Summary of Draft Auto Rescue Bill

Adds Title IV to the Emergency Economic Stability Act (EESA):

- **Emergency Direct Loan Program** – Directs Treasury to make no greater than $25 billion total in loans to eligible automobile manufacturers no earlier than December 1, 2008. These funds will be drawn from the third tranche of the $700 billion provided under EESA without triggering the reporting and procedural requirements. Treasury will designate a portion of these funds as needed to meet applicants' short-term liquidity requirements while they develop the long-term restructuring plan due on 3/31/09, and reserve the balance for long-term needs and implementation of restructuring plan.

- **Eligible Applicants**
  - Domestic automobile manufacturers producing in the U.S. continuously for 25 years or more.
  - Treasury, in consultation with the Oversight Board described below, must make a determination that the failure of the applicant would have "systemic adverse effect on the overall United States economy."
  - Applicant must provide financial and other information as Treasury may require.
  - Applicant must submit a short-term operating plan that describes planned use of the loan proceeds, including commitment of resources to develop long-term restructuring plan and reasonable prospects for repayment.

- **Long-Term Restructuring Plan** – Not later than 3/31/09, loan recipients must submit to Treasury acceptable restructuring plan for long-term viability and international competitiveness, including fuel efficiency standards and advanced technology vehicle manufacturing, rationalization of costs, and proposals for restructuring existing debt.

- **Oversight Board**
  - The Financial Stability Oversight Board (Oversight Board) established under EESA will provide oversight of the loan program, and will have four additional members for purposes of the loan program (Secretaries of Energy, Labor and Transportation and the EPA Administrator) in addition to the five existing members (Fed Chairman, Treasury Secretary, FHFA Director, SEC Chairman, and HUD Secretary).

- **Oversight of the Loan Program** – Existing oversight provisions of EESA apply to the loan program, including GAO, Special IG, and Congressional Oversight Panel.

- **Allocation of Funds** – Treasury, in consultation with the Oversight Board, will prioritize applications based on the magnitude of the impact of the applicant's U.S. manufacturing operations on the overall U.S. economy.

- **Terms of Loans**
  - **Term**: 7 years (or longer as may be determined by the Oversight Board), subject to immediate acceleration if the recipient fails to submit an acceptable long-term restructuring plan.
  - **Interest Rate**: 5% for first 5 years and 9% thereafter.
  - **Super Seniority**: All other obligations and liabilities of a recipient will be subordinate to the loan.
  - **No prepayment penalty**.

- **Warrants** – Treasury must obtain warrants from each loan recipient (or economic equivalent in the case of a privately held firm) equal to 20% of the loan or such greater percentage as may be determined by Treasury in consultation with the Oversight Board.

- **Executive Compensation and Corporate Governance –** All executive compensation restrictions from EESA apply to loan recipients for the duration of the loan plus the following additional restrictions:
  - no bonuses to employees making more than $200,000 (which Treasury will adjust for inflation).
  - no golden parachutes under any circumstances.
  - no compensation plan that could encourage manipulation of reported earnings to enhance compensation.

- **Ability to Prohibit Transactions, Oversight of Financial Condition –** For duration of the loan, Treasury in consultation with the Oversight Board will have the authority to review and prohibit any asset sale, investment, contract, or commitment proposed to be entered into by the recipient valued in excess of $25 million.

- **Dividends –** Recipients may not pay any dividends for duration of the loan.

- **Full Information Access –** Recipients are required to provide Treasury and Oversight Board access to all information that may be relevant to the loan to monitor the interests of the government under this title.

- **Acceleration of Repayment for Failure to Comply** – Treasury may require, in consultation with the Oversight Board, accelerated repayment if loan recipient fails to submit an acceptable long-term restructuring plan or fails comply with any other applicable condition or requirement of the loan program or CAFE.