



Labor & Employment Issues Client Alert

Pitta LLP
For Clients
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**“Every record has been destroyed or falsified, every book rewritten,
every picture has been repainted, every statue and street building has been renamed,
every date has been altered.**

**And the process is continuing day by day and minute by minute. History has stopped.
Nothing exists except an endless present in which the Party is always right.”**

-George Orwell, 1984-

FEDERAL RESERVE MAIN STREET LOAN PROGRAM STRUGGLES

It has been nearly six months since the first confirmed case of COVID-19 in the United States. Since that time, COVID-19 has caused a nearly historic economic crisis.

The federal government has taken a number of steps to address the economic crisis from COVID-19 by passing a series of economic relief packages including a plan to provide loans to small and medium-size businesses to help them mitigate the economic crisis.

The Federal Reserve established the Main Street Lending Program (“Program”) to support lending to small and medium-sized businesses that were in sound financial condition before the onset of the COVID-19 pandemic. The Program operates through three facilities: the Main Street New Loan Facility (MSNLF), the Main Street Priority Loan Facility (MSPLF), and the Main Street Expanded Loan Facility (MSELF).

According to financial analysts, the Program is struggling to meet its objective. The Federal Reserve and the United States Department of the Treasury, which is providing money to secure all loans have spent months devising the program, negotiating over the credit risk and the vetting terms for debtors.

After three months, the program has been overhauled twice and it remains under-utilized and unpopular with the small and mid-size businesses it was designed for. The Department of the Treasury has been reluctant to take up too much risk which makes approval for loans difficult to obtain.

Congress is pushing for another overhaul to the Program to increase credit to struggling businesses.

PRESSURE INCREASES FOR CONGRESS TO PASS NEXT COVID-19 ECONOMIC RELIEF PACKAGE

With the new surge of COVID-19 cases across the country, there is more and more pressure on the Trump Administration and Congress to pass another round of COVID-19 economic relief.

The push for a new COVID-19 economic relief has support from State and Local governments that are essentially bankrupt from the loss of revenue. Governor Andrew Cuomo has been leading bi-partisan efforts for the Federal government to pass legislation that will provide economic relief to State and Local governments. Mayor Bill de Blasio stated that if the City does not receive economic relief by the Fall it will have to layoff 22,000 municipal workers.

Large companies such as United Airlines Holdings, Inc. have reported the need for more COVID-19 economic relief to avert layoffs. On July 7, 2020 United Airlines notified 36,000 employees that their jobs are at risk after the federal payroll aid expires at the end of September. They have started lobbying for an extension of federal payroll aid.

Labor unions have started lobbying Congress for an extension of the Federal Pandemic Unemployment Assistance Program which provides an extra \$600 per week for workers receiving unemployment benefits. The program is due to expire at the end of the month. Labor union activists have warned that the loss of the extra \$600 in unemployment benefits will make economic conditions more dire for unemployed Americans and have asked for an extension of this program.

While federal legislators agree that another COVID-19 economic relief bill is necessary as the United States economy reopens, Democrats in the House, Republicans in the Senate and the Trump administration find themselves at least \$1 trillion apart with a month-long congressional recess fast approaching in August.

**“We believe in the ideas of family, mutuality,
the sharing of benefits and burdens
for the good of all, feeling one another’s pain,
sharing one another’s blessing
recognizing that at the heart of the matter
we are bound to each other.”**

-Mario M. Cuomo-

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