouse.gov/live/>
- a. Whether in this briefing or later, we anticipate that the President is increasingly likely to start signaling that they understand the balance between containing the virus including listening to the health professionals on how best to flatten the curve, and recognizing that they've got to signal more clearly that their plan – 15-days to slow the spread – needs to show hope of life - economic life in particular – returning to normal in some reasonable timeframe to prevent damage to the economy and civil society.
 - b. We don't know if they are there yet and the President's chief economic advisors today, Mnuchin and Kudlow, were both pretty strong on listening the health professionals. But our sense is that even with the passage of a massive stimulus bill, and the extraordinarily powerful moves by the Federal Reserve and other regulators, it may not be until investors can start placing reasonable estimates on when people go back to work, that most assets can be priced with any degree of confidence. We don't think this is lost on the administration.

2. **Phase 3 Legislative Update.** As folks know, the early afternoon MTP vote failed, 49-46. Schumer, Mnuchin, et al are continuing negotiations over the Senate bill, with Speaker Pelosi entering late with her own bill aimed to making some imprint on behalf of House Democrats who know they will not likely have a chance to amend the Senate product.
 - a. **Senate process notes.** No votes are presently scheduled. Keep in mind that with agreement of both caucuses, they can move quickly and ignore the need to file cloture and have another intervening day before voting, though in the absence of agreement, they would. Our sense remains that it's all about reaching agreement now and having a large, bi-partisan vote out of the Senate.
 - b. **House on standby.** Members being told they might be given 24 hours to come back and vote. Though we've talked to several who say they think whether they come back to vote depends on how big the Senate vote is. If north of 80 votes, They will probably do it via UC and perhaps give members the opportunity to record their vote later...
3. **FSOC – Council Meeting rescheduled to Thursday, March 26, Adds Servicing Liquidity to Agenda.** The Financial Stability Oversight Council (FSOC) was scheduled to meet this afternoon in both open session (which can be viewed [here](#)) and closed session to discuss market developments related to the coronavirus.
 - a. The FSOC, of course, is composed of the heads of the various financial regulatory agencies, and chaired by Treasury Mnuchin – largely, the same people who are tasked with trying to ameliorate the economic impact of the crisis. Today's meeting, which was slated for 3pm, had to be delayed to later this week due to Secretary Mnuchin still being at the Capitol negotiating the Phase III bill.
 - b. New Agenda:
 - i. open session: includes an update on market developments related to the COVID-19 virus.
 - ii. Executive session: includes an update on market developments related to the COVID-19 virus, an update on nonbank mortgage origination and servicing, and a presentation on the Shared National Credit Report.
4. **TLAC – Federal Reserve Announces Technical Change to TLAC Rule (*Kelsey Wiseman*).** The Board [issued](#) an interim final rule that revises the definition of eligible retained income for purposes of the Board's total loss-absorbing capacity (TLAC) rule. The revised definition of eligible retained income will make any automatic limitations on capital distributions that could apply under the TLAC rule more gradual and aligns to recent action taken by the Board and the other Federal banking agencies in the capital rule.
5. **FHFA - The Federal Housing Finance Agency (FHFA)** made three separate announcements today to aid market functioning and borrowers impacted by COVID-19:
 - a. **[Dollar Roll Transactions](#).** Authorized the GSEs to enter into dollar roll transactions provide MBS investors with short-term financing of their positions, which will help provide additional liquidity to the secondary market. Eligible collateral will be limited to Agency MBS and the transactions must be undertaken with a mechanism to ensure they occur at fair market price.
 - b. **[Streamlined Appraisals and Employment Verification](#).** Directed the GSEs to streamline appraisal and employment verification through May 17, 2020 for originations and refis. The GSEs will be authorized to leverage appraisal alternatives to reduce the need for

appraisers to inspect the interior of homes. In the event lenders cannot obtain verbal verification of the borrower's employment before loan closing, the GSEs will allow lenders to verify employment with an email from the employer, a recent year-to-date paystub, or a bank statement showing a recent payroll deposit. FHFA stated that "lenders should continue to utilize sound underwriting judgment to ensure these alternatives are appropriate to the borrower's circumstances."

- c. [Eviction Suspension for Renters in Multifamily Properties](#). Fannie and Freddie will offer mortgage forbearance to multifamily property owners with the condition that they suspend all evictions for renters unable to pay rent due to the impact of the coronavirus. The eviction suspension will be in place for the entire time the properties are in forbearance.
 - d. FHFA has also established a repository for its coronavirus-related actions and guidance [here](#).
6. **Mortgage Forbearance Plan.** Major housing and other industry trades – HPC, MBA, ABA, USMI, SFA, NMSA and CDIA – sent a [letter](#) to the federal housing regulators today with a set of joint policy recommendations to provide mortgage payment forbearance and longer-term loan modifications to borrowers.
- a. The key policy point here as we have been noting, is that any broad scale forbearance plan if it is to be available for a wide number of Americans who may need it during the emergency, has to be paired with a liquidity backstop for the servicers called upon to implement it, due to persistent challenges in FHA & GNMA servicing rules.
 - b. Highlights of the plan:
 - i. Homeowners affected by illness, quarantine, or who have experienced a reduction or elimination of income due to the national response to the pandemic may request assistance from their mortgage servicer.
 - ii. Customer contact with the servicer would include the use of online web-based portals, emails, or other electronic means, rather than solely by telephone, to address staffing constraints caused by the broad-based shut-down.
 - iii. Servicers would provide an initial 90-day payment forbearance, with potential to extend up to 12 months.
 - iv. Payment forbearance protections include no negative credit reporting, and no collection calls or letters, and no late fees.
 - v. Payment forbearance is available to all affected borrowers, including those delinquent prior to the March 13 declaration date.
 - vi. Provide for elimination or streamlining of documentation requirements, in recognition of the limited ability to compile and/or contact third-parties for access to documents in this widespread event.
 - vii. Program would be a deferral of mortgage payments, not a forgiveness. In most cases, missed payments would be made at the end of the life of the loan and there would be no interest accrued on the deferred amount.

7. Speaker Pelosi Poised to File House Dem Bill.

- a. Speaker Nancy Pelosi this afternoon released this statement ahead of the unveiling of House Democrats' third coronavirus response bill, the Take Responsibility for Workers and Families Act.
- b. A new draft of the bill [time-stamped 10am, March 23rd](#) just became available. It is 1,432 Pages long.
- c. Please find attached and pasted below some summary highlights from our excellent research team focusing on the financial services and other key sections of a slightly earlier draft [time stamped March 22, 9:10pm](#) which is 1,119 pages long.
- d. We will continue to digest and seek to alert you to any key provisions, but welcome your own comments, catches, and questions.

Summary of House Take Responsibility for Workers and Families Act

[[DRAFT](#) Time Stamped March 22, 9:10pm – **Now superseded by March 23, 10am version**]

The bill is over 1,100 pages, but below are some initial highlights from the financial services and other key sections.

Emergency Stimulus Checks. \$2,000 for adults and \$1,000 for children (Senate bill was \$1,200 for adults and \$500 for children), reduced by 5% of so much of the individuals adjusted gross income as exceeds \$75,000. Treasury will decide appropriate adjustments for joint filers. Would require establishment of “digital dollar wallets” to convey funds.

Hospital Support. Provides over \$12B to fund the Public Health and Social Services Emergency Fund that would include funding for diagnostics, medical supplies, related administrative activities, workforce modernization, telehealth access and infrastructure. Appropriates \$500M for grants to or cooperative agreements with entities that are grantees or sub-grantees of the Hospital Preparedness Program.

- States that funds appropriated under the provision may be used for grants for the construction, alteration, or renovation of non-Federally owned facilities to improve preparedness and response capability at the State and local level.

Airline Relief. At a high level, provides for grants that will be exclusively used for the continuation of payment of aviation industry and airline employee wages, salaries and benefits in the amount of \$37 billion for specified entities and \$3 billion for contractors of air carriers. Also provides for \$21 billion in unsecured loans and loan guarantees. The bill would also separately provide \$10 billion in airport relief.

- **Terms and Conditions.** An air carrier receiving financial assistance is prohibited by using funds for payments to shareholders or bondholders or executive compensation. The bill also provides for union and labor protections, including with regard to health benefits and furlough time, and would require an air carrier and their contractors/subcontractors to provide commensurate health benefits. Air carriers would not be able to seek relief from collective bargaining agreements.
 - The bill would also require continuation of certain air service, prevent “price gouging,” and require refunds or alternative compensation for cancellations during national disasters or

- emergencies, as well as reporting on revenues from ancillary fees, such as for baggage or internet access.
 - The bill would also include certain environmental protections related to fuel and emissions.
- **Minimum Wage.** Any employers receiving assistance are required to pay a minimum wage of \$15/hour for 10-years.
- **Government Equity.** The President is authorized to enter in contracts under which the government can participate in the gains of the corporation or its security holders through instruments such as warrants, stock options, common or preferred stock or other equity instruments. All amounts collected under such agreements will be deposited in the Treasury as miscellaneous receipts.
- **Office of Airline Oversight.** Establishes an Office of Airline Industry Financial Oversight within the Department of Transportation to annually assess the financial fitness of passenger air carriers and determine and prescribe minimal capital and funding requirements and annual stress tests.

Fed Authorities.

- **Facility to Compensate for Certain Consumer Loan Payments.** The Fed shall establish a facility to use to make payments to covered financial institutions to compensate such institutions for documented financial losses caused by the suspension of certain consumer loan payments.
- **Credit Facility for Mortgage Servicers.** The Fed and Treasury, directly or indirectly via the GSEs, banks, etc., shall extend credit to mortgages servicers and other obligated advancing parties that in each case have liquidity needs due to coronavirus (more below).
- **Small Business Credit Facility.** The Fed shall establish a credit facility to provide loans to small businesses during coronavirus emergency.
- **MDIs.** The Fed shall provide zero-interest loans to minority depository institutions and community development financial institutions to help mitigate the economic impact of COVID-19 in low-income, underserved communities.
- **Muni Facility.** The Fed shall establish a facility to buy and sell, at home or abroad, bills, notes, bonds, and warrants with a maturity from date of purchase of not exceeding 10 years that are issued by any State or political subdivision thereof between March 1, 2020, and July 1, 2021, in order to fund a public health or public service response to the COVID-19 pandemic.
- **Temporary Suspension of New Rulemakings.** For financial regulators until the end of 30-day period following COVID-19 emergency.

Small Business Provisions.

- **Sec. 201. Small Business Credit Facility. (Federal Reserve)**
 - Establishes a Federal Reserve credit facility to provide loans to small businesses during COVID-19.
 - Small biz means: As defined by SBA, a family farm; an independent contractor; and any other class of businesses to which the Board of Governors determines loans would promote full employment and price stability.
- **Sec. 202. Small Business Financial Assistance Program. (Treasury)**
 - Treasury provides loans and loan guarantees to small businesses.
 - \$50 billion from ESF, without further appropriations.
 - Small biz means: As defined by SBA; a family farm; an independent contractor.
- **Sec. 203. Suspension of Small Business and Non-Profit Loan Payments.**
 - Restrictions on debt collectors during COVID-19.

- Creates Federal Reserve facility to make payments to holders of loans to compensate for documented financial losses wrt loan made to individual, small business, or nonprofit, and where such losses were caused by suspension of payments in connection with COVID-19.
- **Sec. 204. Reauthorization of the State Small Business Credit Initiative Act of 2010.**
- **Sec. 205. Funding of the Initiative to Build Growth Equity Funds for Minority Businesses.**
- **Sec. 206. Community Development Financial Institutions Fund Supplemental Appropriation Authorization.**
 - Supplemental \$1 billion for FY 2020 for CDFI Fund.
- **Sec. 207. Minority Depository Institution.**
 - Sense of Congress on funding Loan-Loss Reserve Fund for small dollar loans.
 - Includes women's banks in definition of MDI.
 - Establishment of impact bank designation: Each appropriate federal banking agency shall establish a program under which a depository institution with total consolidated assets of less than \$10 billion may elect to be designed as an impact bank if 50%+ of the loans extended by such covered bank are extended to low-income borrowers.
 - Federal deposits in MDIs and impact banks must be fully collateralized or fully insured, as determined by Treasury.
 - Expands minority bank deposit program.
- **Sec. 208. Loans to MDIs and CDFIs.**
 - During COVID-19, Federal Reserve shall provide zero-interest loans to MDIs and CDFIs with less than \$1 billion in assets.
- **Sec. 209. Insurance of Transaction Accounts.**
 - Banks and savings associations: FDIC may fully insure net amount that any depositor at an insured depository institution maintains in a transaction account.
 - Credit unions: FRB may fully insure net amount that any member or depositor at an insured credit union maintains in a transaction account.

Rental and Homeless Assistance Provisions.

- **Tenant Contributions.** Suspends requirements for tenant contributions toward rent in assisted housing beginning on the date of enactment and ending 6 months after the date of termination of the national emergency declaration. HUD will reimburse owners of assisted housing for these amounts and associated administrative expenses.
 - The nonpayment of rent by a tenant shall not be reported to a consumer reporting agency or adversely affect the tenants credit score.
- **Eviction Moratorium.** Beginning on the date of enactment and ending 6 months after the date of termination of the national emergency declaration.
- **Emergency Rental Assistance.** The bill provides for \$100 billion for grants to provide emergency rental assistance and expands eligibility for such assistance. Grantees will be given 3 years to expend the funds.
- **Emergency Homeless Assistance.** Provides \$15.5 billion for homeless assistance grants and expands eligibility targeted toward coronavirus-related risk factors.

Mortgage Provisions.

- **Housing Assistance Fund.** Establishes a Housing Assistant Fund within Treasury to allocate funding to state housing finance agencies for the purpose of preventing homeowner mortgage defaults, foreclosures and displacement after January 21, 2020.

- State allocations will be undertaken with consideration for the number of unemployment claims in each state, but with a minimum of \$125 million.
- Funds may be used to mortgage payment assistance, financial assistance for borrowers to reinstate their mortgage payments following a forbearance period, principal reduction, utility payment assistance, utility payment assistance, and any other related assistance.
- **Mortgage Forbearance.** Under the bill, a borrower experiencing hardship has a right to request forbearance during the COVID-19 emergency and will not be required to provide any additional documentation. The forbearance will be provided for a period of 180 days and may be extended, upon request, for an additional 180 days.
 - A borrower receiving forbearance for a mortgage on a dwelling that has tenants shall provide those tenants with rent relief for a period not less than that covered by the forbearance.
 - Any borrower who becomes 60 days or more delinquent during the COVID-19 emergency will be automatically granted a 180-day forbearance, which may be extended for an additional 180 days upon request of the borrower.
 - In this instance, the borrower will be provided notification of the forbearance and duration as well as information on the loss mitigation options their right to resume making payments. Any payments made during the forbearance period will be credit to the borrower's account.
 - During the forbearance period, no fees, penalties or additional interest beyond the amounts scheduled or calculated shall accrue.
 - If the borrower in forbearance is required to make payments into an escrow account, the servicer shall pay or advance the escrow disbursements and collect any shortage or deficiency from the borrower after the forbearance period ends.
 - **Communications.** Servicers of federally-related mortgage loans will notify the borrower of a right to request forbearance within 14 days of enactment and, until the end of the emergency, on each periodic statement provided to the borrower and any other oral or written communication with the borrower.
 - **Post-Pandemic Repayment Options.** Before the end of any forbearance period, servicers will evaluate a borrower's ability to return to their regular payments, and, if they are, modify the borrower's loan to extend the term for the same period as the length of the forbearance. The borrower will also have the option to prepay the suspended payments at any time in a lump sum.
 - If the borrower is unable to return to making periodic mortgage payments, the servicer will evaluate that borrower to all loan modification options, without regard to other existing requirements, including further extending the borrowers repayment period or reducing the principal balance.
- **Foreclosure Moratorium.** Beginning on the date of enactment and ending on the date of the termination of the national emergency. Separately, during the COVID-19 emergency and for the 180-day period following such emergency, a servicer of a loan secured by a manufactured home or motor vehicle may not repossess.
- **USDA Program.** Implement a loan modification program to modify the terms of outstanding loans for borrowers facing hardship, which will allow for affordable payments, the extension of the remaining loan term for up to 480 months, and a reduction in the interest rate to the market rate.
- **Multifamily.** During the COVID-19 emergency a multifamily borrower (5 or more units) experiencing financial hardship can submit a request for forbearance. The servicer will document the financial hardship and provide forbearance for not less than 180 days with an option to extend for another 180.

- During the term of forbearance, a multifamily borrower may not evict a tenant for non-payment of rent or apply or accrue any fees or other penalties on renters for nonpayment.
- A multifamily borrower shall bring a loan placed in forbearance current within the earlier of 12 months after the conclusion of the forbearance period or receipt of any business interruption insurance proceeds.
- **Appraisal Requirements.** Waives interior inspection requirements if an exterior inspection is performed in conjunction with other methods to maximize credibility including video or photo documentation. The applicable lender, guarantor, agency or insurers may order additional services to include an interior inspection at a later date. HUD and FHFA shall promulgate rules to this effect within 1-week of enactment.
- **Extension of the GSE Patch.** The bill directs the CFPB Director to extend the Patch for one year, until January 1, 2022 or such later date as may be determined by the Bureau.

Federal Reserve Credit Facility for Mortgage Servicers. The bill directs the Federal Reserve through its Section 13(3) authorities, to directly (or indirectly through an intermediary such as Fannie, Freddie, Ginnie Mae, etc.) extend credit to mortgage servicers and other obligated advancing parties that have liquidity needs due to the COVID-19 emergency or compliance with the forbearance provisions in the legislation.

- Credit provided shall be in an amount sufficient to cover the pass-through payment of principal and interest to MBS holders, the payment of taxes and insurance to third-parties, and the temporary reimbursement of modification costs and fees that will be deferred until forbearance ends. The credit can also be used to purchase affected mortgages from pools of securitized mortgages.
- The credit authorized by this section will be secured by the pledgors interest in accounts receivable, loans, or related interests resulting from the payment of advances made on the affected mortgages by the mortgage servicers.
- Treasury will provide credit support to the Fed for this program.
- The extension of this credit will be available until the late of 6 months after the end of the COVID-19 emergency and the date on which the Fed and Treasury determine the credit support should not longer be available.
- The bill also includes some amendments to the National Housing Act to address some related Ginnie Mae Issuer requirements, and provides a safe harbor for participating servicers.

Other Consumer Loans.

- **Debt Collection.** During the COVID-19 emergency, a debt collector may not (except with respect to a federally-backed mortgage loan) among others provisions, capitalize unpaid interest; apply a higher interest rate triggered by nonpayment; charge a fee triggered by nonpayment; sue or threaten to sue for nonpayment; continue litigation to collect debt; submit a confession of judgement to any court; enforce a security interest through repossession/limitation of use/foreclosure; garnish wages or federal benefits; or disconnect or terminate a utility service.
 - **Repayment.** After the expiration of the COVID-19 emergency, a debt collector may not add any fees or interest to the debt balance and shall extend the time period for repayment by 1 payment period for each payment, and offer reasonable repayment plans.
 - **Communications.** During the COVID-19 emergency, a debt collector may only communicate in writing and be bound by certain outlined disclosure standards.
- **Student Loans.** Provides for mandatory forbearance on federal student loan payments during the COVID-19 emergency period and for 6 months thereafter. The Department of Education will make payments to servicers during this period.

- Effective on the date of enactment and for the duration of the COVID-19 emergency and the 6-month period thereafter, Treasury will pay the total amount due for private education loan borrowers.
- For federal and private student loan borrowers will receive student loan relief equal to the lesser of the total amount of each covered loan or \$10,000.
- Individuals who entered into income-share agreements shall not be required to make payments under those agreements for the duration of the emergency and the 6 months following.

Credit Reporting.

- **Moratorium on Furnishing Adverse Information.** No person may furnish any adverse item of information (except related to a felony criminal conviction) relating to a consumer that was the result of any action or inaction that occurred during the COVID-19 emergency period.
 - The bill also includes a provision extending the level of protection going forward for any major disaster period.
- **Consumer Reports.** No consumer reporting agency may make any consumer report containing an adverse item of information reported) relating to a consumer that was the result of any action or inaction that occurred during the COVID-19 emergency period or covered major disaster period.
- **Deletion of Adverse Items.** Not later than 60 days after enactment, the Bureau shall create a website for consumers to report economic hardship as a result of the COVID-19 outbreak or a major disaster. The information will be used to create a database accessible to each consumer reporting agency to check and automatically delete adverse items of information. A consumer can also submit a request for deletion of adverse information at no charge.
- **Free Credit Report and Scores.** During the COVID-19 emergency period or a covered major disaster period and ending 12 months after the expiration of that period consumer reporting agencies shall supply consumers with free reports and scores.
- **Summary of Rights.** Not later than 60 days after enactment the Bureau shall update its model summary of consumer rights to include a description of the right to request a deletion of adverse items and request a consumer report or score.
- **Medical Debt.** No person shall furnish adverse information related to medical debt if such a medical debt is with respect to medical expenses related to treatments arising from COVID-19 or a major disaster. No consumer reporting agency may make a consumer report containing such adverse information related to medical debt.
- **Credit Scoring Models.** A person that creates and implements credit scoring models may not treat the absence, omission or deletion of any information pursuant to this section as a negative factor or negative value in credit scoring models.
 - **During the COVID-19 emergency or a covered major disaster period** new credit scoring models (including a revision to an existing model) can be created or implement if it would identify a significant percentage of consumers as being less creditworthy compared to previous models.

Tax Provisions.

- **Health-Related Tax Relief.**
 - **Payroll Credit for Charity Care.** Hospitals are eligible for a tax credit equal to 90% of COVID-related charity care provided during a calendar quarter. The credit applies to care furnished between February 1, 2020 and December 31, 2020.
 - **Payroll Credit for Facility Expenditures.** Hospitals are also eligible for a tax credit of 90% of COVID-related hospital facility expenditures. As long as it is related to COVID-19, expenditures

- can include purchase or construction of a temporary structure, leasing of structure for a maximum of two years, or retrofitting an existing permanent structure.
- The bill includes restoration of limitations on reconciliation of tax credits for coverage under a qualified health plan and reduces premium costs for consumers by adjusting the applicable percentage for a taxable year.
- **Economic Assistance Payments.** Individuals are eligible for a payment of \$1,500. Joint returns are eligible for \$3,000 and for children, multiply the number of children up to three by \$1,500. The credit is phased out based on adjusted gross income greater than \$150,000 for joint returns or a surviving spouse, \$112,500 for the head of household, or \$75,000 for other instances. Base amount payments will be made as soon as possible but no later than 90 days after enactment of the bill.
 - The provision applies to possessions with mirror tax code systems and possessions without mirror tax systems as long as a Treasury-approved plan is in place to promptly distribute payments.
- **Earned Income Tax Credit.** The section lowers the minimum age from 25 to 19 and raises the maximum age for the credit from 65 to 66. It also increases the credit itself and phaseout percentages. The disqualified investment income test is eliminated.
- **Child Tax Credit.** The bill makes the CTC fully refundable for 2020 through 2025. The CTC is also increased from \$1,000 to \$2,000, or \$3,600 for children under the age of six.
- **Dependent Care Assistance.** The child and dependent care tax credit is increased in applicable percentage from 35% to 50% and in dollar limit from \$15,000 to \$120,000.
- **Net Operating Losses.** Five-year carryback of NOLs and temporary suspension of taxable income limitation. The deduction amount is set at the aggregate of NOL carryovers plus NOL carrybacks.
- **Employee Retention Credit.** Eligible employers are allowed a tax credit of 80% of qualified wages up to \$10,000 for a calendar quarter.
- **Credits for Paid Sick and Family Leave.** The provision extends credits for paid sick and family leave through 2021 and repeals the reduced rate of credit for certain leave. The amount of payroll credit is increased from \$200 to \$511 per day of paid sick time.
- **Administrative.** Extends the filing deadline for 2019 from April 15, 2020 to July 15, 2020.

Jeb Mason

The Cypress Group

(b)(6) (m)
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From: Jeb Mason <(b)(6)>
Sent: Monday, March 23, 2020 2:04 PM
To: Jeb Mason <(b)(6)>
Subject: Cypress COVID-19 Response Update (30/30): Senate Voting Now on 2nd Attempt at MTP

1. **Phase 3 Legislative Update.** Senate just started to vote on a motion to proceed (MTP) to the HR 748, the legislative shell for the Phase 3 Coronavirus relief bill still being negotiated in the Senate.

- a. This vote is just to initiate formal debate on the actual package.
- b. This will be another failed vote on party line, but members are stressing this is not indicative of where they are in negotiations.
- c. This looks like McConnell playing hard ball with the Democrats.
- d. Speaker Pelosi meanwhile will likely formally file her draft framework bill later this afternoon. This is largely a marker, but she will likely carry a few select items into the negotiations with the Senate.
 - i. See [here](#) for a recent, but likely not final, version of the bill
- e. Getting back to the Senate, whether they pass the MTP to get onto the bill, or they have a second failed vote here as it looks, they are going to continue to negotiate through this afternoon and into the evening before we would expect them to announce an actual agreement (i.e. it will not likely come until after market hours).
- f. We think there is still a very good chance the Senate votes to pass a deal tonight, though that remains uncertain.
- g. But whether they do it tonight, tomorrow, or later in the week, we are confident they are eventually going to pass a modified bill, but one that retains the basic framework as it relates to tools to support the economy.

Jeb Mason

The Cypress Group

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From: Jeb Mason <(b)(6)>

Sent: Monday, March 23, 2020 8:42 AM

To: Jeb Mason <(b)(6)>

Subject: Cypress COVID-19 Response Update (29/29): Fed Reserve announced host of measures; FHFA allows GSEs to add liquidity to Secondary Mortgage Market

Announcements from the Fed and FHFA below. more to follow...

March 23, 2020

Federal Reserve announces extensive new measures to support the economy

- [Share](#)

The Federal Reserve is committed to using its full range of tools to support households, businesses, and the U.S. economy overall in this challenging time. The coronavirus pandemic is causing tremendous hardship

across the United States and around the world. Our nation's first priority is to care for those afflicted and to limit the further spread of the virus. While great uncertainty remains, it has become clear that our economy will face severe disruptions. Aggressive efforts must be taken across the public and private sectors to limit the losses to jobs and incomes and to promote a swift recovery once the disruptions abate.

The Federal Reserve's role is guided by its mandate from Congress to promote maximum employment and stable prices, along with its responsibilities to promote the stability of the financial system. In support of these goals, the Federal Reserve is using its full range of authorities to provide powerful support for the flow of credit to American families and businesses. These actions include:

- Support for critical market functioning. The Federal Open Market Committee (FOMC) will purchase Treasury securities and agency mortgage-backed securities in the amounts needed to support smooth market functioning and effective transmission of monetary policy to broader financial conditions and the economy. The FOMC had previously announced it would purchase at least \$500 billion of Treasury securities and at least \$200 billion of mortgage-backed securities. In addition, the FOMC will include purchases of agency commercial mortgage-backed securities in its agency mortgage-backed security purchases.
- Supporting the flow of credit to employers, consumers, and businesses by establishing new programs that, taken together, will provide up to \$300 billion in new financing. The Department of the Treasury, using the Exchange Stabilization Fund (ESF), will provide \$30 billion in equity to these facilities.
- Establishment of two facilities to support credit to large employers – the Primary Market Corporate Credit Facility (PMCCF) for new bond and loan issuance and the Secondary Market Corporate Credit Facility (SMCCF) to provide liquidity for outstanding corporate bonds.
- Establishment of a third facility, the Term Asset-Backed Securities Loan Facility (TALF), to support the flow of credit to consumers and businesses. The TALF will enable the issuance of asset-backed securities (ABS) backed by student loans, auto loans, credit card loans, loans guaranteed by the Small Business Administration (SBA), and certain other assets.
- Facilitating the flow of credit to municipalities by expanding the Money Market Mutual Fund Liquidity Facility (MMLF) to include a wider range of securities, including municipal variable rate demand notes (VRDNs) and bank certificates of deposit.
- Facilitating the flow of credit to municipalities by expanding the Commercial Paper Funding Facility (CPFF) to include high-quality, tax-exempt commercial paper as eligible securities. In addition, the pricing of the facility has been reduced.

In addition to the steps above, the Federal Reserve expects to announce soon the establishment of a Main Street Business Lending Program to support lending to eligible small-and-medium sized businesses, complementing efforts by the SBA.

The PMCCF will allow companies access to credit so that they are better able to maintain business operations and capacity during the period of dislocations related to the pandemic. This facility is open to investment grade companies and will provide bridge financing of four years. Borrowers may elect to defer interest and principal payments during the first six months of the loan, extendable at the Federal Reserve's discretion, in order to have additional cash on hand that can be used to pay employees and suppliers. The Federal Reserve will finance a special purpose vehicle (SPV) to make loans from the PMCCF to companies. The Treasury, using the ESF, will make an equity investment in the SPV.

The SMCCF will purchase in the secondary market corporate bonds issued by investment grade U.S. companies and U.S.-listed exchange-traded funds whose investment objective is to provide broad exposure to

the market for U.S. investment grade corporate bonds. Treasury, using the ESF, will make an equity investment in the SPV established by the Federal Reserve for this facility.

Under the TALF, the Federal Reserve will lend on a non-recourse basis to holders of certain AAA-rated ABS backed by newly and recently originated consumer and small business loans. The Federal Reserve will lend an amount equal to the market value of the ABS less a haircut and will be secured at all times by the ABS. Treasury, using the ESF, will also make an equity investment in the SPV established by the Federal Reserve for this facility. The TALF, PMCCF and SMCCF are established by the Federal Reserve under the authority of Section 13(3) of the Federal Reserve Act, with approval of the Treasury Secretary.

These actions augment the measures taken by the Federal Reserve over the past week to support the flow of credit to households and businesses. These include:

- The establishment of the CPFF, the MMLF, and the Primary Dealer Credit Facility;
- The expansion of central bank liquidity swap lines;
- Steps to enhance the availability and ease terms for borrowing at the discount window;
- The elimination of reserve requirements;
- Guidance encouraging banks to be flexible with customers experiencing financial challenges related to the coronavirus and to utilize their liquidity and capital buffers in doing so;
- Statements encouraging the use of daylight credit at the Federal Reserve.

Taken together, these actions will provide support to a wide range of markets and institutions, thereby supporting the flow of credit in the economy.

The Federal Reserve will continue to use its full range of tools to support the flow of credit to households and businesses and thereby promote its maximum employment and price stability goals.

For media inquiries, call 202-452-2955

[Federal Reserve issues FOMC statement](#)

[Term Sheet - Primary Market Corporate Credit Facility \(PDF\)](#)

[Term Sheet - Secondary Market Corporate Credit Facility \(PDF\)](#)

[Term Sheet - Term Asset-Backed Securities Loan Facility \(PDF\)](#)

[Term Sheet - Commercial Paper Funding Facility \(PDF\)](#)

[FHFA Authorizes the Enterprises to Support Additional Liquidity in the Secondary Mortgage Market](#)

FHFA AUTHORIZES THE ENTERPRISES TO SUPPORT ADDITIONAL LIQUIDITY IN THE SECONDARY MORTGAGE MARKET
FOR IMMEDIATE RELEASE
3/23/2020

Washington, D.C. – Today, to help support immediate needs for liquidity in the secondary mortgage market, the Federal Housing Finance Agency (FHFA) has authorized Fannie Mae and Freddie Mac (the Enterprises) to enter into additional dollar roll transactions (dollar roll transactions provide mortgage-backed securities investors with short-term financing of their positions, providing liquidity to these investors). Eligible collateral is limited to Agency mortgage-backed securities and the transactions must be undertaken via an auction or similar mechanism to ensure that they occur at a fair market price.

Today's announcement is the latest action that FHFA has taken to ensure the Enterprises fulfill their mission of providing market liquidity during the coronavirus national emergency. Other actions include a suspension of foreclosures and evictions for at least 60 days and offering forbearance for borrowers facing hardship due to coronavirus.

FHFA and the Enterprises are monitoring the coronavirus national emergency's effect on the housing finance market and will continue to update our policies when necessary.

FHFA's Webpage on Coronavirus Actions

Jeb Mason

The Cypress Group

(b)(6) (m)
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From: Jeb Mason <(b)(6)>

Sent: Monday, March 23, 2020 1:36 AM

To: Jeb Mason <(b)(6)>

Subject: Cypress COVID-19 Response Update (28/28): Senate Adjourns to Noon Monday, Still Negotiating.

1. **Phase 3 Update.** Senators failed to come to agreement tonight. Informal negotiation continues tonight and into the morning, however, the Senate officially stands adjourned until **noon** Monday to resume consideration of the motion to proceed (**MTP**) to **H.R.748**, the *legislative vehicle* for the Coronavirus Phase III.
 - a. Keep in mind, the Senate can move extremely quickly if at any point there is a breakthrough and adequate agreement/will to do so, but at this point it would seem unlikely they will pass a bill earlier than late afternoon Monday.
 - b. Minority Leaders Schumer (D-NY) in his concluding remarks cited at least three concerns Democrats have with the bill, confirming earlier intel.
 1. More accountability for the ESF funds (the \$500bn)
 - a. Schumer noted that they might not know for 6 months that loans have been made to a company.

- b. *We doubt this is their only concern b/c if it is, this could easily be solved. Under the Fed's 13(3) authority for instance, the Fed has 7 days to report any loan or financial assistance it makes including justification, identity of the recipients, the date, amount, & form of the assistance, and material terms including duration, collateral, interest, fees, etc., and expected cost to taxpayers among other details, and they are required to file subsequent updates to items such as the value of the collateral every 30 days.*
 - 2. More funds on hospitals and doctors, nurses, masks and equipment
 - 3. More money for state and local governments.
- ii. Schumer concluded by stating: "We are making progress. I think there's a good chance we will have an agreement... We'll come back at noon and hopefully we will have an agreement by then."

Jeb Mason

The Cypress Group

(b)(6) (m)
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From: Jeb Mason <(b)(6)>

Sent: Sunday, March 22, 2020 9:16 PM

To: Jeb Mason <(b)(6)>

Subject: Cypress COVID-19 Response Update (27/27): Senate Still Negotiating, Deal Seems Within Reach, but Unclear If We See Text Tonight.

1. **Phase 3 Update.** As nearly everyone knows by now, the motion-to-proceed (MTP) to the CARES Act failed 47-47 earlier this evening. Democrats unified in opposition. McConnell flipped his vote to be able to reconsider. Negotiations continuing and likely to continue late into the night. We still tend to think they will be able to announce a deal sometime late tonight with text to follow in the morning, though it's yet possible that they will need the market sell-off in the morning to provide further motivation. McConnell has already taken the step of pointing out on the floor, that the market is limit down following the failed MTP vote.
 - a. Just now McConnell spoke on the floor. Senate in recess until 10pm EDT.
 - b. Some talk of more money for hospitals and healthcare workers, but we are hearing the main sticking point at this hour is conditions and/or oversight around the \$425bn lending facility.
 - i. Specifically we think this is with respect to restrictions on companies that avail themselves of the money, rather than restricting those that would have access, but we can't say for certain.

- ii. We are making this up somewhat based on various conversations and a recent floor speech by Menendez,
 - 1. Companies might have to keep work force (e.g. ~90% for some period of time) similar to the Small Business provision related to loan forgiveness.
 - 2. Limits on the Secretary's ability to waive certain things like buyback restrictions
 - 3. Expanding the 2-year limit on executive comp / comp increases
 - 4. Money can't go to Trump companies/properties?
 - 5. Some still talking about foreclosure and evictions.
 - 6. Stronger requirements on taking warrants in companies that take the loans.
- 2. **Official Summaries.** Official summaries of the CARES Act as drafted by Republicans are linked along with a summary of the health provisions.
 - a. [CARES Act Summary](#)
 - b. [Final HELP Coronavirus – Section-by-Section](#)
- 3. **Trump Presser.** Notes from earlier this evening.
 - a. **Phase 3 Bill Comments.** *While the President was speaking the Senate cloture vote failed. The President stated they are working urgently with Congress on legislation. Goal is to get relief for Americans as quickly as possible.*
 - i. He stated later during Q&A that "we want to help workers but we also need to protect their companies...I don't want stock buybacks, I know that's one of the problems, but I don't want that. I want them to use the money for their workers and to help the company. Don't know what the problem is on that one...I think we're very close on unemployment insurance. Democrats want to get there and the Republicans want to get there, and I don't think anyone actually has a choice...I think both Democrats and Republicans are agreed that we have to take care of our workers."
 - ii. "The only reason a deal couldn't get done is pure politics."
 - iii. When asked about the potential that Speaker Pelosi might introduce her own bill, the President said "we'll work with whoever we have to...We don't want to penny-wise and dollar-foolish."
 - iv. When asked whether another fiscal stimulus might be needed, the President said "we'll see what happens, hopefully we won't need it, but we might."
 - b. **Remote Voting.** The President said "we would certainly be in favor of it on a temporary basis."
 - c. NY, CA, WA. The President announced action to ensure that the National Guard can effectively respond to this crisis in these states that have been hit the hardest. Through FEMA the federal government will cover 100% of the cost. Governors will be in command locally.

- d. **Testing.** Vice President Pence stated that the coronavirus testing backlog will be resolved by mid-week. Focus on in-patient testing. FDA approved another testing solution that would provide results within 45 minutes, should be in production by the end of March.
 - e. **First Responders.** CDC and DHS will unveil new guidance tomorrow for first responders and other critical personnel, making it possible for people who have been exposed to return to work more quickly by wearing a mask for certain period of time.
 - f. **Americans Abroad.** Working diligently with the State Department to get Americans home.
 - g. **Defense Production Act.** Peter Navarro spoke to how production is ramping up, voluntarily at this point. The President stated he didn't want to nationalize business, but have the threat of using it and may have to at certain points in the supply chain.
 - h. **Prisoners.** The President stated they are considering freeing elderly, non-violent prisoners.
4. **Financial Services Sector Essential Workers.** Treasury Secretary Mnuchin issued a [memorandum](#) for the financial services sector reiterating CISA's earlier guidance on essential critical infrastructure workers. He notes that companies aligned to these definitions are expected to maintain operations and work schedules. The essential workforce for the financial services sector includes:
- a. Workers needed to process and maintain systems for processing financial transactions and services (payment, clearing and settlement, wholesale funding, insurance, and capital markets);
 - b. Workers needed to provide consumer access to banking and lending services (ATMs, movement of currency);
 - c. Workers needed to support financial operations (staffing data and security operations centers); and
 - d. Key third-party providers who deliver core services.
5. **Rate Cap Legislation.** [Senators Brown and Van Hollen today sent a letter](#) to McConnell and Schumer requesting that the Senate include a temporary 36% rate cap for all consumer loans in the upcoming stimulus package, and plan to introduce legislation to that effect "shortly." The effort is similar to the Veterans and Consumers Fair Credit Act, which has been under consideration in both chambers, though that bill would permanently extend the MLA 36% rate cap to all consumer loans.

Jeb Mason

The Cypress Group

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From: Jeb Mason <(b)(6)>

Sent: Sunday, March 22, 2020 4:14 PM

To: Jeb Mason <(b)(6)>

Subject: Cypress COVID-19 Response Update (26/26): Phase 3 Next Steps. Prelim Takeaways and Highlights

Super Early/Rough Highlights. The bill is 393 page. Focusing on what may be most interest to clients and financial markets. Big caveat that these may be imperfect interpretations, so welcome your questions & feedback.

1. **Phase 3 Update.** McConnell came and left the floor at 3pm. Delaying the vote on the motion-to-proceed (MTP) to the shell vehicle to **6pm**. Dem leadership was signaling they are not on board yet. Looked to us as the MTP would fail and McConnell knew it. R leadership had anticipated at some point in the negotiations people have to get up from the table. They were testing Dem resolve. Dems met test. Get back a little leverage. And there will be changes/additions at the margin before final passage if not before getting on the bill to bring Dems on board. Not completely unexpected from the Majority side. This may well all be scripted theater.
 - a. McConnell spoke a little early following meeting with Mnuchin, Speaker, Schumer, McCarthy. Stated we intend to move forward with the Senate bill. I'm hopeful and optimistic we will get bi-partisan support. We expect to get onto the bill without burning all the post-cloture time (i.e. 30-hours) to proceed. "We are still talking...But make no mistake we will be voting tomorrow...This is a pretty solidly bi-partisan proposals... at some point the wheel has to stop."
 - b. Rand Paul (R-KY) just announced he tested positive for COVID-19. Romney (R-UT) saying Senators now consulting with Doctors to see if they need to self-Q. This could add to ultimate resolve.
 - c. When the vote comes, it may take them more time to vote than normal so that Senators not all on the floor at the same time (social distancing).
 - d. We still expect they have a deal by tonight, but we can't rule out they are still debating this Monday with markets open.
2. **References.** 3.22 - CARES text as links now.
 - o [Division A](#) (revised bill)
 - o [Division B](#) (supplemental approps)
 - o Senate Approps [Summary](#)
3. **High level impressions of the text.** Our sense is the general principal of the bill both in the SBA section and the Title VI (formerly referred to as ESF) section seems to be max flexibility to Treasury/Fed to craft effective liquidity facilities which is what we believed they needed to do, and what we see as the most powerful element of the bill for the general economy.
4. **ESF/ Title VI. Economic Stabilization and Assistance to Severely Distressed Sectors of the United States Economy** (aka the "Coronavirus Economic Stabilization Act of 2020"):
 - a. **Section 4003.** Sec. 4003 permits the Treasury Secretary to extend up to **\$500 billion** in loans, loan guarantees, and other investments to businesses, states, and municipalities.
 - i. **\$50 billion** maximum for passenger air carriers
 - ii. **\$8 billion** maximum for cargo air carriers

- iii. **\$17 billion** maximum for critical businesses (i.e. “critical to maintaining national security”)
 - 1. This we think is related to Boeing, GE and maybe select others the administration is prioritizing.
 - **\$425 billion** for loans, loan guarantees, and other investments in support of programs or facilities established by the Board of Governors of the Federal Reserve System for the purpose of providing liquidity to the financial system that supports lending to eligible businesses, States, or municipalities.
 - 2. This is how they will leverage the \$425bn to make it much more powerful.
 - 3. People have been refereeing to TALF (crisis era program from '08 seen as highly successful), but it's potentially much bigger/broader than actual TALF as we've pointed out.
- iv. The **Treasury Secretary** is responsible for determining the rate of loans, setting application and minimum requirement procedures, checking that no credit is reasonably available to the eligible business, and ensuring that the duration of the loan is less than five years.
 - 1. The federal government can participate in gains from a loan or loan guarantee, which will be deposited in the Airport and Airway Trust Fund or in the Treasury. The Secretary cannot use more than \$100 million of funds towards administrative costs.
 - 2. The Secretary can authorize financial institutions (depositories, brokers, dealers, etc.) as financial agents of the United States.
- v. While the loan is outstanding, **businesses, states, and municipalities** are prohibited from repurchasing outstanding equity interests, required to maintain existing employment levels as of March 13, 2020, and must demonstrate it has incurred or will incur covered losses that jeopardize continued operations. The loans shall be treated as indebtedness for tax purposes.
- vi. **Limitation on Certain Employee Compensation (Section 4004).** Treasury may only enter into an agreement directly with an eligible business to make a loan or loan guarantee if the agreement provides that during the 2-year period beginning March 1, 2020 and ending March 1, 2022 no officer or employee whose total compensation exceeded \$425,000 in calendar year 2019 will receive compensation exceeding their 2019 compensation or any severance that exceeds twice the maximum total compensation in calendar year 2019.
- vii. **Continuation of Air Service (Section 4005).** The Secretary of Transportation is authorized to require an air carrier receiving any loans or loan guarantees to maintain scheduled air transportation service deemed necessary to ensure services to any point by served by that carrier before March 1. This requirement will terminate March 1, 2022.
- viii. **Suspension of Certain Aviation Excise Taxes (Section 4007).** During the excise tax holiday period (beginning after the date of enactment and ending before January 1, 2021) no tax shall be imposed for any amount paid for transportation by air or on kerosene used in commercial aviation.
- ix. **Transaction Account Guarantee Authority (Section 4008).** Amends Section 1105 of Dodd-Frank to state that a guarantee of deposits held by insured depository

institutions may be treated as a debt guarantee program, and allows for the FDIC to establish a program without a maximum guarantee provided that it terminates not later than December 31, 2020.

1. This seems to be lifting the cap on bank and credit union transaction accounts (for business).
2. Some confusion about the language, but seems like the intent here is to provide a guarantee on all bank debt. We are trying to run down whether a drafting error or deliberate, but it's a big deal.
3. This is what they seem to be tapping into: 12 USC 5612 (enacted as part of Dodd Frank provides for a guarantee program of insured depository institution and insured depository holding company debt during times of "severe economic stress" with congressional approval. Section 4008(a)(2) of the bill grants that approval and section 4008(a)(1) of the bill extends the coverage of the guarantee program to bank deposits without limitation.

- x. **Temporary Lending Limit Waiver (Section 4011).** Amends 12 U.S.C. 84 to add nonbank financial companies to a list of institutions exempt from certain lending limits. This amendment is effective beginning on the date of enactment and ending on the sooner of the termination date of the public health emergency declared by HHS or December 31, 2020.
- xi. **Temporary Relief for Community Banks (Section 4012).** Provides that federal banking agencies shall issue an interim final rule providing that the Community Bank Leverage Ratio shall be 8 percent and a qualifying community bank that falls below that leverage ratio shall have "a reasonable grace period." This interim rule will be effective during the period beginning when the agencies issue the rule and ending on the sooner of the termination date of the public health emergency declared by HHS or December 31, 2020.
- xii. **Temporary Relief from Troubled Debt Restructurings (Section 4013).** From March 1, 2020 to 60 days after the public health emergency finishes, a financial institution can suspend requirements for loan modifications or determinations related to COVID-19. Modifications (forbearance arrangement, interest rate modification, repayment plan, etc.) must apply to a loan that was no more than 30 days past due on December 31, 2019, and the adverse impact must be directly related to COVID-19.
 1. Not sure, but they're likely trying to accommodate an automatic 6-mos forbearance period. When a bank hits 91 days forbearance, the accounting treatment for the loan changes to follow "TDR" rules and they have to set aside substantially more capital. It's one of the reasons that companies start with 3-mos of forbearance and then extend (h/t you know who you are).
- xiii. **Optional Temporary Relief from CECL (Section 4014).** Grants an optional temporary exemption from CECL until either December 31, 2020, or the date upon which the HHS Secretary terminates the public health emergency declaration.
- xiv. **Non-Applicability of Restrictions on ESF During National Emergency (Section 4015).** Section 131 of EESA shall not apply during the period beginning on the date of

enactment and ending December 31, 2020. Any guarantee established as a result shall terminate not later than December 31, 2020.

1. **This is to allow support of Money Markets Disallowed when TARP was passed.**
2. Following the expiration, there is appropriated by Treasury such sums as may be necessary to reimburse the Exchange Stabilization Fund for any funds used for the Treasury Money Market Funds Guaranty Program to the extent a claim payment made exceeds the balance of fees collected by the fund.

xv. **Termination of Authority (Section 4020).** The authority provided under this title to make new loans, loan guarantees or other investments shall terminate on December 31, 2020. Any loan, guarantee or other investment outstanding on that date may be modified, restructured or otherwise amended.

5.

6. **Recovery Rebates.** The bill provides a credit for 2020 in an amount equal to the sum of \$1,200 (\$2,400 in the case of eligible individuals filing a joint return) plus \$500 for each child of the taxpayer. The amount of the credit will be reduced (but not below zero) by 5 percent of the amount by which the taxpayers adjusted gross income exceeds \$150,000 (in the case of a joint return), \$112,500 in the case of a head of household, and \$75,000 for everyone else.

7.

8. **Mortgage/ Single family.**

- a. No mandated forbearance.
- b. Broad ESF authority could include providing liquidity to institutions needing it to fulfill forbearance needs.
- c. Might still need amendments to national housing act stuff if Treasury/Fed would demand collateral.
- d. some accounting relief for forbearance longer than 90-days.

9. **Tax.**

- a. In the tax title, QIP is still in there (mis read earlier, apologies)
- a. Downward attribution is out.
- b. Other relevant sections
 - i. Sec. 2301. Delay of payment of employer payroll taxes.
 - ii. Sec. 2302. Modifications for net operating losses.
 - iii. Sec. 2303. Modification of limitation on losses for taxpayers other than corporations.
 - iv. Sec. 2304. Modification of credit for prior year minimum tax liability of corporations.
 - v. Sec. 2305. Modifications of limitation on business interest.
 - vi. Sec. 2306. Technical amendments regarding qualified improvement property

10. **CECL.**

- a. Sec. 4014. Optional temporary relief from current expected credit losses.

11. Small Biz.

- c. **AUTHORITY TO INCLUDE ADDITIONAL FINANCIAL INSTITUTIONS.**—The Department of the Treasury, 10 in consultation with the Administration, the Farm Credit 11 Administration, and the other Federal financial regulatory 12 agencies (as defined in section 313(r) of title 31, United 13 States Code), shall establish criteria for insured depository 14 institutions (as defined in section 3 of the Federal Deposit 15 Insurance Act (12 U.S.C. 1813)), institutions of the Farm 16 Credit System chartered under the Farm Credit Act of 17 1971 (12 U.S.C. 2001 et seq.), and other lenders that do 18 not already participate in lending under programs of the 19 Administration, to participate in the small business inter-20 ruption loans program to provide loans under this section 21 until the date on which the national emergency declared 22 by the President under the National Emergencies Act (50 23 U.S.C. 1601 et seq.) with respect to the Coronavirus Dis-24 ease 2019 (COVID-19) expires.

12. Private Equity.

- a. PE firms not excluded from affiliation.
 - i. **“(v) WAIVER OF AFFILIATION RULES.**—During the covered period, the 24 provisions applicable to affiliations under 25 section 121.103 of title 13, Code of Fed- eral Regulations, or any successor regula2 tion, are waived with respect to eligibility 3 for a covered loan for— 4 “(I) any business concern with 5 not more than 500 employees that, as 6 of the date on which the covered loan 7 is disbursed, is assigned a North 8 American Industry Classification Sys9 tem code beginning with 72; 10 “(II) any business concern oper11 ating as a franchise that is assigned a 12 franchise identifier code by the Ad13 ministration; and 14 “(III) any business concern that 15 receives financial assistance from a 16 company licensed under section 301 of 17 the Small Business Investment Act of 18 1958 (15 U.S.C. 681).

13. Multifamily/CMBS

- a. No eviction ban we see.
- b. Small biz loans can be used to make mortgage and lease payments.
- c. Not seeing authority to purchase Agency CMBS, DUS paper.

14. State & Locals/Munis.

- a. \$186bn of the supplemental in direct aid to state and local governments according to the summary of the supplemental appropriations piece (see further detail in supplemental)
- b. See also the supplemental appropriations for airports, public transit, and block grants. .
- c. 14(b) changes to Fed authority not in... yet anyway. some debate we are hearing over whether its needed.
 - i. Our understanding is it is if they are to move out in duration beyond 6 mos to purchase bonds on the open market, but we aren't 100% and we hear that Treas/Fed not answering the question for the Hill.
 - ii. Others point to the ability for the Treasury and Fed to create liquidity programs.

• Student Loan Relief.

- **Section 3513 – Temporary Relief for Federal Student Loan Borrowers.** Suspends payments due “for loans held by the Department of Education” for 6 months, and interest shall not accrue on these loans for the period of the suspension. The Secretary shall deem each month for which a loan payment was suspended as if the borrower had made a payment for purpose of any loan forgiveness program for which the borrower would have otherwise qualified.
- Not seeing anything related to private or FFELP loans.

15. Supplemental Appropriations. Summary is attached.

- a. \$242 BILLION SURGE IN EMERGENCY FUNDING TO COMBAT CORONAVIRUS OUTBREAK ON ALL FRONTS
- b. \$75 billion for hospitals;
 - i. \$20 billion for veterans’ health care;
 - ii. \$11 billion for vaccines, therapeutics, diagnostics, and other preparedness needs
- c. \$4.5 billion for the Centers for Disease Control
- d. \$1.7 billion for the Strategic National Stockpile
- e. \$12 billion for America’s military;
- f. \$10 billion for block grants to states;
 - i. This is CDBG is a flexible program that provides communities and states with funding to provide a wide range of resources to address COVID-19, such as services for senior citizens, the homeless, and public health services. Funding will be distributed using formula.
- g. \$12 billion for K-12 education; \$6 billion for higher education;
- h. \$5 billion for FEMA disaster relief fund;
- i. \$10 billion for airports; and
- j. \$20 billion for public transportation emergency relief.
- k. **More than 75% (\$186 billion) of the total \$242 billion provided in the coronavirus emergency supplemental appropriations package goes to state and local governments.

16. Territories are included. Puerto Rico is listed as a “state” in Subtitle A, Unemployment Insurance Provisions and defined as a “possession” of the United States in Subtitle B, Rebates and Other Individual Provisions.

- a. Our sense is some clarity that this wont be an obstacle for Puerto Ricans receiving rebates could help politically .
 - i. **OTHER POSSESSIONS.** – The Secretary of the Treasury shall pay to each possession of the United States which does not have a mirror code tax system amounts estimated by the Secretary of the Treasury as being equal to the aggregate benefits (if any) that would have been provided to residents of such possession by reason of the amendments made by this section if a mirror code tax system had been in effect in such possession. The preceding sentence shall not apply unless the respective possession has a plan, which has been approved by the Secretary of the Treasury, under which such possession will promptly distribute such payments to its residents.

Jeb Mason

The Cypress Group

(b)(6) (m)
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From: Jeb Mason <(b)(6)>
Sent: Sunday, March 22, 2020 11:29 AM
To: Jeb Mason <(b)(6)>
Subject: FW: Cypress COVID-19 Response Update (25/25): Phase 3 Draft Text

1. Phase 3 Text as drafted by Republicans attached. Could still change at margins. First is the revised text. Second is the supplemental appropriations.
 - a. Barely looked at it yet. just getting it out but... first glance looks like
 - i. Small biz facility is called the Paycheck protection program.
 - ii. Looks like max flex to Treasury to craft effective programs.
 - iii. In Tax title, looks like QIP and downward attribution are OUT.

More to follow as we review...

Jeb Mason

The Cypress Group

(b)(6) (m)
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From: Jeb Mason
Sent: Saturday, March 21, 2020 7:33 PM
To: Jeb Mason ((b)(6)) <(b)(6)>
Subject: Cypress COVID-19 Response Update (24/24): Phase 3 Deal Close with Numbers climbing - Framework of a Deal; Fannie/Freddie to Buy MBS - we are doubtful

1. **Phase 3 Legislative Update.** Working groups continuing to meet all afternoon. Not sure when they will wrap work tonight, though it seems a basic framework agreement is close to being finalized, after which it will be for the staff to write up and finalize the language.

- a. Current plan for tomorrow is to convene at 2pm. Procedurally, they are planning a 3pm cloture vote on motion-to-proceed (MTP) to the shell vehicle for the Phase 3 legislative package.
- b. **Size growing.** \$1.2bn as of last night, seems likely to be reaching up to \$1.35 trillion now and maybe higher before it's done done. Here's the basic breakdown as we understand it.
 - i. Direct payments: ~\$500bn
 - 1. First checks of ~\$250bn still goes out as planned.
 - 2. The second tranche of ~\$250bn looks to be converted to Unemployment Insurance (UI).
 - ii. **Small Business.** \$350 bn
 - iii. **ESF:** \$300bn
 - 1. Could be Going As high as \$500bn.
 - 2. Keep in mind that this is likely to be levered up so the effective power is much greater than the headline number in practical effect.
 - iv. **\$2 Trillion?** NEC Director Larry Kudlow's remarks today seem to have confused things a bit during the day. He suggested scale equivalent to 10% of GDP. That's about \$2 trillion a questioner pointed out with Kudlow reportedly confirming. Our sense is the \$2 trillion figure is supposed to be inclusive of the value they are putting on administrative measures they have already taken and prior legislation which they've already said equal something like the \$800bn ball park (remember, the CBO score of Phase 2 was never done).
- c. **Supplemental Appropriations** - \$50-100bn for medical response and other elements may or may not be added to this package, but remains in play. If not on Phase 3, will quickly become the driver for Phase 4 bill. Whether in or out there will likely be another supplemental, but inclusion could impact timing.
- d. **Munis & Corporates?** We are hearing that amending Sec 14 of the Federal Reserve Act remains an idea under active consideration.
 - i. This could empower Corp debt and muni debt of any maturity greater than 6 months...
 - ii. SEC and the Fed have been studying it just in case.
- e. **Mortgage Forbearance and/or Rent Relief.** Some talk still about this, but thin evidence it is in the final package. We think there's greatly improved bi-partisan appreciation that any mandated payment relief program must be financed by the Congress to the scale of the potential forbearance or risk creating a massive liquidity crunch, bankruptcies, and actually undermining the ability of the industry to implement the policy intention.
 - i. Forbearance.

1. Our view is that Treasury could stand up a liquidity facility for lenders to provide payment relief provided Congress gives them dollar-for-dollar capital to do so.
 2. If included/mandated, we would expect it to be for a COVID-19 related hardship, but low bar to qualify.
 3. Rough numbers, 100% forbearance for 3 months would require ~\$144bn ballpark. Worth keeping in mind that this is a line of credit in effect and not pure expenditure. It would in all likelihood be paid back with some interest. it's merely an attempt to prevent a liquidity crisis from becoming a solvency crisis).
 4. If capital provided is inadequate to the task, it may require more elaborate structure leveraging the Fed's 13(3) authority.
 5. One challenge whatever the structure, is the need to be able to pledge collateral which may already be pledged particularly in the case of Ginnie servicing, though there are potential solutions to that being contemplated.
- ii. It's not clear at this hour whether these provisions are being included in the Phase 3 deal, but we believe Democrats are still pushing for something.

2. Fannie & Freddie buying MBS?

- a. We've seen reports that some are advocating that FHFA relax Fannie Mae and Freddie Mac's portfolio caps under the PSPAs.
- b. This makes no sense to us, and seems unlikely. The Fed can already purchase as many MBS as they think is appropriate.

As always, please feel free to reach out with thoughts, questions, or clever sequester activities for 4 kids under 8 years of age.

Wr,

-Jeb

Jeb Mason

The Cypress Group

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From: Jeb Mason

Sent: Saturday, March 21, 2020 12:37 AM

To: Jeb Mason (b)(6) (b)(6) >

Subject: Cypress COVID-19 Response Update (23/23): Phase 3 Deal to be finalized Saturday - Votes

Friday night / Saturday morning. Here's the latest..

1. **Latest on Phase 3 Legislation.** Senate negotiators had given themselves a deadline of midnight tonight to have agreement on their respective sections, and though making good progress we hear, a few items remain unresolved. With folks losing steam, they will reconvene around 10:30am tomorrow. We expect agreement Saturday. From there staff will continue to refine language and each side discuss with their respective caucuses. Senate vote planned for Monday. House likely clearing it by unanimous consent (UC) on Tuesday if not sooner. Here's some added thoughts and color on the day's negotiations:
 - a. Schumer-McConnell convened with bi-partisan taskforce/committee pairs with Mnuchin this morning. Mnuchin met again w/ senators tonight, and has been involved in negotiations throughout the day.
 - b. We had indicated our thought/worry that the financial markets may have to provide the necessary motivation. At this point we believe it has, and our view is that leaders on both sides are keenly aware of the need to signal to financial markets by early Sunday evening that a deal is in hand that can clear both chambers and get signed by the president.
 - c. Also as anticipated, with the deterioration in markets, the size of the package is growing and could grow further before it's over.
 - d. We are hearing Mnuchin is asking for another \$100bn in the non-airline rescue bucket.
 - e. Small business bucket may be going up another \$50bn to 100bn.
 - f. Currently we are hearing ballpark \$1.2 Trillion for the total package -- *and that's before they leverage it.*
 - g. We also believe there has been discussion among principals of expanded Fed authority which could liberalize the assets they can buy, though its early to say definitively that will be part of the package.
 - h. Supplemental Appropriations. This isn't part of the Phase 3 package/negotiations yet, but we could still see some government funding come in before it's over. Our sense is there will be plenty that needs funding to still drive a Phase 4 package.
 - i. McConnell already filed cloture Friday afternoon on a shell vehicle to give himself maximum procedural flexibility. Such that it's not inconceivable they could possibly vote as early as Sunday night -- though we aren't expecting that at this time. Senate procedure is a relevant consideration, but we would remind folks that in this environment, the Senate can pass something by UC at any time once theirs meaningful agreement and members are motivated.
2. **3/20 Task Force Briefing Recap (from midday Friday).**
 - a. **Package Three.** The President hopes to see Congress vote on the package early next week.

- i. Trump noted he had an “extremely good” call with Minority Leader Schumer, and said he doesn’t like stock buybacks and he’s fine with restricting them.
 - b. **Defense Production Act invoked.** The President has now formally invoked the Defense Production Act, allowing companies to produce protective equipment for healthcare workers.
 - c. **Travel Restrictions.** Confirm at that the US and Mexico have agreed to restrict non-essential travel across southern border, which will go into effect Saturday (3/21). Noted that DHS issued Level 4 travel advisory yesterday, advising Americans to avoid all international travel with an exemption for work travel.
 - i. The President separately noted that the administration is not considering a national lockdown.
 - d. **Immigration.** The CDC is suspending entry of individuals from Mexico or China seeking to enter the U.S. illegally. Certain persons would normally be held in custody by ICE, but the US will return individuals that have entered the country illegally to their respective countries tonight.
 - e. **Manufacturers.** President and Pence will spoke with manufacturers today.
 - f. **Testing.** There will be an update tomorrow on testing. FEMA is creating a Laboratory Task Force to address concerns regarding COVID-19 testing.
3. **Student Loans.** The President also announced during the press conference that federal student loan payments will be suspending for 60 days.
- a. The Department of Education followed the announcement with a release directing all federal student loan servicers to grant an administrative forbearance to any federal student loan borrower who requests it, retroactive to March 13.
 - b. The Secretary also authorized an automatic suspension of payments for any borrower more than 30-days delinquent as of March 13 or who becomes more than 31 days delinquent.
 - c. The release also confirmed that for borrowers who continue to make payments, the full amount will be applied to the principal amount of their loan once all interest accrued prior to the President’s March 13 announcement is paid.
4. **Brown Pushes Progressive Conditions on Companies Receiving Aid.** Senate Banking Committee Ranking Member Brown (D-OH) posted on Medium yesterday (3/19) his requirements for the next stimulus package, with a focus on worker protections. In particular, Brown calls for prohibiting any companies that receive assistance from:
- a. Making any stock buybacks;
 - b. Outsourcing or offshoring any additional jobs;
 - c. Funding anti-union campaigns;
 - d. Paying stock compensation or offering golden parachutes to any company officers;
 - e. Funding efforts to defeat pro-worker laws at any level of government; and
 - f. Laying off or furloughing any non-managerial employees until the company has first eliminated all outside consulting expenses and reduced executive compensation

- g. In addition, Brown would require any companies receiving assistance to:
 - i. Cap executive compensation;
 - ii. Remain neutral in any union election campaign;
 - iii. Certify annually that it provides any contractor, subcontractor or affiliate employee health insurance benefits equal to or greater than hourly health and welfare fringe benefits;
 - iv. Enter into profit sharing agreements with its workers to distribute at least 50% of any profitability increases above pre-coronavirus levels to its workers;
 - v. Certify annually that they have entered into first contract negotiations with binding arbitration in all outstanding contract negotiations; and
 - vi. Permanently comply with the Workers' Right to Training Act.
 - vii. *These requirements would remain in place for 10 years after receiving any assistance or for the duration of the terms of that assistance, whichever is longer.*
 - h. Finally, Brown would prohibit companies from using bankruptcy proceedings to reject or abrogate a collective bargaining agreement for 10 years or the duration of the assistance, and that workers be made a higher priority in any such proceedings.
5. **CECL Relief.** The Conference of State Banking Supervisors (CSBS) today issued a [statement](#) in support of FDIC Chairwoman McWilliams' 3/19 [request](#) that FASB provide CECL transition relief for institutions in light of the ongoing pandemic.
 6. **Federal Reserve Boost MBS Buying.** The Fed [announced](#) today that it is adding \$15 billion in MBS purchases, and will target purchases of at least \$100 billion for next week.
 7. **Federal Reserve Board Actions to Date.** For those trying to keep track of the various actions the Federal Reserve has taken thus far,
 - a. Congressional Research Service issued this handy [report](#).
 - b. FRB-NY today released a "[resource hub](#)."
 8. **FRB Adds Munis to Eligible Collateral.** The Fed [announced](#) this morning that the FRB of Boston through the MMLF will now be able to make loans available to eligible financial institutions secured by certain high-quality assets purchased from single state and other tax-exempt municipal money market mutual funds.
 - a. This action is consistent with what we've been signaling—that they could start moving out in term, and diversifying the collateral of these short term facilities.
 - b. To buy considerably longer-term obligations, our sense is that they are still going to need Congress to authorize it, but also to give enough money to Treasury to provide adequate credit protection to the Fed. The less money Treasury gets in the Phase 3 package, the more careful they will have to be on extending themselves out in term and down market. Keep in mind this is competing too with everything else not just in terms of priority, but also in terms of triage and just the brain damage that goes into each new facility.

- c. In the increasingly likely scenario that Congress grants broadened authority for the Federal Reserve (e.g. sec 14, tweak to 13(3)), and Treasury chooses to use their limited capital this way, we would expect to see credit rating requirements and haircuts, and probably sticking to the best credits. We are again speculating, but they will likely want to just try to put a floor in a part of the market to see if that doesn't reignite buyers.
- d. But we hear the selling is mostly driven right now by massive redemption requests among retail investors. So messaging from government may be as important as anything right now to simply stem the panic.
- e. A less likely scenario we could imagine is that the government might feel as though they have to set up a liquidity facility for municipalities that is directly tied to lost revenues and need to keep critical services going. Therefore, we can't rule out that they could offer short term loans that might wind up being senior to other obligations. Here too, our sense is taking priming off the table could help calm things down and ease credit conditions for municipal borrowers.

9. Muni Debt .

- a. Senator Menendez this morning (D-NJ) [introduced](#) legislation that would allow the Fed to purchase muni debt to help local and state governments finance the delivery of key public services during the COVID-19 crisis. The bill would amend Section 14(b) of the Federal Reserve Act to allow the Fed to buy municipal bonds under unusual and exigent circumstances.
- b. A group of 11 Democratic state Treasurers separately wrote a letter requesting that the Fed use its authority under Section 14(2)(b) to purchase short-term municipal bonds to help stabilize the market.

10. Puerto Rico. Critical to Muni Markets and Politically, Puerto Rico may feature in wrangling over Phase 3 bill.

- a. Rep. Velazquez (D-NY) along with Reps. Ocasio-Cortez (D-NY), Grijalva (D-AZ), Serrano (D-NY), Soto (D-FL), and Maloney (D-NY) sent a [letter](#) to Chairman Neal to ensure that Puerto Rican citizens receive direct payments with the third emergency stimulus package.
- b. Velazquez is key, b/c she's also the Chair of the Small Business Committee when SBA is at the heart of the Phase 3 solution to help employers with fewer than 500 employees meet payroll obligations, and she has influence with both Pelosi and Schumer. We don't really anticipate a snag over Puerto Rico, but there is some concern about conditions in the base Senate Republican text could lead to snags in getting stimulus checks to Puerto Ricans. We're optimistic this will be resolved.
- c. Resident Commissioner Gonzalez has sent:
 - i. [letter](#) to Vice President Pence explaining Puerto Rico's ability to serve as a production center for personal protective equipment and other medical items.
 - ii. [letter](#) to SBA Administrator Carranza supporting the governor's request for a disaster declaration.
 - iii. [letter](#) to House and Senate leadership to include nutrition assistance, increase Medicaid funding, introduce tax changes, promote pharmaceutical and medical supply production, aid nonprofit sectors, and protect the Child Tax Credit and Earned Income Tax Credit in Puerto Rico with any coronavirus bill.

d. Governor Vazquez has sent:

- i. [request](#) that the Federal Aviation Agency (FAA) suspend domestic and international flights to Puerto Rico for 14 days.
- ii. [letter](#) to President Trump to include supplemental disaster appropriations for Puerto Rico, rely on Puerto Rico to help with the shortage of medical and pharmaceutical supplies, extend tax provisions, and an additional \$1.27 billion in nutrition assistance.
- iii. [letter](#) to HHS Secretary Azar and CMS Administrator Verma to protect Medicare Advantage funding for the commonwealth.
- iv. [letter](#) to SBA Administrator Carranza requesting assistance with Economic Disaster Loans.

Jeb Mason

The Cypress Group

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From: Jeb Mason <(b)(6)>

Sent: Friday, March 20, 2020 10:43 AM

To: Jeb Mason <(b)(6)>

Subject: FW: Cypress COVID-19 Response Update (22/22): Phase 3 Negotiations Underway; Section-by-Section References; Tax Filing Day Delayed; DHS Details critical Sectors; Dems Develop Priorities

1. **Phase 3 Update.** Negotiations on \$ 1 trillion dollar aid package already underway.
 - a. Mnuchin met w/ members last night, underscoring urgency.
 - b. Bipartisan meeting happening now (10am) of chairs/rankers of relevant committees to work on the four major pieces Mnuchin will kick off, then group of cmte chairs/rankers will hash thru.
 - c. Package could grow materially.
 - d. As we've been anticipating, the non-airline facility dollars will likely need to be increased. This is the capital that we've been referencing from which Treasury will need to provide direct investments or credit loss protection to the Fed who could lever it through 13(3) authority.
 - e. We also think the administration is increasingly likely to be asking for broadened authority for the Federal Reserve (e.g. sec 14, tweak to 13(3)). This could have relevance for Munis and Corporate debt.

- f. Also as we imagined, the timeline is starting to accelerate. A day ago it was mid to late next week. Current timeline Target Saturday/Sunday for agreement, Monday for vote. Hearing that from both sides.
2. **Senate Republican "Phase 3" Summaries.** In case you've not seen, linked is the Section-by-Section Summary of the Senate Republican CARE act which serve as the base text for "Phase 3" legislation. Additionally, below are committee releases that walk through each section:
 - a. [Small Business](#)
 - b. [Appropriations](#)
 - c. [Finance](#)
 - d. [HELP](#)
 - e. [HELP 2](#)
3. **Tax Filing Delayed.**
 - a. President already tweeting they will move tax day to **July 15**.
 - b. Confirmed by Mnuchin. people and businesses will have more time to file and make payments without interest or penalties.
4. **White House Task Force Briefing Scheduled for 11:45am EDT.** <https://www.whitehouse.gov/live/>
5. The **National Governors Association** sent a [letter](#) to President Trump and Vice President Pence requesting that (1) The government dedicate at least half of the supplemental funding directly to states and for the White House to provide quick action on waiver requests; (2) Increased access to personal protective equipment, masks, test kits, extraction kits and to quicken the production of life-saving equipment like ventilators; (3) Support for Title 32 – which allows governors to call National Guardsmen to active duty; (4) Guidance on the implementation of the Defense Production Act; and (5) More time for completion of the Census and REAL ID.
6. **House Small Business Committee Proposal**
 - a. Would establish two new direct loan programs to provide additional funding to small businesses to pay off debt, provide benefits to employees, pay employee salaries, etc.
 - b. Would provide debt relief to small businesses for six months and would create a new grant program to provide additional funding to small businesses that have incurred losses due to COVID-19
 - c. Would allow small businesses to receive funding within 3 days of filing an EIDL application
 - d. Would temporarily waive fees associated with 7(a) and 504 loans would increase the amount of 7(a) loan and 504 loans and guarantee up to 90% on 7(a) loans
 - e. Would provide funding to SBICs that make equitable investments in small businesses harmed by the virus outbreak
 - f. Would require the Federal government to pay small business contractors
 - g. Would allow states to use unspent funds from FY 2018 to FY 2019 to cover losses caused by COVID-19 through FY 2021
 - h. Would provide additional funding to WBCs and SCORE

- i. Would provide SBA funding to hire employees to meet increased demand
7. **New Dem Proposal.** The moderate New Democrat Coalition released a set of recommendations for the continued response efforts, which include:
- a. Emergency funding and enhanced reimbursements to protect healthcare workers and to provide additional support to hospitals and other facilities;
 - b. Direct economic assistance and support to individuals including both direct payments and enhanced social safety net programs such as unemployment insurance and nutrition assistance. The proposal also recommends suspension of certain federal loan repayments, enhanced tax credits (EITC and CTC), and housing assistance, among other support;
 - c. Help for impacted businesses, including low and no interest loans for small and mid-sized businesses, tax relief to support the retention of employees and paid leave, and tariff relief, as well as restoring the 15-year schedule for Qualified Improvement Property (QIP);
 - d. Direct assistance to state, local and tribal governments.
 - e. The proposal also agrees that “exceptional support for certain industries most impacted” is critical, but does not make any specific recommendations.
8. **Progressive Priorities.** The Congressional Progressive Caucus sent a [letter](#) to Speaker Pelosi yesterday (3/19) outlining 12 priorities for the third legislative package currently under consideration including.
- a. **Cash Assistance.** Immediate, targeted monthly payments of up to \$2,000 for each adult and an additional \$1,000 for families with children, for up to 6 months.
 - b. **Address Housing Insecurity.** Implement a nationwide moratorium on evictions and foreclosures for homeowners and renters, as well as emergency rental and homelessness assistance.
 - c. **Condition Industry Assistance** on maintaining payroll and covering all essentials, and prohibit the use of funds for stock buybacks, executive bonuses and dividends, and a cap on senior executive pay of no more than 50 times the pay of the average worker.
 - d. **Provide Higher Education Assistance.** Immediate moratorium on all negative credit reporting and ensure a period of debt forgiveness or loan forbearance with no additional interest accrued through the crisis on all loans.
 - e. **Support for Small Businesses and Non-profits.** Direct cash assistance or grants to small business owners and nonprofits (50 employees or less), and protect them from evictions, utility shutoffs, or other impacts from an inability to pay bills or loans as result of forced closures.
 - f. **Expansion of Work sharing and Other Unemployment Insurance.**
 - g. **Require Free Testing, Treatment and Prevention.**
 - h. **Include Immigration and Criminal Justice Protections.**
 - i. **Extend Paid Leave Policies** including mandating that businesses with more than 500 employees follow the same policies for employees without federal subsidy and remove the hardship exemption for businesses with fewer than 50 employees given these costs will be fully refunded by the federal government.

- j. **Maintain Election Integrity** by allowing nationwide absentee voting as long as at least one-quarter of states are under emergency and provide \$500 million to states to implement mail-in voting programs.
 - k. **Tribal Parity.** Ensure Parity for Tribes, Tribal Organizations and Urban Indian Organizations and create a Tribal Relief Fund.
 - l. **Utilize the Defense Production Act** and require the President to provide Congress with a plan for the use of these authorities, including targets and timelines for the production of supplies.
9. **DHS Details Critical Sectors.** The DHS Cybersecurity and Infrastructure Security Agency (CISA) released [guidance](#) to support state, local and industry partners in identifying critical infrastructure sectors and essential workers needed to maintain key services and functions during the COVID-19 outbreak. The guidance identifies 16 total critical infrastructure sectors, considered so vital that their incapacitation would have a debilitating effect on security, national economic security, national public health or safety and seeks to ensure that employees essential to the operations of such critical infrastructure are able to continue working with as little interruption as possible. As such, state and local governments may seek to prioritize and accommodate these workers for access and re-entry to, out of, or through areas where there are shelter-in-place or quarantine conditions. The guidance is non-binding and does not change any existing statutes or executive actions around travel and border restrictions or trade policy.
10. **Autos Ask.** Alliance for Automotive Innovation and Motor and Equipment Manufacturers Association asked lawmakers to consider.
- a. Tax deduction or credit for companies that provide paid sick leave for workers over Covid-19
 - b. Delay or defer 2020 quarterly federal tax payments
 - c. Temporary employer payroll tax holiday
 - d. Expand and extend expensing for equipment and machinery
 - e. Delay the June 1st date of entry into force for the USMCA

Jeb Mason

The Cypress Group

(b)(6) (m)

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From: Jeb Mason <(b)(6)>

Sent: Thursday, March 19, 2020 5:28 PM

To: Jeb Mason <(b)(6)>

Subject: FW: Cypress COVID-19 Response Update (21/21): McConnell Bill Text is Out.

- 1. Senate Republican Phase 3 ([text](#)): McConnell Bill Text Just Dropped. We are in the process of reviewing. General organization:

- Title I
 - **Division A** – Small Business Interruption Loans
 - **Division B** – Relief for Individuals, Families and Businesses
 - **Division C** – Assistance to Severely Distressed Sectors of the U.S. Economy
 - **Division D** – Health Care Response
- Title II – Education Provisions
- Title III – Labor Provisions
 - **Division E** – Temporary Permit Use to Guarantee Money Market Mutual Funds
 - **Division F** – Budgetary Provisions

Jeb Mason

The Cypress Group

(b)(6) (m)
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From: Jeb Mason <(b)(6)>

Sent: Thursday, March 19, 2020 3:04 PM

To: Jeb Mason <(b)(6)>

Subject: Cypress COVID-19 Response Update (20/20): Latest info and thoughts 3/19/2020 (3pm); Senate R Draft Coming Soon, Other Actions; Thoughts on Fed Buying Munis

Latest info and thoughts 3/19/2020, 3pm (ish)

1. **Phase 3 Draft By Today's End.** We expect to see the Senate Republican package filed by the end of the day. Maybe as early as the next hour or so. This will start bipartisan negotiations.
2. **Senate Majority Leader McConnell (R-KY)** [spoke](#) on the Senate floor a short time ago outlining Republicans' key priorities for the third package – arguably a marker against Schumer's statements earlier today. Per prior suggestions, Senate Leadership hopes to have the various Committee work products completed this afternoon, compiled into a package, and introduced later today as a market for the Democrats to react to.
 - a. **Support for Small Business** – Noting the Rubio/Collins effort, stating “We're talking about new federally-guaranteed loans on the order of hundreds of billions of dollars to address immediate cash-flow problems. No massive new bureaucracy. We want to let qualified small businesses get liquidity through familiar institutions, their own community banks, credit unions, or nationwide lenders.”
 - b. **Direct Financial Help for Americans** – Senator Grassley is finalizing a structure that will get assistance to individuals and families as rapidly as possible, stating that “the infusion would complement unemployment insurance” – one of the key pillars of the Senate Democrats' proposal.

- c. **Targeted Lending to Industries of National Importance** – Mentioned airlines specifically, and stated “we’re not talking about a taxpayer-funded cushion for companies that made mistakes, we’re talking about loans which must be repaid.”
 - d. **Public Health Resources** – Senators Alexander and Grassley working on a proposal that “will go even further to remove barriers to care, speed innovation, fund the hospitals and health centers that will treat patients, and expand health care workers’ access to the tools they need, including respirator masks.”
- 3. **Phase 4 Legislation.** McConnell confirmed our view that a supplemental appropriations request from the administration will likely be the driver for a 4th legislative package shortly after the Phase 3 deal they are working on now.
 - a. He stated that “this may not be the last economic legislation we pursue,” and that “immediately after we pass this legislation, Congress must begin a bipartisan, bicameral appropriations process to address the administration’s new supplemental funding request”
- 4. **Coronavirus Task Force Press Briefing (Earlier today).** The President and various task force members concluded their daily press conference a little earlier today. Highlights below:
 - a. **Summarized signing HR 6201 and invoking Defense Production Act.**
 - b. **Package 3.** The President named airlines, cruise lines, hotels, and small businesses as specific industries targeted for aid. On whether industry aid would be prevented from going to executive bonuses or stock buybacks, the President said “would be okay with me for conditions like that.” On whether he supports the government taking equity positions in companies: “I do. I do.” On the price tag, said that \$1 trillion would be plenty if we can stop the virus ASAP, otherwise will have to discuss.
 - c. **FDA.** Noted progress in vaccine development as well as the potential use of existing drug therapies (such as common malaria medication) for compassionate use to ease symptoms, though the latter remains in the trial stage. Stated that Gilead and Remdesivir vaccines are “very close to approval.”
 - d. **Travel Restrictions.** Speaking with the State Department later today on potentially elevating the U.S. Travel Advisory to the highest level 4.
 - e. **Governors.** President will join a FEMA teleconference with the nation’s governors later today.
- 5. **House Majority Leader Hoyer (D-MD)** sent a Dear Colleague [letter](#) stating that “we will be adjusting the House schedule. It is my intention that the House will not return to session until we are in a position to vote on the third piece of emergency legislation to respond to the economic impact of this crisis.” Recall, the House was set to return from a week-long recess on Monday. Hoyer also alluded to potential procedural changes with regard for votes.
- 6. **Fed Boosts Agency MBS Purchases.** ([link](#)).
 - a. FRB-NY has updated their bi-weekly schedule of agency MBS purchase operations to conduct an additional \$10 billion in purchases, across two separate operations, for settlement on March 23, 2020 (T+2).
 - b. These purchases are designed to support the smooth functioning of the agency MBS market.

- c. These operations are part of the at least \$200 billion of agency MBS the FOMC directed the Desk to purchase in support of the smooth functioning of markets for agency MBS.
 - d. The Desk intends to adjust terms of future operations as needed to foster smooth agency MBS market functioning and efficient and effective policy implementation.
 - e. Detailed information on the schedule of MBS purchase operations is provided on the [Agency MBS Operational Schedule](#) page.
7. **CRA Relief for Lending to individuals/small biz/farms impacted by COVID-19** (guidance [here](#)). The Fed, OCC and FDIC are set to release guidance today that will provide Community Reinvestment Act credit to institutions for lending for lending that is “responsive to the needs of low- and moderate-income individuals, small businesses and small farms affected by COVID-19.”
- a. Such an expansion of CRA credit has been used in the past in the wake of certain natural disasters.
 - b. Banks will also be able to get CRA credit for community-development activity that supports local services.
 - c. The credits will be effective for six months after the emergency declaration is lifted, unless a decision is made to extend it.
8. **Remote Online Notarization (RON)**. Senators Cramer (R-SD) and Warner (D-VA) introduced the SECURE Notarization Act, which would permit immediate nationwide use of Remote Online Notarizations (RONs), a type of electronic notarization where the notary and signer are in different physical locations. The legislation would allow allowing people to securely execute on mortgage closings, and other financial or other legal documents, while still adhering to social distancing protocols. RON has been enacted in 23 states and utilized by consumers since 2012.
9. **CECL**. FDIC Chairwoman McWilliams today [urged](#) FASB to provide CECL transition relief in light of the ongoing pandemic. Specifically, delaying implementation of CECL for banks currently subject to the standard and imposing a moratorium on the effective date for community banks not currently required to implement CECL. McWilliams also urged FASB to publicly exclude COVID-19-related modifications in TDR classification.
- a. Separately, dozens of regional banks wrote a [letter](#) to House and Senate leaders calling on policymakers to act to delay implementation of CECL, which “is currently restricting our ability to lend to communities in need during these troubled times.” The banks support the current legislative proposal, but also suggest an alternative approach to tailor CECL based on a bank’s business model, noting that community banks are currently exempt until 2023 and that such a delay could be provided for regional and mid-size institutions while allowing the “money center banks to maintain CECL.”
10. **Fed to Purchase Munis?** We continue to get questions on this point. The genesis we believe is a phone call Speaker Pelosi had with Fed Chair Powell on Tuesday in which she called for the Fed to use its emergency lending powers to help state and local governments. Neither Pelosi nor Powell have provided additional public details regarding the call.
- a. We are speculating wildly here, but our view is that though it makes some sense in the progression we’ve been talking about in terms of moving out on term and broadening the

eligible types of collateral in various lending facilities, but much more controversial and we think they would probably first try a few other things in this vein.

- b. That said, something like this is in the realm of the doable under the framework for Phase 3 that Congress is working on, but not specifically intended at this stage that we know.
- c. Basically, Congress would need to authorize substantial capital. Our sense is Democrats would probably need to put that ask on their shoulders that a portion of that be used or at least be considered for specific liquidity support to states/municipalities.
- d. Treasury could conceivably use that capital to provide first loss protection to Fed leveraging it with their 13(3) authority – glass they have broken already for other markets and collateral.
- e. Our guess is IF they were to do it, they would focus on shorter duration securities at least to start and would be haircuts based on credit quality.

i. Bottom line we think 3 things have to happen:

- 1. congress would need to provide capital with enough flexibility that this would be within scope. The more clear that is the better.
- 2. Treasury would have to want to do it. case would be strongest if you can say there is some real risk of transmitting problems through the broader economy. We're thinking the case is best made as truly needed related to meeting payroll for government workers in the very near term – a case that probably would need to be tied to dropping tax collections.
- 3. Fed would have to invoke 13(3) with Treasury's blessing. Relatively low hurdle as we've already broken that glass if the other conditions are present.

ii. Keep in mind a few other things.

- 1. Even if Republican mayors and governors were unified in calling for it (we could imagine some conservative mayors and governors might say they don't need it), many congressional Republicans would still likely be opposed to the move.

iii. Powell himself expressed opposition in the most recent Humphrey-Hawkins hearing in February. During an exchange with Rep. Tlaib (D-MI), who advocated that the Fed use its authority to lend to state and local governments in times of stress, Powell pushed back saying that "the Fed has a particular role and particular authorities, and lending to state and local governments and supporting them when they're in bankruptcy, that's not part of our mandate." Instead, Powell said that is to be dealt with by fiscal authorities, i.e. Congress.

iv. Somewhat related, recall specifics included in the HFSC Democrat's draft plan:

- 1. **Support State, Territory, and Local Government Financing.** This provision would authorize a program that requires the Federal Reserve to support state, territory, and local debt issuance in response to the coronavirus outbreak given the critical role these governments are playing.

2. **Waive Matching Requirements for Municipal Governments.** This provision would waive the requirement that state, territory or local governments first obtain matching funds prior to receiving certain federal grants.

Jeb Mason

The Cypress Group

(b)(6) (m)
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From: Jeb Mason

Sent: Thursday, March 19, 2020 12:03 PM

To: Jeb Mason ((b)(6)) <(b)(6)>

Subject: Cypress COVID-19 Response Update (19/19): Phase 2 Clarity, MMLF Working; Rubio Small biz Text; Ginnie Liquidity?; Oil Purchases; Schumer Remarks on Phase 3.

Latest from this morning...

1. **White House Task Force Briefing began a short while ago.** <https://www.whitehouse.gov/live/>
2. **Phase 2 Bill Signed.** The full Senate passed, and the President signed, the Phase 2 bill yesterday. Some are mis-reporting the scale.
 - a. At a high level, the final bill expanded paid leave, nutrition assistance, and unemployment insurance for individuals affected by the coronavirus, as well as increased Medicaid assistance to states, among other provisions.
 - b. Our more detailed summary of the legislation can be found [here](#) (those provisions noted in red were adjustments made by the House technical corrections bill).
 - c. Keep in mind that people are still misunderstanding the scale of this bill. We've seen some coverage saying **\$100bn**. That is just the Tax provisions. CBO can't really figure out easily how to score the other paid leave provisions, but it's easily hundreds of billions more. They have enough to do focusing on Phase 3 requests coming in, so the score may be moot at this point, but the market should understand the scale is probably easily **\$300-400 billion** for the full package and that could easily range higher in our view.
3. **MMLF Seems to be working** – talking to market participants we are hearing this is already beginning to work. Our sense is they rolled it out very effectively.
 - a. We are Hearing some suggestions that it would be useful to provide similar regulatory relief for the PDCF to help the brokers engage and support investment grade credit and mortgages.
4. **Rubio text for Small Biz.** Senator Rubio (R-FL) has produced initial draft language on the small business interruption loans workstream.
 - a. \$300bn for loans and grants (consistent with Treasury/administration request)

- b. Haven't reviewed text in detail, but looks like they expand eligibility to businesses 300% size of current definition (1,500).
 - c. We expect this to be combined with drafts from the other task forces today to produce a Senate Republican base text for "Phase 3" bill that will then be negotiated with Senate Democrats and most likely be passed next week (others being direct financial assistance being led by Grassley and targeted industry support being led by Wicker).
 - d. We continue to imagine that the "targeted industry support" section may prove critical to providing liquidity facilities to small businesses that go beyond what is in the Rubio draft, and may be needed to support liquidity for mortgage lenders/servicers to support forbearance plans. This will require a lot of capital, but need not cost the government much if anything in the long run.
 - e. Repeating the Treasury request on here just for ease of reference (not sure this hasn't evolved in the text released by Rubio). From Treasury Stage 3 [Term Sheet](#):
 - i. Eligible borrowers: Employers with 500 employees or less (phased out)
 - ii. Loan amounts: 100% of 6 weeks of payroll, capped at \$1540 per week per employee (approx. \$80,000 annualized)
 - iii. Borrower requirement: Employee compensation must be sustained for all employees for 8 weeks from the date the loan is disbursed.
 - iv. Lender: U.S. financial institutions
 - v. Streamlined underwriting process: Lender verifies the previous 6-week payroll amount and later verifies that the borrower has paid 8 weeks of payroll from date of disbursement.
 - vi. Authority for the Treasury Department to issue regulations establishing appropriate interest rate, loan maturity, and other relevant terms and conditions
5. **Oil Purchases.** On Friday, March 13, President Trump announced that the Department of Energy (DOE) would purchase oil for the Strategic Petroleum Reserve (SPR). The SPR has capacity for an additional 77 million barrels. Going forward, the number of barrels, amount of funding requested to purchase the barrels, amount of funding Congress will allocate, and the timing of the purchases remain uncertain.
- a. Today, members of the administration made three notable announcements:
 - i. President Trump [directed](#) DOE to fill the SPR to its maximum capacity by purchasing 77 million barrels of American-made crude oil.
 - ii. DOE issued a [solicitation](#) to purchase the first 30 million barrels of "crude oil produced in the United States by United States producers." Proposals submitted by March 26, 2020 will be considered.

- iii. Treasury Secretary Mnuchin explained that he would [recommend](#) that DOE purchase \$20 billion in oil for the SPR over 10 years.
- 6. **Ginnie Mae Mortgage Liquidity?** We are hearing more and more about Ginnie Mae using their Chapter 34 authority.
 - a. Ginnie Mae MBS Guide - [Ch 24 Special Assistance Programs](#)
 - b. This might be similar to an action taken after 9-11 (2001 Ginnie Mae [memo](#) on forbearance and buyout authorization).
- 7. **Schumer Remarks.** Senate Minority Leader Schumer appeared in several TV and radio interviews overnight, outlining Democrats' priorities for the third package, highlighting four in particular:
 - a. A "Marshall Plan" for hospitals;
 - b. Expanded unemployment benefits (possibly in addition to the direct checks being pushed for by the administration);
 - c. Additional, expanded paid sick and family leave; and
 - d. Constraints on industry relief.
 - e. He also mentioned workstreams on student loan forgiveness and remote voting.
 - i. *Our sense is remote voting is getting needlessly political and is viewed by a lot of folks as premature.*

Jeb Mason

The Cypress Group

(b)(6) (m)
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From: Jeb Mason <(b)(6)>
Sent: Thursday, March 19, 2020 1:45 AM
To: Jeb Mason <(b)(6)>
Subject: FW: Cypress COVID-19 Response Update (18/18): Rubio/Collins Speak to Small Biz Liquidity Plans; Requests for Support Keep Coming; Calabria Speaks.

Overnight (Late 3/18 – Early 3/19)

1. **Fed Establishes Money Market Mutual Fund Liquidity Facility (MMLF)** – the Fed late Wednesday (3/19) took added steps to boost liquidity and functioning of money markets, establishing a somewhat novel money market liquidity facility reminiscent of the AMLF facility established in September 2008 in that it is designed to assist money funds holding certain assets to meet demands for redemptions by investors and boost liquidity in the markets generally.
 - a. This is the third program established by the Fed in as many days under their 13(3) unusual and exigent circumstances authority with the approval of the Treasury Secretary. As with the CPFF, Treasury is providing \$10bn of credit protection out of the ESF.

- b. In this case, the Fed will make non-recourse prime-rate loans available to U.S. depository institutions, U.S. BHC's, or U.S. branches and agencies of foreign banks, secured by high-quality assets purchased by the financial institution from prime money market mutual funds. A broad range of collateral is eligible under the MMLF including Treasury, Ginnie, and GSE securities.
- c. Loans at Prime+100bps will also be made on highly-rated Asset-backed commercial paper (ABCP) or unsecured commercial paper (highly rated being defined as those achieving an A1, F1, or P1 rating by at least two major rating agencies, or, if rated by only one major rating agency, is rated within the top rating category by that agency).
- d. This is in the vein of the progression we'd expect as the Fed incrementally lengthens the term and diversifies the eligible collateral of its temporary liquidity facilities.
- e. It also confirms our understanding that the Treasury will have to provide first loss capital in effect for many of these expanding programs.
- f. They effectively get great deal of leverage out of these structures – the CPFF for example has \$10bn of capital supporting up to a \$1 trillion + dollar commercial paper market.
- g. Still, the ESF is limited, hence the need and expectations for a Congressional appropriation.
- h. We have alluded to this previously, but we tend to think there is a good chance they will discover that one of the more efficient ways to accomplish their broader goals of providing liquidity to small and medium sized business as well as addressing the massive liquidity challenge created by broad based mortgage forbearance plans, will be using a similar structure to provide liquidity facilities to non-bank lenders of various types.

2. **Speaker Pelosi Sends Tone-Setter to Colleagues** ([here](#)). Seeks to tone for House Democratic caucus meeting today (3/19) at 2pm.

- a. Emphasizes aim to put money quickly in the hands of Americans including
 - i. Expanding eligibility for Unemployment Insurance
 - ii. Providing funds to small businesses to ensure that workers continue to be paid.
 - iii. Other cash payments
- b. Also highlights refundable tax credits including the EITC and the child tax credit as priorities.

Jeb Mason

The Cypress Group

(b)(6) (m)
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From: Jeb Mason <(b)(6)>
Sent: Wednesday, March 18, 2020 7:45 PM

To: Jeb Mason <(b)(6)>

Subject: Cypress COVID-19 Response Update (17/17): Rubio/Collins Speak to Small Biz Liquidity Plans; Requests for Support Keep Coming; Calabria Speaks.

More updates from today....

1. **CBO Score for Phase 2 bill.** It's still not done. This is for the bill that has now cleared both chambers and is headed to the President, so it's just for curiosity sake at this point (and measuring the potential impact to the economy). Recall the tax components of that bill were scored by JCT at \$104.8 billion. But the total value of the package we suspect is probably at least \$300 billion and maybe a great deal more. We sympathize with CBO b/c the leave portions have got to be nearly impossible estimate.
2. **House Poised to Return for Votes Next Week.** We are hearing House members are anticipating being called back for votes next week. That's not really surprising, but suggests they expect it will probably take the Senate into the weekend to compete work on the "phase 3 bill." Much is fluid however.
3. **Small Business Liquidity Framework.** Senators Rubio (R-FL) and Collins (R-ME) held a press conference earlier today on what they are working on to provide liquidity to small businesses – on of the 3 buckets of work we expect to see in a Senate Republican work product tomorrow. While they are still working on finer details, here were our takeaways from the conference which can also be accessed on replay [here](#).
 - a. Rubio:
 - i. Idea behind proposal is how to transfer money asap to help smb meet payroll and operating obligations for ~6 weeks.
 - ii. Use banking industry through SBA 7a & any other financial institutions Treasury approves.
 - iii. Feel good about progress. Very confident will have proposal that will gain wide bipartisan approval.
 - b. Collins:
 - i. Hospitality industry in particular adversely affected.
 - ii. Providing federally guaranteed loan to a smb. At end of period of time (6-8 wks), loan can be forgiven if been used to sustain those workers. Placing restrictions so loans can't be used for other things like owner pay raises, increasing profits, boosting shareholder benefits.
 - c. Q&A:
 - i. Loans forgiven if used for payroll and customary business. If not, it'll transition into impact loan.
 - ii. Estimate from Treasury is \$300 billion (*already known from Treasury outline*)

- iii. Some family leave provisions in Package 2 are difficult to administer. Our proposal will be effective in ensuring jobs are there. Though concerned about both, far more ppl affected economically than affected from health perspective.
 - iv. Program is retroactive to March 1. Looking at June 30 end. Could be extended if crisis hasn't ended.
 - v. Desire to work safeguards in. One of the pieces we're working through.
 - vi. Timing – optimistically, language done tomorrow morning. Hope to pass Package 3 sometime this weekend.
 - vii. Many of these proposals build on what we wanted in Package 1, core proposal working with Cardin, Velazquez – real difference was that was only \$50B.
 - viii. Urgency for acting on smb portion of Package 3.
4. **Requests Keep Piling Up.** This is to be expected in this environment, and just because someone is asking, doesn't mean it's in, but we thought we would flag a few notable ones from the last day or so that might factor into the legislation currently being crafted.
- a. **U.S. Chamber Suggests Targeted Tax Relief ([Chamber Tax Letter](#)).** This includes some of the the sort of ideas we suggested around midday yesterday that Treasury and Congress were soliciting (e.g. NOL carry back, 163j, etc.)
 - b. **U.S. Conference of Mayors Request \$250 billion ([pdf here](#)).** Requests \$250 billion in funding for cities through various existing programs including HUD CDBG and CDBG-DR programs as well as others.
 - i. Included as intention for the funds is to help shore up delivery of basic public services. Support leave for city workers. Direct cash assistance to small businesses, renters, payroll for public school administrators and staff, public transit, etc..
 - c. **Restaurants Request \$455 billion in aid ([Nat Rest Assoc Letter](#))**
5. **FHFA Director Calabria Takeaways.** We will offer more detail for housing-interested clients, but he really broke little news as it relates to their general plans they've been executing on to end the conservatorships (as the statute requires he reliably says), except to acknowledge some work streams may slow down modestly with remote working (e.g. capital rule expected end of May now). The main news items were related to COVID-19 response and related origination and serving capacity concerns and emerging liquidity strains in the market.
- a. **Coronavirus Response:** Director Calabria made reference to [guidance](#) FHFA put out moments before the call. Specifically, FHFA announced that the GSEs will provide 90-day payment forbearance to borrowers impacted by the coronavirus, with an option to extend for up to 12 months. FHFA also announced that the GSEs will suspend foreclosure evictions for 60-day through May 17, and may extend if necessary. The guidance states that "FHFA will continue to monitor the coronavirus situation and update policies as needed."

- b. **Other Corona-Related Frictions.** In response to a separate question on other potential coronavirus-related issues in the mortgage market, Calabria noted that there are already appraisal waiver processes in place for non-cash out refis, and that his number one priority right now is to deal with borrowers who are experiencing hardships. He noted that "most of the refi bottlenecks right now are with originators not the GSEs" and that people "need to accept that there will be some disruptions."
- c. **Servicer Capacity.** In response to a question on House Financial Services Chair Waters' (D-CA) proposal released earlier today, which included a provision requiring the Fed to establish a credit facility to reimburse creditors and Ginnie Mae issuers for lost revenue, Calabria stated his hope that the existing infrastructure would be adequate and that it was too early to tell if servicers would need explicit support. He also pointed to the updated Seller/Servicer eligibility requirements FHFA put out in January.
- d. **Nonbank Liquidity.** In response to a later question on FHFA's recent updates to nonbank seller/servicer eligibility, Calabria first emphasized that the role of nonbank originators and servicers are "crucial" and he has "no expectation that FSOC would designate any nonbank servicers." He indicated the Agency is looking at the existing landscape to ensure we have full understanding of the risks, and have a coordinated system to transfer servicing rights and ensure capital and liquidity so that chance of failure is remote. He added "we are in the middle of that, so I'm not prejudging."

Jeb Mason

The Cypress Group

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From: Jeb Mason <(b)(6)>

Sent: Wednesday, March 18, 2020 4:23 PM

To: Jeb Mason <(b)(6)>

Subject: Cypress COVID-19 Response Update (16/16): Senate Has Votes to Pass "Phase 2" Legislation; Treasury Formalizes Tax Deferral Guidance

1. **Phase 2 Bill Passes Senate (90-8).** The full Senate passed the bill just moments ago by a final vote of 90-8 (it required 60 votes). This is the Phase 2 bill which cleared the House Monday. It will now head to the President's desk for signature where he will sign it.
 - a. Amendments all failed as anticipated.
 - i. Johnson amendment #1558.
 1. not agreed to
 2. 50-48

ii. Murray-Gillibrand amendment #1559

1. Not agreed to
2. 47-51

iii. Paul amendment #1556

1. Not agreed to
2. 3-95

2. **Phase 3 Bill.** We expect Senate Republicans will have draft "Phase 3" legislation ready by tomorrow and begin negotiating with Democrats over passage (it will also require 60 votes). McConnell moments ago reiterated the Senate will stay in session until its done and has been sent to the House.

- a. We anticipate some finer points will need to be be worked out and negotiated with the Democrats and could take some time. But nothing has emerged today to cause us to doubt they will eventually get to yes on the next package as well, even as the timing remains unclear at this time.

3. **Treasury and IRS Deferring ~\$300bn in Tax Payments.** Treasury [released](#) official [guidance](#) today implementing up to \$300bn in tax payment deferral as telegraphed by Mnuchin midday yesterday.

- a. It allows all individual and other non-corporate tax filers to defer up to \$1 million of federal income tax (including self-employment tax) payments due on April 15, 2020, until July 15, 2020, without penalties or interest.
- b. The guidance also allows corporate taxpayers a similar deferment of up to \$10 million of federal income tax payments that would be due on April 15, 2020, until July 15, 2020, without penalties or interest.
- c. This guidance does not change the April 15 filing deadline.
- d. As the Secretary indicated yesterday in a press conference
 - i. "Americans should file their tax returns by April 15 because many will receive a refund. Those filing will be able to take advantage of their refunds sooner," said Treasury Secretary Steven T. Mnuchin. "This deferment allows those who owe a payment to the IRS to defer the payment until July 15 without interest or penalties. Treasury and IRS are ensuring that hardworking Americans and businesses have additional liquidity for the next several months."
 - ii. Today's guidance will result in about \$300 billion of additional liquidity in the economy in the near term.

4. **ICYMI. Takeaways from Trump/Pence Press Conference this morning.**

- a. **Defense Production Act.** Invoking the Defense Production Act to help expand industrial production of medical equipment such as masks and ventilators. DoD will make available up to 5 million N95 masks to DHS as well as 2,000 ventilators for use as needed, and hospital ships are being prepared to deploy supplies.

- b. **Housing.** Announced that HUD will suspend foreclosures and evictions for 60 days. HUD soon after [released](#) a formal statement, as, separately, did [FHFA](#) with regard to Fannie and Freddie.
- c. **Airline Relief.** Reiterated that airline aid is the “number one” priority, and that the cruise industry and hotels are also “prime candidates” for relief.
- d. **Monetary Payments.** Still working with Congress to determine the amount and timing of any direct financial aid to Americans.
- e. **Tariffs.** Stated that China has not spoken to him about any suspension of tariffs.
- f. **Healthcare Workers.** Vice President Pence announced that doctors and other medical professionals will be able to practice across state lines.
- g. **CMS.** CMS will release guidance to hospitals that will include eliminating non-essential medical and dental procedures.
- h. **FDA.** Expect a second news conference today or tomorrow on FDA developments.
- i. **Travel Restrictions.** Noted the announcement earlier today that the U.S. will temporary close the Northern Border with Canada. The President avoided a question on whether the administration is considering shutting down all travel, but did state that he would invoke his authority to ban asylum seekers at southern border.

As always, please reach out with any questions.

Jeb Mason

The Cypress Group

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From: Jeb Mason <(b)(6)>

Sent: Wednesday, March 18, 2020 1:08 PM

To: Jeb Mason <(b)(6)>

Subject: FW: Cypress COVID-19 Response Update (15/15): Administration Request Framework Details; BRT Endorse Direct Checks; Dems Positioning To Impose Restrictions on Companies Receiving Support; Mortgage Relief Guidance Delayed, but we believe coming

<https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Suspends-Foreclosures-and-Evictions-for-Enterprise-Backed-Mortgages.aspx>

FHFA SUSPENDS FORECLOSURES AND EVICTIONS FOR ENTERPRISE-BACKED MORTGAGES
FOR IMMEDIATE RELEASE
3/18/2020

Washington, D.C. – Today, to help borrowers who are at risk of losing their home, the Federal Housing Finance Agency (FHFA) has directed Fannie Mac and Freddie Mac (the Enterprises) to suspend foreclosures and evictions for at least 60 days due to the coronavirus national emergency. The foreclosure and eviction suspension applies to homeowners with an Enterprise-backed single-family mortgage.

Earlier this month, FHFA announced that the Enterprises would provide payment forbearance to borrowers impacted by the coronavirus. Forbearance allows for a mortgage payment to be suspended for up to 12 months due to hardship caused by the coronavirus.

"This foreclosure and eviction suspension allows homeowners with an Enterprise-backed mortgage to stay in their homes during this national emergency," said Director Mark Calabria. "As a reminder, borrowers affected by the coronavirus who are having difficulty paying their mortgage, should reach out to their mortgage servicers as soon as possible. The Enterprises are working with mortgage servicers to ensure that borrowers facing hardship because of the coronavirus can get assistance."

FHFA will continue monitor the coronavirus situation and update policies as needed.

###

Jeb Mason

The Cypress Group

(b)(6) (m)

(b)(6) (b)(6)

From: Jeb Mason <(b)(6)>

Sent: Wednesday, March 18, 2020 12:53 PM

To: Jeb Mason <(b)(6)>

Subject: FW: Cypress COVID-19 Response Update (14/14): Administration Request Framework Details; BRT Endorse Direct Checks; Dems Positioning To Impose Restrictions on Companies Receiving Support; Mortgage Relief Guidance Delayed, but we believe coming

Housing announcements coming soon, we believe...

1. President Donald Trump already said the Department of Housing and Urban Development (HUD) will suspend foreclosures and evictions through the end of April as the country combats the coronavirus outbreak.
2. We imagine we will see some form of statement from FHFA at or around 1pm today when Calabria is expected to deliver remarks to exchequer..

Jeb Mason

From: Jeb Mason <(b)(6)>

Sent: Wednesday, March 18, 2020 12:21 PM

To: Jeb Mason <(b)(6)>

Subject: Cypress COVID-19 Response Update (13/13): Administration Request Framework Details; BRT Endorse Direct Checks; Dems Positioning To Impose Restrictions on Companies Receiving Support; Mortgage Relief Guidance Delayed, but we believe coming

Lots of info here, coming fast and furious this morning...

1. **Trump, Pence et al speaking now.** <https://www.whitehouse.gov/live/>
 - a. More to follow.
2. **Stage 2 Vote.** Per our note last night. We still expect the bill will pass today after voting down 2-3 amendments. Setting up for a 2pm vote.
 - a. Amendments that we expect to fail or be tabled (each attached for reference):
 - i. Murray-Gillibrand,
 - ii. Johnson,
 - iii. Paul
3. **Treasury "Stage 3" Term Sheet (attached).** Confirms the framing we outlined previously, but with greater detail.
 - a. Appropriation to the ESF for specific purposes
 - i. Airline Secured Lending Facility (\$50bn)
 - ii. Other Severely Distressed Sectors of the U.S. Economy (\$150bn)
 - b. Temporary authority to use ESF to Guarantee Money Market Mutual Funds (MMMFs) – sunsets upon conclusion of the National Emergency.
 - i. Editorial note: Recall that the EESA/Tarp legislation prevented Treasury from doing this again following Treasury using this mechanism following Reserve Primary's breaking of the buck in September 2008). Banks were livid at the time and demanded an end to it and never again attitude to support the rescue bill. This felt like the nadir of the crisis to your author at the time.
 - c. Economic Impact Payments
 - i. Contemplates 2 direct payments on April 6 and May 18 of \$250 bn each, to be administered by IRS and Bureau of the Fiscal Service.

- ii. Payment amounts would be fixed and tiered based on income level and family size. Treasury still modeling specifics.
- d. Small business Interruption Loans.
 - i. \$300bn appropriation for the program
 - ii. USG to provide 100% guarantee on any qualifying interruption loan.
 - iii. Available to borrowers with 500 employees or fewer in amounts to cover 100% of payroll for 6 weeks, capped at \$1540 per week per employee (approx. \$80k annually). Lent by US financial institutions with streamlined underwriting process requiring lender to verify prior 6-weeks payroll amount and subsequent verification that employer has paid payroll for 8 weeks from disbursement
- 4. **OMB Request Requests \$45.8 bn.** Office of Management and Budget yesterday (3/17) sent a [letter](#) (attached) to Vice President Pence requesting additional FY20 funding in the amount of \$45.8 billion to address ongoing preparedness and response efforts at various federal agencies. In addition, OMB is seeking to amend its FY21 Budget Request for the CDC to \$8.3 billion (\$1.3 billion above the initial request), as well as for the NIAID to \$5.9 billion (a \$439 million increase). The FY20 supplemental request also includes, without change, three requests from the Judiciary totaling \$7.5 million. These funds would be in addition to whatever stimulus money is approved by Congress in the second and third legislative packages under consideration.
- 5. **Business Roundtable CEOs Endorse Direct Checks** – Draft letter attached.
 - a. “Payments should be significant, income-capped and targeted to Americans who need them the most,”
 - b. *Our sense is getting “main street” company endorsements like this will be critical to support passage, and adds to momentum for Stage 3 bill.*
- 6. **House Democrats Promote “Guardrails” legislation.** Reps Defazio guardrails to protect workers and ensure large corporations put the needs of those workers ahead of their wealthy executives and shareholders.
 - a. This is the sort of proposals we were anticipating with our note yesterday morning. It could create second thoughts on the part of companies that the government wants to take the money. Similar dilemma to TARP.
 - b. Among the points made in the letter:
 - i. **Workers must come first.** Corporations must use federal assistance to maintain their payrolls without demanding concessions on wages or benefits. Workers must be protected in the case of bankruptcy and no funds should be used for anti-union campaigns or to undermine collective bargaining efforts.
 - ii. **Tax dollars must not be used to reward wealthy shareholders and executives.** No stock buybacks, dividends, or executive bonuses until federal funds are repaid in full.

- iii. **Cap on senior executive pay.** No corporate executives should make more than 50 times the pay of their median worker.
 - iv. **Workers must have a seat at the table.** Corporate recipients of public assistance must reserve at least one seat on their board for a representative elected by workers.
 - v. **Companies must be held accountable.** An oversight authority must be established to ensure corporate compliance with these conditions. The oversight board must include worker representatives. CEOs should personally certify compliance and violations of the terms should trigger criminal penalties and claw-backs of public assistance.
 - vi. **Taxpayers must have a stake in the company.** Taxpayers should receive equity in return for assistance to ensure that once companies return to fiscal health, the public can benefit from its investment.
- c. Senator Warren (D-MA) yesterday [released](#) a set of minimum requirements corporations must undertake as Washington approaches providing funding for specific industries devastated by coronavirus. Under her plan, companies must:
- i. Maintain payrolls;
 - ii. Provide a \$15 minimum wage within one year of the national emergency declaration ending;
 - iii. Ban stock buybacks permanently;
 - iv. Restrict dividends or bonuses while companies receive relief and for three years thereafter;
 - v. Set aside at least one board seat—with the number of seats potentially tied to the relief amount—for representatives elected by workers;
 - vi. Collective bargaining agreements should not be reopened or renegotiated pursuant to this relief program;
 - vii. Obtain shareholder and board approval for all political expenditures; and
 - viii. CEOs must personally certify that their company is in compliance or face criminal penalties.

7. **House Financial Services Committee Democrats outline proposal** (attached).

- a. Highlights:
 - i. Direct payment. Provide each American with \$1,000 check.
 - ii. Credit. Suspend all consumer and small business payments and prohibit negative credit reporting, debt collection and garnishment of wages during the pandemic. Proposes to have the Federal Reserve finance suspension of payments.

- iii. Assistance for Homeowners and Homeless. Provide \$5B in emergency homeless assistance, ban all evictions and foreclosures, suspend rental payments for residents in Federal and public assisting housing, and provide forbearance for multifamily mortgages. Lastly, suspend Federal housing work and community service requirements during the pandemic.
 - iv. State and Local Funding. Provide states with \$10B for community development block grants to allow state and local governments to address community needs as they see fit (i.e. setting up testing sites). Would states and cities to have expedited access to federal funds previously appropriated to address the pandemic. Lastly, would require the Federal Reserve to support state and local debt issuance.
 - v. Small Businesses. Suspend rent payments for small businesses during the pandemic.
 - vi. Financial Regulators. Direct the SEC to require public companies to disclose their risks in global supply chain; the impact a disruption in supply chain would have on their employees, suppliers and customers; and to disclose contingency plans to mitigate such risks and the impact. Also, proposal seeks to direct the SEC to require public companies to disclose their risks and disclosures to public health events classified as pandemics by WHO. Would prohibit any rulemaking by financial regulators during the pandemic.
 - vii. International Institutions. Would provide additional resources to international institutions.
- b. We understand the majority will hold a members-only call later today to discuss (time tbd)
8. **House Democrats to Caucus tomorrow 2pm.**
- a. Clyburn we see as particularly influential at this stage. He's tweeting, e.g. "Payments must be largest for those with the largest need, and must go on for as long as necessary."
9. **Senator Brown (D-OH) Introduces [Mortgage Relief Bill](#).**
- a. **Highlights:**
- i. **Halt foreclosures**, including the beginning of a foreclosure or a foreclosure sale, for six months.
 - ii. **Offer borrowers at least six months, and possibly more, forbearance** on their loan payments. Forbearance allows a borrower to suspend payments for a period of time due to a decline in income or other hardship. Six months or more of forbearance can help borrowers focus the funds they have on health care, food, and other necessities until their income goes back to normal.
 - iii. **Allow borrowers to get back on track** after forbearance by extending their loan by the length of the forbearance, with no fees, penalties, or accrued interest. Borrowers won't have to pay more or face a penalty because they had a temporary financial setback as a result of this emergency.

- iv. **Help borrowers who have a permanent decline in income stay in their home** by requiring servicers to evaluate homeowners for a loan modification at no cost and with no penalties for the borrower. Borrowers facing a permanent decline in income as a result of this emergency should not lose their home or have to pay to get a loan that meets their needs.

10. Administration/Republican Mortgage Forbearance Plan for COVID-19 Impacted Borrowers Update.

- a. We had mentioned in our note last Friday our expectation to see added guidance from FHFA and HUD/FHA/GNMA concerning mortgage relief measures. Worth pointing out that the agencies have existing home preservation options in place and borrowers don't need to be sick to access those. But we anticipated servicers would need more clarity.
- b. We mentioned a framework similar to that which is used in a presidentially-declared disaster (e.g. 90-day foreclosure moratoriums, forbearance and other response actions for FHA, VA, Fannie and Freddie, that are often extended repeatedly for up to 12-months under Stafford Act).
- c. We also noted some challenges creating a far more broad-based program than in a typical disaster including defining an eligible population. Ironing out other details is taking a little more time, but our sense is the industry is working quickly and cooperatively.
- d. The administration is interested in ideas.
- e. We expect a framework consensus around 90-day deferral with a super simple hardship affidavit via online form.
- f. Key objective is to get all loan channels to do it the same way – i.e.. Fannie, Freddie, Ginnie.
- g. This may create substantial liquidity strains for those servicing FHA/GNMA loans in particular. So we anticipate congressional action may be needed to authorize some sort of specialized liquidity facility for non-bank Ginnie servicers in particular specific to those offering COVID-19 forbearance. The administration's existing framework proposal could cover this using ESF cash to provide first loss, and then Fed using 13(3) authority to provide loan guarantees. Multiple ways to make that work.

11. FHFA Calabria To Hold Call with Policy Community at 1pm. This was a previously scheduled Exchequer Club Luncheon that was changed to a conference call amid social distancing concerns.

As always, please reach out with thoughts/comments/questions.

Jeb Mason

The Cypress Group

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From: Jeb Mason <(b)(6)>
Sent: Tuesday, March 17, 2020 11:52 PM
To: Jeb Mason <(b)(6)>

Subject: FW: Cypress COVID-19 Response Update (12/12): #2 to pass Wednesday, #3 Coming Together as Both sides Prepare for Negotiations and Already Talk of #4. Meanwhile, the Fed Strikes Again....and again, and...

3/17/2020

Quick Editorial point. What we have sometimes referred to as the *policymakers' dilemma* has been on display in full relief for the last week or so in a way that reminds us far too much of 2007-2008. Faced with a potential loss of economic confidence, no policymaker at first wants to take actions that risk sparking further panic that will likely fuel the very crisis you hope to avoid, but the time also comes when to avoid the worst outcomes, you need to motivate the public or the Congress to take particular actions they aren't at all naturally inclined to take. Officials first started that process as it relates to public health sometime last week in order to "flatten the curve." Secretary Mnuchin today broke the remaining glass, warning Senators that unemployment could reach 20% without legislative action. That's where we are. Our sense is that policymakers are adequately motivated and they will pass unprecedented support for the economy in short order, but perhaps not before markets supply added motivation.

1. **Package #2** – We expect a vote tomorrow. Though this is fluid and more amendments are possible, we think most likely scenario is there will be just a couple of amendment votes that will be defeated, with passage before the end of the day Wednesday. Our sense is leadership is confident and prepared to focus all attention on #3.
2. **Package #3.** Senate Republicans are aiming to have a package finalized tomorrow (Wednesday) which seems ambitious, and then move to negotiations with Senate Democrats. The bill will have a 60-vote threshold, so will need to be bi-partisan and negotiating the finer points could take a few day. McConnell has vowed the Senate will stay in until it is done. We expect it will likely take until next week, but they will get it done. Expanding on the 3 Senate Republican task forces:
 - a. Small Biz Liquidity are being led by [Sens. Crapo](#) (R-ID) and [Rubio](#) (R-FL)
 - b. Direct financial assistance to individuals is being led by [Sen. Grassley](#) (R-IA)– this will be the largest part of the package.
 - c. Targeted [industry support](#) is being led by [Sen. Wicker](#) (R-MS) with airlines the primary if not the only in serious discussion right now as we understand it, though this could change.
3. **Senate Banking Democrats' Proposal Details** – in case you've not seen it yet, attached is a memo offering more details on the Senate Democrats' proposal for package #3 outlined earlier.
4. **House Democrats.** We understand to be working on their own proposal, but it's not perfectly clear where that fits in at this stage.
5. **Stimulus #4.** We are hearing there will be a fourth stimulus package. The driver will be another supplemental appropriation request from the administration.
6. **Federal Reserve Board (FRB) Takes Further Action.**
 - a. **Repo Operations.** Earlier today the FRB announced an increase in overnight repo activity by an aggregate amount of \$500bn each day for the remainder of the week. This is aimed at ensuring smooth functioning of short-term U.S. Dollar funding markets.
 - b. **Primary Dealer Credit Facility (PDCF).** The FRB tonight announced establishment of a PDCF to start March 20 and be in place at least 6 months. It will offer overnight and term funding with maturities up to 90 days on a broad range of collateral including investment grade debt

securities, commercial paper and municipal bonds, and a broad range of equity securities. The interest rate charged will be the primary credit rate, or discount rate, at the Federal Reserve Bank of New York. This is the second facility created today under the Fed's 13(3) "unusual and exigent circumstances" authority after the CPFF.

- c. **What's next?** For those wondering where the FRB could go next, we would expect they are re-examining the whole alphabet soup of other programs instituted in the 2007-2008 financial crisis after having taking today's action on the CPFF and now the PDCF. Not all of these are relevant and some authorities have been curtailed since the crisis as already indicated by Secretary Mnuchin. While yet others could come into play, the next logical steps may be to use auction facilities to lengthen the duration of liquidity made available to depositories and/or primary dealers as well as potentially broadening the types of eligible collateral. In this category, we specifically have in mind programs like the
 - i. **Term Auction Facility (TAF)** – this could complement discount window (DW) accessed by the large banking institutions earlier this week in a preemptive strike to eliminate the stigma typically associated with doing so, by creating a longer term option for strong, well-capitalized depository institutions under the Fed's same discount window authority.
 - ii. **Term Securities Lending Facility (TSLF)** for primary dealers – this historically included an exchange of treasuries for more illiquid collateral like the triple-A tranches of private RMBS, CMBS and other obligations.

We believe the Fed could still undertake these under existing authority without action by Congress. We should be clear though that we are speculating when it comes to any of these or other next steps from the Fed. What we know is Fed officials have acknowledged having additional authorities and that they are examining them. The general attitude signaled by Secretary Mnuchin in his press conference today suggests that they will leave no stone unturned, and the actions taken by the Fed just today under its 13(3) authority suggest the playbook is already open. However, we aren't deep enough into the daily financial plumbing ourselves to judge exactly whether and when the Fed might take the next step.

- 7. **Brown Calls On Regulators to Pause Rulemaking Activity Unrelated to COVID-19 Response.** Senate Banking Committee Ranking Member Brown (D-OH) today sent [letters](#) to HUD, FHFA, CFPB and other independent federal financial regulators urging them to immediately cease all rulemaking activities not related to the coronavirus response. Brown also stated that "the cessation should include the extension of any comment periods on rules not related to these critical health and safety factors closing after March 1, 2020." (we gather the restorative application was deliberate).
 - a. For the CFPB, this would include a highly-anticipated rulemaking on the ATR/QM rule and GSE Patch, expected by May, as well as pending rules related to payday and debt collection.
 - b. For FHFA, this would include a recently closed comment period on PACE financing (3/16), and it could impact the timing as well as the flavor of the much awaited GSE capital rule expected this Spring.
 - c. For HUD, this would include a recently closed comment period on the Affirmatively Furthering Fair Housing Rule (3/16), and

- d. The request might also encompass the OCC/FDIC Community Reinvestment Act proposal, for which the comment period currently closes on April 8 and there may be others we are forgetting at the moment.

Jeb Mason

The Cypress Group

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From: Jeb Mason <(b)(6)>
Sent: Tuesday, March 17, 2020 4:15 PM
To: Jeb Mason <(b)(6)>
Subject: FW: Cypress COVID-19 Response Update (11/11): Republicans Emerge with Plan for over \$1 Trillion in Stimulus as Senate Dems release outline of \$750bn in and principles
Importance: High

Latest updates around the legislative process.

1. **Administration plans for stimulus #3.** Secretary Mnuchin, Larry Kudlow and others a short bit ago emerged briefly from the policy lunch where they have been discussing their plans on a third stimulus package with Republican Senators.
 - a. There we understand they have indicated they are readying a **loan backstop program**. Analogies are being made to the crisis era [TALF program](#). This is the general idea we were suggesting around leveraging the 13(3) authority with first loss capital provided by Congress, administered through Treasury. But we would expect this to be quite different in its targeted effect. TALF historically was about supporting consumer lending through ABS. We're not so sure that makes as much sense in this environment, as it's probably not like many folks are going car shopping in this environment. What has made more sense to us is that Fed would use 13(3) to lend to specific industries to help them keep employees and meet payroll. Our view has been that it's not obvious Treasury and the Fed have the ability to do TALF without an appropriation. Someone has to take first loss. The ESF as we saw this morning is one option, but there are limits as we noted earlier, and it gets pretty aggressive once you get beyond very highly rated issuers.
 - b. **\$1 Trillion** in rough numbers breaking down as follows (which could still change considerably)
 - i. \$500-550bn in payments or tax backstops.
 - ii. \$200b-\$300bn in small business assistance
 - iii. \$50-100bn in airline and other industry relief.
 - c. Team Trump is emphasizing that this is different than other crises in that sectors of the economy are shutting down at the government's request/guidance to slow the spread of the

disease. Expect to see more of that emphasis to minimize the perception that this is a bailout of companies that took excessive risks or were mismanaged.

2. **Senate Republicans.** McConnell confirmed this afternoon that the Senate will likely move the House-passed package quickly without major changes, and pivot to the third stimulus package as anticipated though a vote has not yet been scheduled. Senate Rs have formed three task forces and are developing their plans around package #3 with inputs from the administration. The plan is to roll that work into one Republican product and then engage Democrats to come up with a compromise bill. Regarding the task forces, it's worth keeping in mind that committee chairs have already been at work for days, but they are organizing the task forces around the 3 main elements of the administration outline.

- a. Small Biz Liquidity
- b. Direct financial assistance to individuals
- c. Airline and other targeted industry support.

3. **Senate Dems release their proposals.** Attached is the Senate Democrats \$750bn proposal. It is mostly a messaging document thin on details, but covers a lot. *You can see in the principles the basis for further push back on industry specific support measures, but if the pie is big enough as it looks to be, we're not sure Democrats will hold up a bill the Republicans are ready to vote on over any one provision so long as the majority of money is going to individuals as it looks likely to be.*

a. **\$400 billion in emergency appropriations:**

- i. Seniors: rental food, and financial assistance as well as home-based health care
- ii. Public Housing: rental mortgage and utilities assistance
- iii. Schools and Children: protections for students of all ages whose schools may be closed and are thus lacking basic needs including housing and meals.
- iv. Public Transportation relief: relief for public transportation to ensure continued operations until normal ridership resumes.
- v. State and local relief like CDBG, EDA, and FIRE grants for Governors, Mayors, Tribes, and Fire Departments to mitigate and recover.
- vi. Resilient infrastructure like Broadband internet connectivity so that American workers and students tuck at home can manage amidst the crisis.

b. **\$350bn supplemental safety net package:**

- i. Unemployment Insurance: Increase benefit size, Waive waiting period; 13-week extension of current enrollees; Expand work-sharing eligibility to avoid layoffs; Automatic extensions "during life of recession"
- ii. Medicaid: Increase FMAP percentage to the States; Automatic extensions "during the recession"

- iii. SNAP: 15% benefit increase; automatic extensions "during the recession"
- iv. Student debt: Cancel monthly student payments and have Federal Government Pay (no specifics if this would include FFELP or private student loans, or how it would work).
- v. Let people keep their money during the crisis: Six months of forbearance for ALL federally backed mortgages; Moratoriums on all evictions and foreclosures.
- vi. Expand Unemployment Insurance's Reach: Expand coverage during the crisis to cover the gap on paid sick days; Open up UI to gig workers and self-employed.
- vii. Key policy reforms: Utilize the national guard and DoD; Targeted funding for Indian Country; Remote Learning and closing the Homework gap; Credit score protections; Buy America requirements; Protecting prisons from COVID-19.
- viii. Workers First: (principles): Workers must receive majority of the benefits of any federal aid package and aid will be clawed back If workers don't benefit; Businesses must also comply with strict requirements on the aid, especially keeping workers in their jobs and labor protections; Rescued businesses must provide mandatory paid sick leave and a \$15 minimum wage for all direct employees

As always, interested in your thoughts and questions.

Wr,

-Jeb

Jeb Mason

The Cypress Group

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From: Jeb Mason

Sent: Tuesday, March 17, 2020 12:29 PM

To: Jeb Mason ((b)(6)) <(b)(6)>

Subject: FW: Cypress COVID-19 Response Update (10/10): Fed Taps 13(3) Authority for Highly-rated Commercial Paper Facility as Administration Prepares to Go Big on Stimulus measures.

Importance: High

| Trump, Pence, Mnuchin [speaking now. https://www.whitehouse.gov/live/](https://www.whitehouse.gov/live/)

Some select highlights:

Mnuchin:

1. **CPEF.** Spoke to Fed & Treasury action on the CPEF using 13(3). Don't think we will need this much but will have the ability to purchase up to \$1 Trillion.
2. **Tax Deferral.** Confirming earlier intel.. deferring up to \$300 billion in taxes. "We encourage Americans who can do so to file by April 15, we don't want people to lose out on tax refunds. If you owe a payment, you can defer up to \$1mn and \$10mn for corporations, interest and penalty free for up to 90-days. "
3. **Stimulus Package coming.** We've talked about payments to small business, we've talked about loan guarantees to some industries like airlines and hotels, and general stimulus. "we going to have an entire package we will be laying out later today."
 - a. **Direct Payments.** Asked about direct payments: while we still support a payroll tax holiday, "we are looking to get checks to Americans immediately.... The President wants to get them cash now... I mean in the next two weeks." Asked about income limitations on the "I think it's clear we don't need to send people that make a million dollars a year checks."
 - b. **Size of Package.** "may be a little bigger than what is in the press" This suggests to us they are thinking north of \$1 trillion.
4. **Small business program.** "we have a specific program that we will be announcing that helps all businesses with employees of 500 or less [sic]"
5. **Keeping Markets open.** "we have every intention of keeping markets open." Might consider shortening hours if necessary.
6. **Restaurants.** "we want to make sure drive-thru restaurants stay open." Spoke about using aps and importance of keeping these places open to feed americans.
7. **Using military to augment hospital capacity.** "we are starting the process of using military to augment hospital capacity and what the states are doing. Pence elaborated a couple of ways they can help.
 - a. One is inventorying field hospitals or MASH hospitals – as governors make those requests, we will consider them to augment national reserves.
 - b. Also looking at the Army Corp of Engineers to retrofit existing buildings.
8. **Doing what it takes.** "we will use all the powers we have... and the powers we don't have we're going to Congress."

Trump:

9. **Airlines.** "the airline industry will be in good shape."
10. **Details on next rescue package.** "we'll have a pretty good idea by the end of the day what we will be doing." "we're going big" that's the way Mitch McConnell wants to go, that's the way I want to go....

Verma:

11. Spoke about prioritizing telehealth and work with insurers and providers to make it widely available.
12. Also providing Medicaid waivers.

Jeb Mason

From: Jeb Mason <(b)(6)>

Sent: Tuesday, March 17, 2020 11:34 AM

To: Jeb Mason <(b)(6)>

Subject: FW: Cypress COVID-19 Response Update (10/10): Fed Taps 13(3) Authority for Highly-rated Commercial Paper Facility as Administration Prepares to Go Big on Stimulus measures.

Importance: High

1. Federal Reserve (w/ approval from Treasury) pulled the [trigger](#) this morning using their **13(3)** authority to establish a Commercial Paper Funding facility (CPFF). The CPFF will provide a liquidity backstop to U.S. issuers of commercial paper through a special purpose vehicle (SPV) that will purchase unsecured and **asset-backed commercial paper rated A1/P1** (as of March 17, 2020) directly from eligible companies.
 - a. Our view is that this is a natural progression after having taken steps on discount window and QE to purchase Treasuries and Mortgages.
 - b. Treasury will provide \$10 billion of credit protection to the Federal Reserve in connection with the CPFF from the Treasury's Exchange Stabilization Fund (ESF). The ESF has just shy of \$40 billion in capital presently.
 - c. We can imagine calls to go further out on the risk curve than A1/P1 commercial paper, particularly as this will mainly benefit large CP issuers. We could see incremental expansions if the Fed sees stresses emerging in other parts of the capital markets. However, to the point we were making in our prior note, dramatic expansions would likely require more risk capital and could require Congress to provide TARP-like authority to Treasury.
2. The federal bank regulatory agencies (FRB, FDIC, OCC) today [announced](#) an interim final rule to facilitate the use of firms' capital buffers to promote lending activity to households and businesses..
3. The Joint Committee on Taxation (JCT) [scored](#) the tax portions of House-passed HR. 6102 at just under **\$105 billion**. Keep in mind that this is just the tax provisions. CBO has not completed its score of the other items including the paid leave portion which could easily surpass the tax elements in terms of cost/stimulative value for a total score that is much higher.
4. Also, we wanted to pass along the U.S. Chamber's recommendations for the third stimulus package (attached) in case you missed it.
5. We are hearing that the White House is prepared to embrace direct payments (e.g. the Cotton proposal). Our sense is that present thinking is that direct cash payments could be additive to a package that would still include a payroll tax cut as well as a refundable tax credit. This would also be in addition to SBA loans, loans and grants for airlines and others, as well as added funding for VA, DHS, DoD, etc... the general attitude seems to be that all of the above. Suggesting the price tag could climb.

6. We also sense that the Treasury and congressional tax staff are generally interested in ideas about federal tax abatements, or any tax relief unique relief to a given company or industry (e.g. net operating loss carry-back, 163j interest limitation). We are happy to help steer those ideas if clients have them.

As always, we welcome your thoughts and questions.

Jeb Mason

The Cypress Group

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From: Jeb Mason <(b)(6)>

Sent: Tuesday, March 17, 2020 10:03 AM

To: Jeb Mason <(b)(6)>

Subject: FW: Cypress COVID-19 Response Update (8/8): Trump Announces New Guidelines Including Limiting Gatherings of 10 or more; House Clears "Technical Fix" putting focus on Senate

Importance: High

Delivery Update: We become aware of a technical glitch late yesterday that has prevented a number of our emails from Saturday, Sunday and Monday from getting through to clients. We apologize for the inconvenience. We think we have identified a fix and hope you will find these updates helpful going forward. These notes aim to offer useful new information or insights regarding the rapidly evolving policy response to COVID-19 in Washington. As always please don't hesitate to reach out with your comments, questions or own insights, or if further refinements to this distribution are warranted.

Legislative Next Steps.

The House late Monday evening passed by unanimous consent, the "technical corrections" bill for HR 6201, the Families First Coronavirus Response Act, which initially cleared the House late Friday night by a vote of 363-40. Among the most notable changes, the bill reduces the emergency leave requirement from 14 to 10 days, while scaling back FMLA eligibility in the bill, and providing the Department of Labor the ability to issue regulations to provide relief from the bill's mandates on companies with fewer than 50 employees. This clears one of the three hurdles to quick passage that we noted Saturday night (included below if you missed the original), and helps address another. Here's the final [text](#). The attached summary is from the version passed Friday.

It now moves to the Senate where we still expect Senators to act upon it quickly. Senator and Cotton (R-AR) and others are raising a stink and could yet slow down the process, and it remains less than perfectly clear whether or how they plan to resolve the concerns of small businesses over the paid leave program, or what they will do with President Trump's statement in response to a question that they "may be expanding that" to employers with more than 500 employees. However, Secretary Mnuchin will brief Senators at the Republican policy lunch today, and NEC Director Kudlow could also join. Our sense is they are anxious to clear the House-passed bill as is, and immediately turn their attention to a third rescue package on which Republicans can make a greater imprint. This will likely include general stimulus measures and targeted relief for employers and industries hit particularly hard by the crisis, as well as added funding for DoD, DHS, VA, and

OMB including VA hospitals and military medical assistance. House Majority Leader Hoyer also announced to his caucus yesterday, that the House does not plan to return until the Senate has crafted a third bill they can vote on, which will help put pressure on Senate Republicans to move the House-passed bill currently before them as is.

During an earlier press appearance Monday, NEC Director Kudlow indicated that measures worth about \$400 billion are already underway from the White House and Congress (including administrative actions to date)– giving the first semi-official figure as to where they value the relief included in HR 6201 (backing out which still lacks an official CBO score). Kudlow also indicated the administration is ready to double the fiscal stimulus to \$800 billion, with “most” of the remainder coming from a temporary cut in payroll taxes, an idea that has yet to gain a great deal of traction with lawmakers (one alternative gaining bi-partisan traction, however, is providing direct cash payments low and middle income Americans).

Senate Minority Leader Schumer (D-NY) also indicated Monday that Senate Democrats will unveil a \$750 billion relief package as early as today, which will “mainline money into the economy” and “directly into the hands of families that need it most,” while also addressing hospital capacity problems, expanding unemployment insurance, providing immediate payment forbearance on federal loans, and pausing evictions.

The public indications for both parties then suggest a third package in which the bidding has been started in the **\$400–750 billion** range though this number could easily climb yet – particularly with direct payments, with it unclear at this stage how much would be loans versus grants. We would expect the lion’s share of this come as general stimulus, though the exact form(s) are yet to be worked out. It is also likely to incorporate additional government funding, as well as a number of support measures aimed at industries most impacted by the virus and efforts to contain its spread. In general we expect to see industry specific proposals with a mix of temporary tax relief, loan guarantees (liquidity facilities), and some direct relief available, particularly where industries are on the front lines of responding to the pandemic, or acting in direct response to government requests to contain it as Secretary Mnuchin and others have indicated.

As an couple of examples:

- The American Hospital Association, the American Medical Association and the American Nurses Association sent a [letter](#) Monday to Congressional leadership Monday, asking for additional supplemental emergency funding of at least \$1 billion for the healthcare system.
- The Airline industry is seeking over \$50bn in a mix of grants, loans, and tax relief.
 - Grants of as much as ~\$25bn for passenger carriers and ~\$4bn for cargo.
 - Liquidity facility of ~\$25bn in unsecured loans/loan guarantees. Treasury to implement
 - Tax relief in the form of a rebate of 2020 excise taxes paid into the AATF thru 3/31/20, and temporary repeal of all federal excise taxes on part 121 air carriers, including taxes on tickets, cargo, and fuel through 12/31/2021 with possible extension under certain circumstances.

We expect more details will emerge throughout the day, particularly after policy lunches midday.

We also note that all of this fiscal legislation will ultimately mean that the Debt Limit will come into play a lot sooner than currently projected.

Administrative Action.

Treasury Monday announced that the Financial Stability Oversight Council (FSOC) would meet next Monday, March 23 in both open and closed session on market developments related to the COVID-19 virus.

The White House officially released [the President's Coronavirus Guidelines for America - 15 Days to Slow the Spread](#) following Monday's press conference, as well as a [transcript](#) of the announcement and subsequent Q&A.

In terms of additional planned actions of note, we are anticipating guidance from the Treasury Department/IRS to extend the tax filing deadline for individuals and businesses – we anticipate for a period up to 3 months, while likely waiving penalties and interest.

We also anticipate that the Federal Reserve is eventually likely to use its 13(3) authority as the crisis depends to lend directly to a broader set of industries or industry participants. Our sense has been that the Fed would hold off taking that dramatic step initially, as they would at least strongly prefer Congressional authorization or encouragement, and they probably don't want to get head of Congressional action on this next package of fiscal measures if it can be helped which might take pressure of the elected branches to act. Depending on the scope of the program policymakers intend, they may also need Congress to offer some form of first loss capital (likely administered by Treasury) to stand in front of the Fed, as the Fed is only supposed to lend on good collateral. It's a powerful tool, but there are some complications not everyone recommending this approach may fully appreciate

Finally, it's worth noting too that any industry perceived as accepting a bailout could invite longer term consequences beyond the immediate stigma, to include strings that could come later such as pressure or explicit limitations on executive compensation and share repurchases, or perhaps expectations to suspend layoffs in the meaning, and these are just a few we can imagine. A point to consider is that crafting a program and offering the money – be it something crafted by Congress or by the Fed – is one thing, getting people to take aid and preserve capacity on the assumption of a quick return to economic normalcy may prove another.

As always, please reach out with any questions, comments, clarifications.

Jeb Mason

The Cypress Group

(b)(6) (m)
(b)(6) (b)(6)

From: Jeb Mason

Sent: Monday, March 16, 2020 4:11 PM

To: Jeb Mason ((b)(6)) <(b)(6)>

Subject: Cypress COVID-19 Response Update (7/7): Trump Announces New Guidelines Including Limiting Gatherings of 10 or more (school, restaurant closings in areas with evidence of "community transmission")

Our regular Monday [weekly note](#) should have been delivered to your inboxes around 1:20pm today which included additional new information including a heads up on a Task Force update for around 3pm and

speculation about that content. That press conference remains in progress and is available here. <https://www.whitehouse.gov/live/>.

Trump opened pointing out that they would rather be ahead of the curve, and they are announcing new guidelines for Americans. No mandatory actions today or travel restrictions as anticipated. Guidelines are to state/local authorities and more a more general appeal to Americans to do their parts. One of the most impactful guidelines is likely to be limiting gatherings of 10 people or more. We suspect this will put added pressure on localities to close restaurants, bars, etc, as anticipated in our earlier note. He also noted they had a very positive talk with the governors today, which would seem to us to underscore that they will continue to work through local authority as much as possible (avoiding a national quarantine for instance unless absolutely necessary).

Importantly, it appears the guidelines to close schools, restaurants, bars, gyms and other places people congregate will be in those states/communities with evidence of "community transmission" which relates to the number of cases. That would appear to us to apply to CA, WA, NY so far based on CDC heat maps, but these are updated regularly. The guidelines would seem also to suggest similar measures for jurisdictions adjacent to those with evidence of community transmission.

We may update this as official release(s) become available, but just quickly summarizing the main of what we know of the guidance from today:

1. Listen and follow directions of your state and local authorities.
2. If you feel sick, stay home. Do not go to work. Contact your medical provider.
3. If you children are sick, keep them home. Do not send to school. Contact medical provider.
4. If someone in your household has tested positive for the coronavirus, keep entire household home.
5. If you are an older person, stay home and away from other people
6. If you have serious health condition... stay home and away from others.
7. Even if you are young or otherwise healthy, you are at risk and your activities can increase risks of others... do your part...
 - a. Work or engage in schooling from home whenever possible
 - b. If you work in a critical infrastructure industry, as defined by DHS, such as healthcare services and pharmaceutical and food supply, you have a special responsibility to maintain your normal work schedule. You and your employers should follow CDC guidance to protect your health at work.
 - c. Avoid social gatherings in groups more than 10 people.
 - d. Avoid eating and drinking in bars, restaurants, and food courts – use drive-thru, pickup or delivery options
 - e. Avoid discretionary travel, shopping trips, and social visits.
 - f. Do not visit nursing homes or retirement and long-term care facilities unless to provide critical assistance.
 - g. Practice good hygiene.
 - i. wash hands
 - ii. avoid touching face
 - iii. sneez/cough into tissue or inside of elbow

- iv. disinfect frequently used items and surfaces.
- 8. School operations: Governors of states with evidence of community transmission should close schools in affected and surrounding areas....
- 9. In states with evidence of community transmission, bars, restaurants, gyms, etc should be closed....

As always, please reach out with any questions.

Wr,

-Jeb

Jeb Mason

The Cypress Group

(b)(6) (m)
(b)(6) (b)(6)

From: Jeb Mason <(b)(6)>

Sent: Sunday, March 15, 2020 5:55 PM

To: Jeb Mason <(b)(6)>

Subject: Cypress COVID-19 Response Update (5/5): Fed, FOMC, and other Central Banks Announce Coordinated Measures; Treasury Seeks to Allay Small Biz Concerns about Financing Paid Leave Mandate

The Federal Reserve, the FOMC, and other central banks made several coordinated announcements this evening.

1. [FOMC Rate Cut](#). The FOMC is cutting the target range on the Fed Funds rate to zero-1/4 percent.
2. [Coordinated Central Bank Action](#). The Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank, the Federal Reserve, and the Swiss National Bank are today announcing a coordinated action to enhance the provision of liquidity via the standing U.S. dollar liquidity swap line arrangements.
 - a. [Bank of Canada](#).
 - b. [Bank of England](#)
 - c. [Bank of Japan](#)
 - d. [European Central Bank](#)
 - e. [Swiss National Bank](#)
3. [Federal Reserve Announces Actions to Support the Flow of Credit to Households and Businesses](#). These measures include:
 - a. **Discount Window**. The Federal Reserve encourages depository institutions to turn to the discount window to help meet demands for credit from households and businesses at this time.

- In support of this goal, the Board today announced that it will lower the primary credit rate by 150 basis points to 0.25 percent, effective March 16, 2020.
- b. **Intraday Credit.** The Federal Reserve encourages depository institutions to utilize intraday credit extended by Reserve Banks, on both a collateralized and uncollateralized basis, to support the provision of liquidity to households and businesses and the general smooth functioning of payment systems.
 - c. **Bank Capital and Liquidity Measures.** The Federal Reserve is encouraging banks to use their capital and liquidity buffers as they lend to households and businesses who are affected by the coronavirus, and “supports firms that choose to use their capital and liquidity buffers to lend and undertake other supportive actions in a safe and sound manner.”
 - d. **Reserve Requirements.** In light of the shift to an ample reserves regime, the Board has reduced reserve requirement ratios to zero percent effective on March 26, the beginning of the next reserve maintenance period. This action eliminates reserve requirements for thousands of depository institutions and will help to support lending to households and businesses.

The Treasury Department also released the statement we had anticipated shortly before midnight last night trying to allay concerns in the small business community about their obligation to finance the paid leave plan. It is available [here](#), the text of which is pasted in full below.

“This bill will provide significant relief to small businesses that cannot afford the employee costs associated with coronavirus. The bill provides a dollar for dollar reimbursement for coronavirus related sick leave costs. To protect businesses concerned about cash flow, the Treasury will use its regulatory authority to advance funds to employers in a number of ways. Employers will be able to use cash deposited with the IRS to pay sick leave wages. Additionally, for businesses that would not have sufficient taxes to draw from, Treasury will use its regulatory authority to make advances to small businesses to cover such costs.”

Legislative prospects/Anticipated Senate Action. Our sense is that the statement helps, but may yet fall short of fully resolving the issue for small business such that the Senate may still need to amend the text of bill now before them before it can reach the President’s desk, and would in that case require second action by the House. We still expect that they will be able to overcome these obstacles and get something signed into law this week. After that, we would expect policymakers to pivot to other industry-specific support measures which we imagine could include a mix of tax relief, loan guarantee, and other targeted direct relief, particularly where industries are acting in direct response to government requests as Secretary Mnuchin and others have indicated without offering many specifics.

As always, please don’t hesitate to reach out with any questions.

Wr,

-Jeb

Jeb Mason

From: Jeb Mason <(b)(6)>

Sent: Saturday, March 14, 2020 9:37 PM

To: Jeb Mason <(b)(6)>

Subject: Cypress COVID-19 Response Update: House Bill Advance with Bi-Partisan Support, but Some Details Yet to Iron Out; Team Trump Holds Press Conference

Late Friday night, the House passed HR 6201, the Families First Coronavirus Response Act by a vote of 363-40 after President Trump tweeted his support for the deal struck by Secretary Mnuchin and Speaker Pelosi. Official text of the bill is available [here](#). A section-by-section summary is also attached.

Senate Majority Leader McConnell released a [statement](#) early Saturday morning, confirming our sense yesterday afternoon that leaders were fast coming together to move a bi-partisan deal through both chambers quickly. Though also as anticipated, a few bumps in the road have emerged which is to be somewhat expected for hastily crafted, compromise legislation. We are aware of at least three:

1. **Technical fix.** Secretary Mnuchin has already signaled the need for a technical correction which he indicated he, Speaker Pelosi, and Minority Leader McCarthy already agreed, saying the House will need take it up "Monday morning." We have heard that this is something related to railroads and indeed technical and non-controversial. The House isn't in Monday morning, and we're not so sure that the resolution will need to be the House repassing the fixed bill as it seemed Mnuchin was implying, but we believe they will figure it out.
2. **Small Biz Mandate.** A second issue is the applicability of the paid leave mandate (albeit financed by the federal government) to just small businesses with fewer than 500 employees and lack of clarity over their obligation to fund any of it. The presumption of the bill appears to be that larger employers would just implement policies voluntarily if they haven't already. But the NFIB trade group representing small business will be pushing with full force for changes or at least material clarifications. The disparate treatment is something that could be problematic enough to require material changes to the text in the Senate. Our sense is Treasury is aware of the political problem, however, and will do their best to address it with clarifications as soon as tonight (more on this below).
3. **CBO Score.** No one in the press yet seems to be talking about the fact that there is still no CBO score for the package, nor from our read of it, any obvious basis for determining just how much the paid leave mandate might eventually cost. Our sense is that this could easily reach into the hundreds of billions of dollars depending on the assumptions, and our discussions on capitol hill would suggest we aren't the only ones puzzling over it. Our sense is someone is likely to need to come up with an idea for this one. Just shooting from the hip, one possible solution would be to time limit it subject to periodic extensions and some form of certification procedure for the employees affected to avoid abuses, but that just a guess.

Trump Press Conference (3/14). President Trump held a press conference midday today with members of the White House coronavirus task force including VP Pence, Secretaries Carson and Mnuchin, Surgeon General Adams, Drs. Fauci, & Birx, CMS administrator Verma. A few highlights and takeaways:

- **General Tone.** This was from our view, far more reassuring than some prior press conferences. Pence may have seemed a little tired, but in command. He and the other task force members seemed reasonably confident under the circumstances. Our sense was a team working fairly well together, and feeling as though they have a plan on which they are now focused on executing.
- **Trump's Health.** Trump made a few headlines by indicating that he had now been tested for the virus following persistent press questions yesterday about his personal behavior (shaking hands etc), and Pence said he and his wife may be soon. The White House a short while ago announced that Trump's test came up negative.
- **Travel Restrictions.** DHS suspended all travel from continental Europe at midnight last night as had been previously announced. Today the administration announced similar travel restrictions will be expanded to the UK and Ireland effective Monday night due to evidence of spreading infections there. (American citizens and legal residents can return with additional medical screening). President Trump in response to a questions also indicated that they are examining potential domestic travel restrictions from "specific areas" and that they will be talking to the states. VP Pence later clarified that no decisions have been made, but that they will continue to follow the facts and listen to recommendations of the experts, while confirming this is something they will be talking with the governors about.
- **Monetary Policy/Powell Criticism.** In response to a question, Trump reiterated that he feels he has the ability to remove Chairman Powell, and that he has not been happy with the Fed which he views as "following, not leading," referencing lower benchmark rates set by other central banks. We shouldn't have a "fed rate" that is "higher than our competitor nations... Other countries are negative... What I would like to do frankly is refinance our debt at a much lower rate... we have tremendous opportunities right now. But Jerome Powell is not making it easy." "I have the right to remove [Powell]," "I'm not doing that." "I also have the right to move him to a 'regular position' and 'put someone else in charge.'" But he was clear that he hasn't made any decisions on that.
- **Diagnostic Testing Public-Private Partnership.** 5pm tomorrow EST, they will announce further details on the progress the team is making. Pence referenced the approval last night Thermo Fisher to produce millions of coronavirus of . details in terms of when local cites will be available at CVS, Walgreens, Walmart, what communities tests will initially be available in, when the website will be up and how they will roll it out. He also thanked bi-partisan members of Congress for acting to provide free testing.
- **Treasury Tax Credit Clarity Coming.** Secretary Mnuchin conversed some of the thinking behind the content of the bill – mainly that they want people who are sick to stay home without fear of income loss, and they wanted to find the most seamless process for people who work for small and medium-sized buinsesses to continue to get paid by their employer and not worry about "coming to big government to get their checks." That they were also very "sensitive" to the impact on small and medium sized businesses, so this cost will be taken care of by the federal government. And finally, that they wanted to deliver the money in the quickest way which means for most employers, they will just deduct the money from what they owe in taxes. He also emphasized that small and mediums sized

businesses will be able to “come to the IRS to get the money in advance so you don’t have cash flow issues.” We are hearing that Treasury/IRS could make further announcements regarding how they intend to address concerns regarding cash flow for businesses as early as this evening. Our sense is that they intend to do that by making already escrowed payroll payments available for the tax credit until it is refunded dollar for dollar on a quarterly basis. We believe they recognize that without some of this clarity to comfort concerned parties, that

- **Further Industry-specific Support.** Mnuchin concluded his remarks noting that they would be working “starting immediately the airline’s industry in particular no different than 9/11 has a very unique circumstances the cruise industry, the hotel industry.” He noted bi-partisan support to do more and that he anticipated rolling things out very quickly. He said “we have a lot of tools, the Fed has a lot of tools... some of these tools we don’t have that we had in the financial crisis.” *This we took as a reference that the federal government generally has a lot of tools, and the Fed has some specific ones to provide liquidity to the financial system. The tools they don’t have from the financial crisis, we would assume is a reference to the lack of a TARP-like authority to buy risky assets or make capital infusions if that became necessary, and maybe also a reference to limitations placed after the financial crisis on the Federal Reserve’s 13(3) emergency lending authority.* In response to a question seeking other clarifications, the Secretary noted how this is different than the financial crisis as an example, and that “because of things we are requesting people to do, there are parts of the economy that are shutting down or slowing down dramatically.” He reiterated that they are “committed to use all the tools and all the resources of the government to make sure we protect the economy...” and returned to the questioner’s mention of the airlines, stating the airlines are the most obvious, b/c we have a “unique circumstance where we have shut-down travel and these are of strategic importance to us” before going on to signal vaguely there are other individual industries possibly and reiterating that they have been discussing a potential stimulus program, whether through payroll tax cut or refundable tax credits, or something else. Mnuchin said it was premature to comment on a specific quantum of money, and noted there are “a hundred different things we are looking at.” He likened it to the second inning of a nine-inning game, while underscoring the administration is “100% committed,” and “whatever we need to do, we will do.” This, it was our sense, was the intended message of the day – that the government is united, working together as a team, and holding little back.

A full transcript of the day’s briefing is available [here](#).

Separate from today’s press conference, HUD also put out the following guidance <https://www.hud.gov/coronavirus>

As always, we welcome your comments and questions.

Jeb Mason

The Cypress Group

(b)(6) (m)
(b)(6) (b)(6)

From: Shawnda Martin <shawnda@cypressgroupdc.com>

Sent: Friday, March 13, 2020 8:20 PM

Cc: Jeb Mason <(b)(6)>

Subject: Re: Cypress Update: President to Speak at 3pm as Legislation Remains Pending

President Trump concluded his press conference this afternoon flanked by Vice President Pence, NIAID Director, Tony Fauci, other health officials and number of retail and other CEOs. There, he formally announced a previously telegraphed national emergency declaration, plans to dramatically scale up testing for the virus, and other executive measures aimed at addressing the unfolding COVID-19 pandemic.

The White House released a fact sheet (attached and linked below) along with other documents supporting today's declaration moments ago.

During the press conference, President Trump indicated he did not yet support the House coronavirus response package, arguing that Democrats are not "giving enough." However, Speaker Pelosi a short while ago announced that she and Secretary Mnuchin have reached an agreement on a coronavirus response package and the House will vote later tonight with the Senate likely voting as soon as Monday.

We would note that numerous reports have stated President Trump declared a national emergency under the *Stafford Act*. However, President Trump's letter to Congress technically states that he is declaring a state of emergency under the *National Emergencies Act* and the *Social Security Act*. As we understand it, the National Emergencies Act is used to invoke any/all of the over 120 distinct executive emergency authorities that exist under various statutes of which the Stafford Act is one. The White House releases are linked below.

- [White House Fact Sheet](#)
- [National Emergency Declaration](#)
- [Formal Notice to Congress](#)

Funding Sources. The White House Fact Sheet references \$42 billion in unspecified existing funding plus \$7 billion for SBA loans, which added together equals the roughly \$50bn cited by the President today. We believe the \$42 billion to be a reference to the current balance in FEMA's [Disaster Relief Fund \(DRF\)](#). This is the same source of funding FEMA uses to respond to various natural disasters including hurricanes like Katrina, Sandy, Irma, and Maria, as well as the 2017 California wildfires, for instance. This money is already appropriated and typically drawn down fairly gradually over many years for approved purposes under FEMA guidelines. Congress typically monitors the balance and will act upon an emergency supplemental appropriation to fill up the fund as necessary based on projections provided by FEMA. You can find the current projections for the DRF [here](#).

Finally, while you can find most of these measures in the Fact Sheet, our summary of the main takeaways from the press conference follow below.

- With respect to the national emergency declaration, President Trump announced that the administration will release over \$50 billion for states and territories to assist them in their response to the coronavirus. He ordered states to set up emergency operation centers immediately.
- President Trump is conferring broad new authority to HHS Secretary to immediately waive provisions of applicable laws and regulations to provide all hospitals with flexibility to respond to the virus. HHS will have the authority to enable telehealth, waive limits to critical access beds and length of stays, waive rules that restrict where hospitals can treat patients within the hospitals themselves, and waive rules so hospitals can bring additional physicians on board.
- Moreover, President Trump announced a new partnership with the private sector to dramatically scale up tests and shorten the turnaround period to receive test results. FDA approved a new test for the virus last night where patients will be able to receive test results within 36 hours. President Trump said he expects up to 500,000 tests to become available within the next week. Testing locations will be announced Sunday night.
- Google will facilitate a website that will provide a screening questionnaire to walk through symptoms to determine if someone should get tested for the virus. The questionnaire will provide the closest drive-thru location to receive a test. Also, representatives from Walmart, Target, and Walgreens were present to announce that they will open part of their parking lots to allot space for drive-thru testing.
- Furthermore, President Trump announced that interest accrued on federal student loans will be waived until further notice and stated that he has instructed the Department of Energy to purchase large quantities of crude oil for US strategic reserves.
- Also, the administration is providing CMS the authority to suspend regulations that could serve as a barrier to serving patients. CMS will issue guidance for nursing homes later today that will advise them to restrict visitors.
- During Q&A President Trump stated that the administration will consider adding the UK to the travel ban and will determine whether to remove some countries from the list.

We will continue to monitor legislative action on this issue and keep you updated. Please don't hesitate to reach out with your comments or questions.

From: Anna Yanker <anna@cypressgroupdc.com>

Date: Friday, March 13, 2020 at 3:04 PM

To: Anna Yanker <anna@cypressgroupdc.com>

Cc: Jeb Mason <(b)(6)>

Subject: Cypress Update: President to Speak at 3pm as Legislation Remains Pending

We outline several additional updates below, and will likely have additional followup following the President's remarks at 3pm. As always, please reach out with any questions.

Legislation. Speaker Pelosi (D-CA) spoke a short-time ago, outlining the key elements of a legislative package which she made clear will pass the House later today. These elements include free virus testing, two weeks paid leave for those affected by the virus, unemployment insurance for those who lose their jobs, and action to strengthen food security. She took no questions. The White House has thus far made no comment, and neither has Treasury or GOP lawmakers. While this may suggest they don't yet have complete compromise, this feels to us a bit more like a scripted dance setting up a formal announcement of a compromise package by the President momentarily. We speculate that any compromise package will include a sunset for the paid leave policy as well as tax credits for worker assistance. The Senate will be in next week. Our sense is that the President's posture will determine the Senate's reaction, and it seems most likely to us that the Senate will take up and pass this measure early next week and then immediately begin work on another package they can put their fingerprints on.

Presidential Emergency Declaration. The White House has announced that President Trump will hold a press conference at 3pm ET today, and is set to declare a national emergency under his Stafford Act authorities, which are typically used to respond to natural disasters but can also be used to manage disease outbreaks. We had flagged FEMA was preparing for the possibility of such a declaration in our March 11 *Cypress Update*. The precise type of declaration could impact the type and scale of relief available. We have anticipated an **"infectious disease emergency declaration"** that would allow the agency to provide disaster relief funding to state and local governments, as well as additional federal assistance from FEMA and other agencies to support the coronavirus response, but we will be watching for more details. This FEMA site provides more background on the distinction between an emergency declaration and a "Major Disaster Declaration." <https://www.fema.gov/disaster-declaration-process>

Fed/Banking Regulators. Secretary Mnuchin was on TV this morning signaling that he has been in constant contact with Fed Chair Powell, that they are examining their authorities and a "whole range of alternatives" in terms of further potential administrative response.

Housing. We are also anticipating further guidance from HUD and possibly other federal housing agencies before the end of the day concerning mortgage relief measures. In general, we expect further guidance on providing forbearance (and possibly enhanced streamlined refinances for those that remain current) to borrowers impacted by COVID-19, but this is not without challenges. One is defining the eligibility criteria for various categories of people who are impacted (e.g. those ill themselves, those with a sick family member, those facing layoffs which could be as a direct, or indirect result of the virus). Secondly, we know that 90-day foreclosure moratoriums, forbearance and other response actions for FHA, VA, Fannie and Freddie are typically triggered automatically by the designation of a Presidentially-declared major disaster area (PDMDA) under the Stafford Act, and that this is often extended repeatedly for up to 12-months. However, natural disaster declarations are typically for a very defined geography. We are not aware of a PDMDA that has been national in scope, and we are expecting a different kind of declaration from the President today, such that distinct government agency and GSE guidance addressing the specific present emergency is likely to be essential.

Anna Yanker
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From: Anna Yanker <anna@cypressgroupdc.com>

Date: Thursday, March 12, 2020 at 9:40 PM

To: Anna Yanker <anna@cypressgroupdc.com>

Cc: Jeb Mason <(b)(6)>, King Mueller <king@cypressgroupdc.com>

Subject: Cypress Update: Congress Makes Progress Toward Second Coronavirus Response Package

It is our understanding that Congress is making significant progress toward a second, negotiated coronavirus response package, working from the House Democrats' proposal ([H.R. 6201](#)) released late last night. This follows the \$8.3 billion emergency spending [package](#) passed by Congress and signed into law on March 6. We think these current efforts are likely to result in bi-partisan legislation being signed into law sometime early to middle of next week.

Timing for House Action – Speaker Pelosi (D-CA) originally committed to passing legislation today before the House leaves town for a one-week recess, with first and last votes initially scheduled between 1-2pm this afternoon (Thursday, 3/12). This has obviously slipped, and Pelosi remains in active negotiations with the White House, Treasury Secretary Mnuchin, and House GOP lawmakers that could potentially result in amended, bipartisan legislation. Pelosi and Mnuchin spoke five times throughout the day, and Pelosi stated at a briefing earlier that Mnuchin's suggestions thus far were "all very reasonable" and none would "prevent us from moving forward with the bill." The legislative text is still in flux at this hour, and therefore the measure also lacks a CBO score. Treasury and the White House continue to provide input on the draft. A short time ago, Pelosi stated that "it's fair to say we are close to an agreement, subject to an exchange of paper" and indicated there would be an announcement Friday (3/13). The House is currently set to reconvene at 9am tomorrow morning and we expect a vote to follow.

Timing for Senate Action – Majority Leader McConnell (R-KY) announced today that the Senate will cancel the planned district work period and be in session next week to vote on relief legislation. He stated earlier that "I am glad talks are ongoing between the Administration and Speaker Pelosi," which reads to us that if the House and White House can reach a détente the Senate is likely to accept that package and vote to send it to the President's desk. Rather than interpreting this as complacency by the Senate, we see McConnell's posture as seeking to empower the administration to work something out with House Democrats on the front end, such that the Senate can more rapidly ratify that agreement and avoid endless debate in the upper chamber. If the House passes a bill tomorrow, we expect the Senate will take it up early next week. We also expect the Senate to begin work on follow up measures next week given members are now scheduled to be in town.

Policies Being Negotiated – During a rare Oval Office address last night, President Trump of course [announced](#) a 30-day restriction for travel from Europe (excepting the UK), as well as his support for paid sick leave. He also asked Congress to consider a payroll tax holiday and additional funding for the Small Business Administration to mitigate the economic impact of the virus with low cost small business loans (additional details on his remarks below).

Following the President's address, House Democratic leadership introduced their package that includes provisions to expand non-emergency paid sick leave and unemployment benefits, as well as measures for nutrition security and free coronavirus testing. Senate Democrats have also floated some similar proposals (more details on both below).

President Trump has objected to what he referred to as Democratic "goodies" in the House legislative proposal, including increased federal funding for Medicaid and provisions the White House believes could be used to provide funding for health providers who perform abortions.

House Minority Leader McCarthy (R-CA) also initially stated that House Republicans would not support the Democratic legislative package, but has since said he would like Congress to pass a bill within the next 48 hours and that he is in discussions with Speaker Pelosi and Secretary Mnuchin. He further stated that "there are big things that will take more time...let's do what we can do together right now," and that the increase in Medicaid funding in particular should be left out for now.

Republican lawmakers have especially balked at the paid leave mandate on businesses as currently written – which Senator Thune (R-SD) has called "a hard sell" – arguing that there should be an option to exempt some businesses, and that the provision should have a sunset date. They also argue that having the Social Security Administration process payments would take too long to implement. Republicans have expressed interest in providing some relief to businesses, and administering worker assistance through tax credits, similar to the employee retention credits often used for other types of disaster aid. They also support provisions to ensure more masks are available for health providers.

Bottom line, we expect that lawmakers are likely to sort out their differences and pass something out of both chambers that the President can sign by middle of next week, though we could still see a couple of ups and downs before a final agreement.

Secondly, we expect this won't be the last package we see and that Congress and the administration are likely to take an incremental approach as things continue to develop, keeping all of the various policy options discussed thus far on the table and with particular attention to additional economic stimulus as well as consumer financial relief. We also expect the administrative response to continue to evolve, including more clarity on mortgage relief options.

Additional details on the current House and Senate Democratic proposals, as well as the President's recent actions, are provided below. As always, please reach out with any questions and we will continue to update you with new developments as best we can.

House Democrats' proposal (H.R. 6201)

- ***Food and Nutrition Services:*** this provision would provide funding for nutrition assistance for low-income pregnant or mothers with young children, local food banks and to the USDA for U.S. territories.
- ***HHS and Related Agencies:*** this provision would provide funding to DOL to administer an emergency paid sick days program. Moreover, the provision would provide funding for additional home-delivered meals to be delivered to low-income seniors.

- ***Maintaining Essential Access to Lunch for Students Act:*** would grant the Department of Agriculture the authority to issue nationwide school meal waivers during the current public health emergency.
- ***COVID-19 Child Nutrition Response Act:*** would permit all child and adult care centers to operate as non-congregate and to waive all meal pattern requirements, if there is a disruption to their food supply due to the coronavirus outbreak.
- ***SNAP COVID-19 Response Waivers:*** would suspend the work and work training requirements for SNAP during the outbreak. Would allow states to request waivers to provide temporary SNAP benefits to households currently receiving such benefits.
- ***COVID-19 Emergency Temporary Standard:*** would direct OSHA, within 30 days, to require employers within the health care sector, and other sectors OSHA or the CDC designate at elevated risk, to develop and implement a comprehensive infectious disease exposure control plan. The provision also would require OSHA to develop a permanent health and safety standard within 6 months. Any state and local hospitals or nursing faculties that are not subject to the Occupational Safety and Health Act of 1970 or a state occupational safety and health plan would be required to comply with OSHA's permanent safety standard. Failure to do so would result in a civil monetary penalty.
- ***Emergency Paid Leave Act of 2020:*** would create a new federal emergency paid leave benefits program that would provide workers with paid leave benefits for up to 3 months, if they are required to take at least 14 days of leave from work due to a qualifying reason related to the coronavirus outbreak. The benefits would be available for a year after the bill's enactment. Moreover, the provision would provide funding to SSA to operate the program.
- ***Emergency Unemployment Insurance Stabilization and Access act of 2020:*** would provide states with \$1 billion for emergency grants for activities related to processing and paying unemployment insurance benefits.
- ***Paid Sick Days for Public Health Emergencies and Personal and Family Care Act:*** would require all employers to allow employees to accrue up to 7 days of paid sick leave and an additional 14 days immediately during a public health emergency, including the current virus outbreak. Small businesses (50 employees or less) would be reimbursed for the costs of providing the 14 days of paid sick leave during a public health emergency.
- ***Health Provisions:*** would require private health insurers to provide free coronavirus testing to all patients, including the cost of a provider, urgent care center and emergency room visit in order to receive testing. Also, the provision would eliminate fees for patients covered by Medicare, Medicaid, Children's Health Insurance Program and the Indian health service. A new federal fund would be established to pay laboratories directly for tests of the uninsured.

Senate Democrats' Proposal Outline

- ***Lost Wages, Paid Sick Days and Loan Payment Relief:*** similar to the measure released by House Democrats, the provision would expand unemployment insurance to cover lost wages, require employers to allow employees to accrue at least 7 paid sick days and to immediately offer employees an additional 14 days of paid sick leave at the beginning of any public health emergency, including the current crisis. Lastly, the provision would allow payment forbearance for 6 months on federally insured or guaranteed mortgages, and federal student loans.
- ***Small Business and Local Economic Relief:*** would provide federal funding for the CDBG Disaster Relief program and disaster relief through the Economic Development Administration's Economic

Adjustment Assistance program to help local communities manage and recover from the crisis. Moreover, the provision would provide direct grants to eligible small businesses to aid in the cost of providing sick leave, lost business, etc. Lastly, the provision would provide supplemental funding to public transportation agencies and Amtrak.

- **Housing, Food Security and Education:** would provide rental and mortgage assistance to individuals struggling to make rent or mortgage payments. The provision also would provide supplemental financial assistance to housing authorities, housing assistance providers, and homelessness service organizations. Similar to the House proposal, the provision would waive SNAP requirements and provide the program with greater flexibility with respect to providing food assistance to families. Additionally, the provision would provide additional funding to support food banks, schools and nonprofits for the cost of meal distribution of school meals and other feeding programs. Lastly, the provision would provide funding for child care providers, schools and higher education institutions.

White House Response as Outlined March 11

- ***Restricting Travel from Impacted Areas***
 - Applies to foreign nationals who have been in the Schengen Area, 26 countries in Europe with open border agreements, in the last 14 days.
 - American citizens are exempt but will be directed to a limited number of airports for screening.
- ***Looking Out for American Businesses and Workers***
 - Instructs the Small Business Administration to exercise available authority to provide loans to impacted businesses and calls on Congress to increase funding for this program by an additional \$50 billion.
 - Instructs Treasury to defer tax payments for certain individuals and businesses negatively impacted by the coronavirus, which the administration estimates will provide \$200 billion of additional liquidity to the economy.
 - Calls on Congress to immediately pass payroll tax relief.
- ***Leading an Aggressive, Whole-of-Government Approach***
 - The memo notes that the President declared a public health emergency in January to bolster response efforts and took early action to restrict travel and issue advisories.
 - The memo notes the President's signed into the law the \$7.8 billion emergency funding package on March 6.
 - The memo notes that the administration continues work to expand testing capacity, and that health plans with health savings accounts will be able to cover coronavirus testing and treatment without co-pays.
 - Directs the administration to make general-use face masks available to healthcare workers.
 - Continues to bring together government and private industry in a collaborative response.

Anna Yanker

The Cypress Group

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1028 33rd Street, NW

Washington, D.C. 20007

202.337.1661

<https://hyperlink.services.treasury.gov/agency.do?origin=www.CypressGroupDC.com>

RE: IRS Notice of EIPs

From: "Kautter, David" </o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: "Crowley, Monica" <monica.crowley@treasury.gov>
Cc: "Morgenstern, Brian" <brian.morgenstern@treasury.gov>
Date: Sun, 05 Apr 2020 18:47:11 -0400
Attachments: IRSNotice2020_V2.docx (15.13 kB)

Monica

Here is my revised draft. I kept going back and making changes and in the process didn't save my track changes version. Sorry.

(b)(5) DP



Thanks

Dave

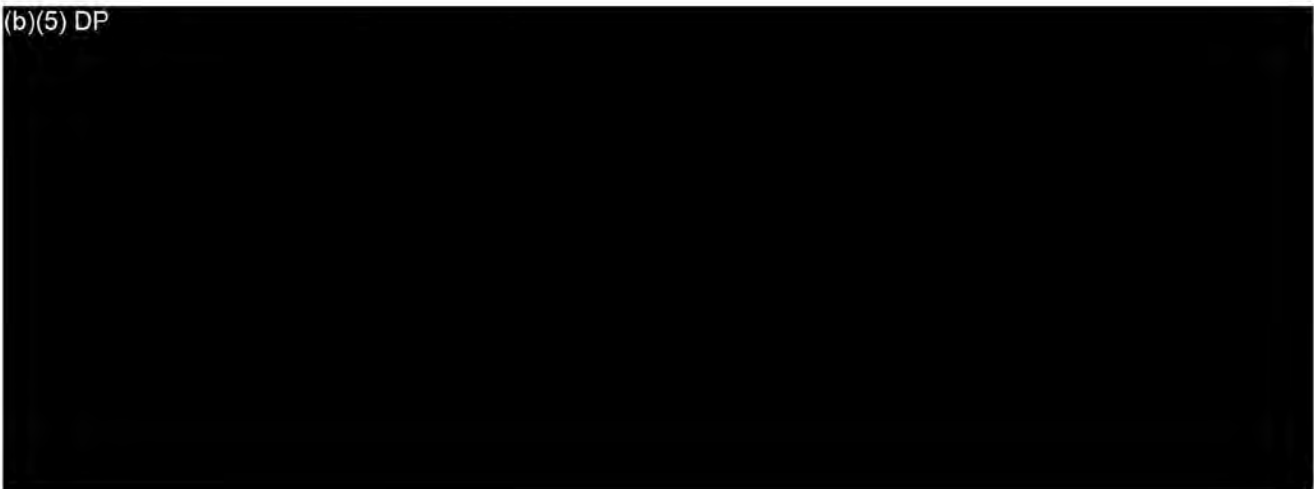
From: Crowley, Monica <Monica.Crowley@treasury.gov>
Sent: Sunday, April 5, 2020 3:23 PM
To: Kautter, David <David.Kautter@treasury.gov>
Cc: Morgenstern, Brian <Brian.Morgenstern@treasury.gov>
Subject: IRS Notice of EIPs

Hi Dave,

Attached and below please find a new draft of the IRS notice of EIPs, which I've reworked. There are a few things that remain unclear, ie. who gets debit cards vs checks, the status of veterans etc, so I put those things in brackets. Please let me know what you think.

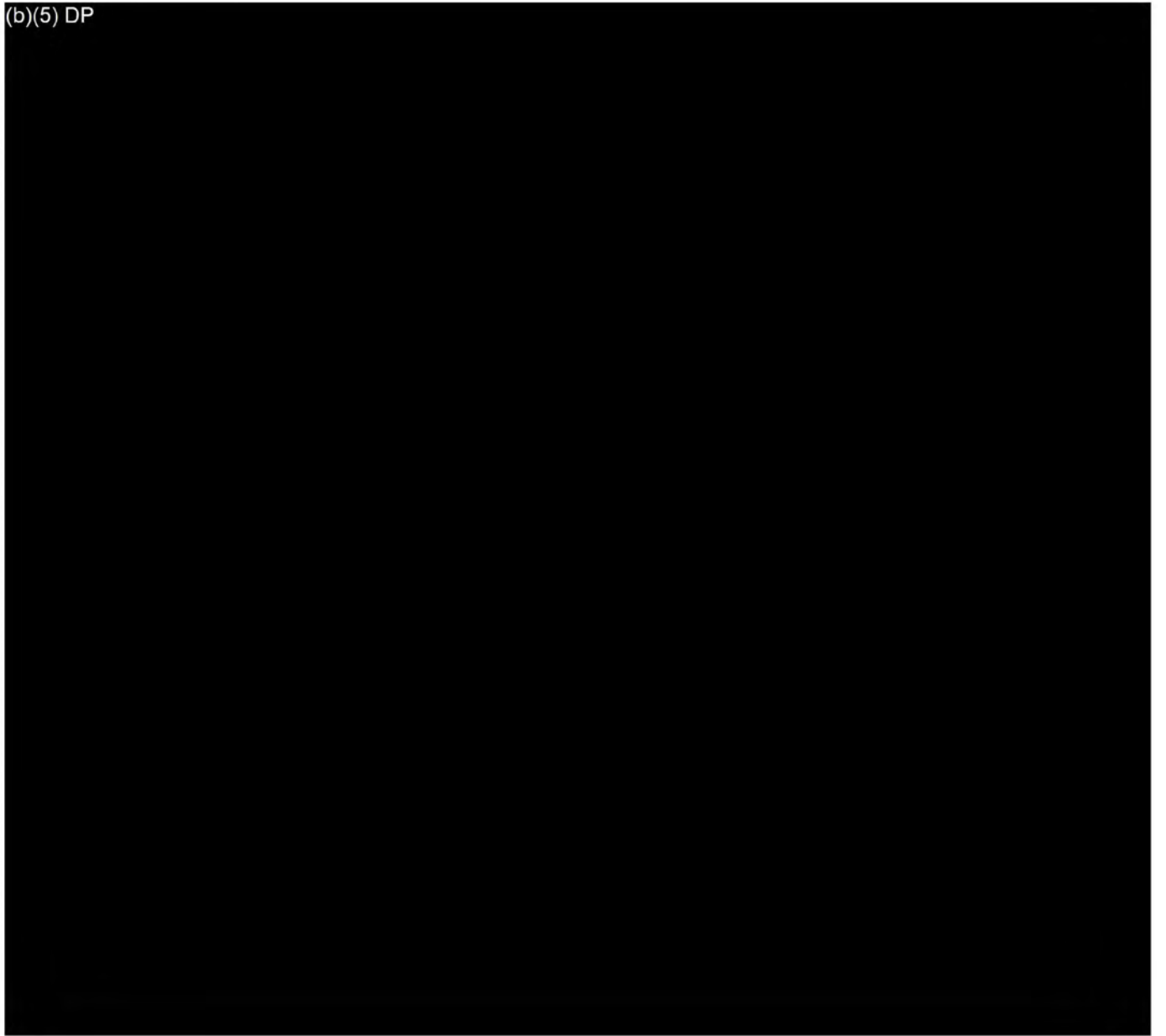
Your Economic Impact Payment

(b)(5) DP



UST_000921

(b)(5) DP



UST_000922

RE: IRS Notice of EIPs

From: "Kautter, David" <"o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: "Crowley, Monica" <monica.crowley@treasury.gov>
Cc: "Morgenstern, Brian" <brian.morgenstern@treasury.gov>
Date: Mon, 06 Apr 2020 12:20:45 -0400

(b)(5) DP

From: Crowley, Monica <Monica.Crowley@treasury.gov>
Sent: Monday, April 6, 2020 12:15 PM
To: Kautter, David <David.Kautter@treasury.gov>
Cc: Morgenstern, Brian <Brian.Morgenstern@treasury.gov>
Subject: RE: IRS Notice of EIPs

Hi Dave,

Brian and I are working on fresh drafts of this. (b)(5) DP

(b)(5) DP

Monica Crowley
Assistant Secretary of the Treasury
For Public Affairs
Monica.Crowley@Treasury.gov

From: Kautter, David <David.Kautter@treasury.gov>
Sent: Sunday, April 5, 2020 6:47 PM
To: Crowley, Monica <Monica.Crowley@treasury.gov>
Cc: Morgenstern, Brian <Brian.Morgenstern@treasury.gov>
Subject: RE: IRS Notice of EIPs

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(b)(5) DP

Thanks

Dave

From: Crowley, Monica <Monica.Crowley@treasury.gov>
Sent: Sunday, April 5, 2020 3:23 PM
To: Kautter, David <David.Kautter@treasury.gov>
Cc: Morgenstern, Brian <Brian.Morgenstern@treasury.gov>
Subject: IRS Notice of EIPs

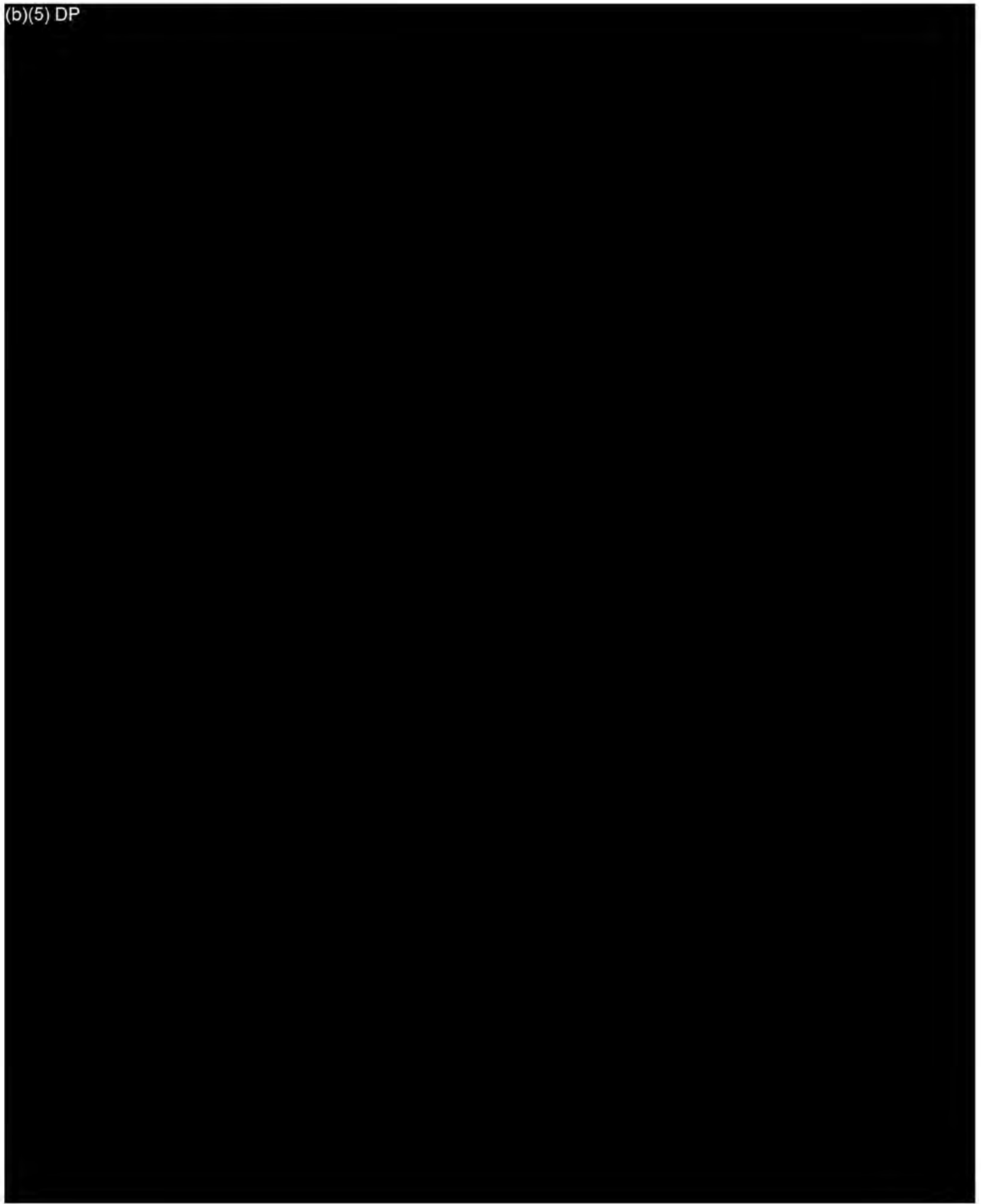
Hi Dave,

Attached and below please find a new draft of the IRS notice of EIPs, which I've reworked. There are a few things that remain unclear, ie. who gets debit cards vs checks, the status of veterans etc, so I put those things in brackets.

UST_000923

Please let me know what you think.

(b)(5) DP



UST_000924

(b)(5) DP

UST_000925

Fwd: Letter from new IBM CEO Arvind Krishna

From: "Muzinich, Justin" </o=ustreasury/ou=exchange administrative group (fvdibohf23sodlt)/cn=recipients/cn=3d2afce60d7e464fbd30ff8dbedefecb-muzinich, jus">
To: (b)(6) <(b)(6)@treasury.gov>
Date: Mon, 06 Apr 2020 12:46:51 -0400

From: Linda Evans <(b)(6)>
Date: April 6, 2020 at 12:42:29 PM EDT
To: Muzinich, Justin <Justin.Muzinich@treasury.gov>
Subject: Letter from new IBM CEO Arvind Krishna

**** Caution: External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov ****

Justin

I hope you and your family are keeping well. Since I do not have access to Secretary Mnuchin's email address nor that of his assistant, I wanted to send the attached letter from IBM's new CEO Arvind Krishna to you, and for sending on to Secretary Mnuchin.

Today is Arvind's first day as CEO, along side our new IBM President Jim Whitehurst. We are proud of the work we are doing to fight COVID-19 using the power of technology and we will continue to work with, and support the Trump Administration efforts in this regard.

Please do not hesitate with questions and take care.

Linda Evans, Esq.
Director, Global Tax Policy and Government Affairs, IBM

Phone: 1-202-551-9381 | Mobile: (b)(6)
E-mail: levans@us.ibm.com

600 14th St NW
Washington, DC 20005-2012
United States



UST_000926

FW: Sportfishing Excise Tax Delay

From: "Kautter, David" </o=ustreasury/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=946683dadce24f0fb93291a12cafc0f7-kautter, dave">
To: "Van Hove, Jeffrey" <jeffrey.vanhove2@treasury.gov>
Date: Mon, 06 Apr 2020 15:30:22 -0400

FYI

From: Mike Leonard (b)(6)
Sent: Monday, April 6, 2020 2:45 PM
To: Secretary Mnuchin
Cc: Kautter, David <David.Kautter@treasury.gov>; Rauch, Paul (b)(6)
Subject: Sportfishing Excise Tax Delay

**** Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Dear Secretary Mnuchin – on behalf of Glenn Hughes, President of the American Sportfishing Association, please find the attached letter requesting a 90 day delay on the due date for the fishing equipment excise tax. A 90 day delay has already been provided for [firearms and ammo](#), which has a similar excise tax to ours. The sportfishing industry supports the 10% excise tax on fishing equipment, because we know it's put to good use to benefit fisheries conservation and access. However, given the significant impact that the COVID-19 pandemic is having on the industry, companies need as much cash on hand as possible to keep payroll going and maintain basic business expenses. Delaying for a few months the first quarterly payment of the excise tax, which is due at the end of April, would be a huge help. Thank you for your consideration of this request, and for your continued leadership to the nation in these trying times.

Best,
Mike Leonard

Mike Leonard
Vice President of Government Affairs
American Sportfishing Association
1001 N. Fairfax St., Suite 501
Alexandria, VA 22314
Office Phone: (b)(6)
Mobile Phone: (b)(6)
Email: (b)(6)
<https://www.american-sportfishing.org/agency.do?origin=www.asafishing.org> | <https://hyperlink.services.treasury.gov/agency.do?origin=www.KeepAmericaFishing.org>



UST_000927