

Crapo Statement for the Record on CARES Act

Statement to be submitted for the Congressional Record when the Senate is in session.

MR. PRESIDENT, the CARES Act gets the Treasury and Federal Reserve working with our financial system to get liquidity to eligible businesses across a vast array of sectors, as well as States and municipalities, affected by COVID-19 that need support during this terrible crisis.

The legislation provides at least \$454 billion to the Treasury's Exchange Stabilization Fund to support the Federal Reserve's 13(3) emergency lending programs and facilities. In addition to several stipulations that are already in place for 13(3) programs and facilities, the legislation further requires eligible businesses participating in a program or facility providing direct loans to agree to not buyback stocks or pay dividends until 12 months after the loan is no longer outstanding. The Treasury Secretary may also waive those requirements if it is determined to be in the interests of the Federal government.

Unfortunately, the prohibition on dividend payments could limit access to these important liquidity resources merely because some sectors are required to pay dividends. Real Estate Investment Trusts (REITs) are companies that own or finance income-producing real estate properties across the nation. REITs invest in many different types of properties that are critical to our economy, including offices, apartments, warehouses, retail centers, data centers, infrastructure, hotels and medical facilities.

Sixty years ago, Congress created REITs to give smaller investors access to the numerous investment benefits of professionally-managed real estate. Now, more than 87 million Americans own REITs through their 401(k) plans and other investment funds. Among other requirements, a company is required to pay out at least 90 percent of its taxable income in the form of investor dividends each year to qualify as a REIT. This prohibition on dividend payments could disqualify REITs from accessing critical liquidity under this legislation during this terrible crisis that is affecting individuals and businesses in every corner of the economy.

REITs should not be disqualified from access to programs or facilities providing direct loans just because they are required to pay out 90 percent of their taxable income as dividends, which ultimately go to benefit individual investors, including in their 401(k) plans.