CREDIT EVALUATION

1. Will Treasury apply credit standards in determining whether applicants are eligible to receive loans and the amount of such loans?

   Yes. Treasury will determine loan eligibility and maximum loan sizes based on uniform credit standards.

   For applicants that are able to provide unencumbered collateral to secure the loans from Treasury, maximum loan amounts will be based on the following loan-to-value standards on specific types of collateral:
   - Real estate: 50% at closing
   - Aircraft: 50% at closing
   - Engines and spare parts: 50% at closing
   - Slots, gates and routes: 50% at closing
   - Flight simulators: 50% at closing
   - Ground support equipment: 25% at closing
   - Accounts receivable: 85% at closing
   - Loyalty programs: 50% at closing

   Applicants that do not have available unencumbered collateral to secure the loans from Treasury will be eligible for unsecured loans only if they pass the following tests:
   - Total outstanding debt divided by 2019 earnings before interest, taxes, depreciation, and amortization (EBITDA) is less than 6; and
   - Either 2019 EBITDA divided by 2020 projected debt service is greater than 1.5, or total outstanding secured debt divided by total existing tangible assets is less than 75 percent.

   The maximum amount of unsecured loans to applicants that pass the above tests will be determined by the maximum amount of additional debt such applicant could incur before it would not pass the tests.

   The Treasury Department will contact loan applicants that do not meet the credit standards and therefore are ineligible for loans.

ELIGIBILITY

2. Should applicants also apply for a loan from a bank participating in the Federal Reserve’s Main Street Lending Program (MSLP)?

   Some businesses that applied for loans from Treasury will likely be better served by the Main Street Lending Program (MSLP), which the Federal Reserve established after the application deadline for Treasury’s loan program. Therefore, Treasury is encouraging
applicants that appear to be eligible for a loan from a bank participating in the MSLP to first apply for such a loan. If these applicants do not receive such a loan, Treasury will consider their application for a loan based on Treasury’s credit standards. For applicants that do not appear to be eligible for a loan from a bank participating in the MSLP, Treasury will continue to process their application pursuant to Treasury’s credit standards.

3. **Is there a minimum loan size for a loan from the Treasury Department?**

Yes. The minimum size of a loan from Treasury is $250,000. This minimum threshold is being imposed to avoid the administrative burdens and fixed costs associated with all loans, regardless of size, in the case of loans that provide relatively small economic benefits compared to larger loans.

4. **Does the borrower have to be the legal entity that is eligible as a qualifying air carrier, MRO, or ticket agent, or can related corporate entities can be a borrower?**

The borrower must be a legal entity that is eligible for a Treasury loan under section 4003(b)(1) or (2) of the CARES Act: specifically, a passenger air carrier; an eligible business that is certified under 14 CFR part 145 to perform inspection, repair, replace, or overhaul services; a ticket agent; or a cargo air carrier. However, a borrower’s parent company that directly or indirectly owns 100% of the equity of the borrower, or a borrower’s subsidiary in which the borrower directly or indirectly owns 100% of the equity, may be a co-borrower. Other affiliates of the borrower may be guarantors of the loan.

All borrowers and guarantors will be jointly and severally liable for the loan obligation. In applying its credit standards, Treasury will take into account all co-borrowers and guarantors. However, in determining loan sizing, Treasury will consider only the operating expenses of the primary borrower.

**TERMS AND CONDITIONS**

5. **Are there any restrictions on how borrowers can use loan proceeds?**

Yes. Loan proceeds must be used for general corporate purposes and operating expenses (including payroll, rent, utilities, materials and supplies, repair and maintenance, and scheduled interest payments on debt incurred before February 15, 2020), in each case in compliance with all applicable law.

Loan proceeds may not be used for non-operating expenses, including capital expenses, delinquent taxes, and debt principal payments, unless the borrower can demonstrate, to Treasury’s satisfaction, that payment of any such non-operating expense is necessary to optimize the continued operations of the borrower’s business and does not merely constitute a transfer of risk from an existing creditor or investor to the federal government.

The Treasury Department will provide additional guidance on terms and conditions on an ongoing basis.