

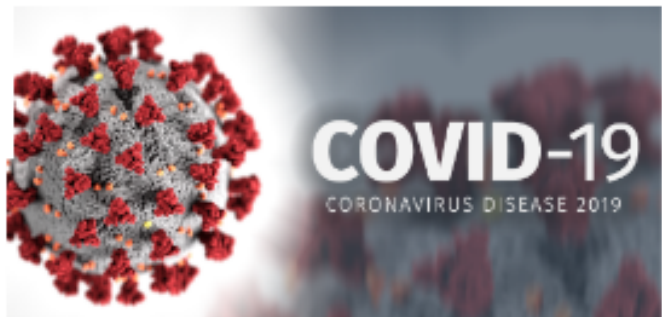
Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Lending for Small Business Relief

The American Institute of CPAs (AICPA) has called for the Federal Reserve to create a federally backed, short-term accounts receivable lending facility that would allow companies to pledge future receivables and, in return, receive immediate cash flow.

Apr. 28, 2020



The [American Institute of CPAs \(AICPA\)](#) has called for the Federal Reserve to create a federally backed, short-term accounts receivable lending facility that would allow companies to pledge future receivables and, in return, receive immediate cash flow.

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

members have shared that a growing number of their clients are currently unwilling to take on risks, such as making large purchase commitments or investing in inventory, because of uncertainty with their customers' purchasing power," said Carl Peterson, CPA, AICPA Vice President, Small Firms. "Also, many businesses do not have the cash to pay vendors and are asking for extensions of payment terms, leaving those awaiting payment in a cash crunch. Until this uncertainty is substantially lifted, we believe that there is an immediate and critical need to help the public and private markets, including many smaller businesses."

Jason Brodmerkel, CPA, AICPA Senior Manager, Accounting Standards, added, "Accounts receivable at many businesses continue to grow as their customers hold onto cash. Some businesses need additional assistance to fund their receivables because of slow-paying customers. Providing liquidity for accounts receivable would help encourage growth and investments in business."

AICPA's proposal would work as follows:

- The Board of Governors of the Federal Reserve System, by the unanimous vote of its five members and with the approval of the Secretary of the Treasury, would authorize the establishment and operation of a short-term accounts receivable lending facility under section 13(3) of the Federal Reserve Act (12 U.S.C. § 343(3)).
- The Federal Reserve would commit to lend to a Special Purpose Vehicle (SPV) on a recourse basis. The Department of Treasury would then make an equity investment into the designated SPV by utilizing funds from Section 4003(b)(4) of the CARES Act.
- Businesses pledge their receivables, such as any relevant contracts, purchase orders, and confirmations from the secondary parties (customers of said receivables).
- Upon approval, the Federal Reserve would provide a reasonable discount rate of the receivable/invoiced amount with no repayment due for six months. A monthly

repayment plan would exist during months 7-12 from that point forward.

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Accounting • AICPA • Income Tax • Small Business

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved