



Financial Services Committee Overview: **Federal Reserve Main Street Lending Program**

June 19, 2020

Main Street Lending Program will provide liquidity to small and mid-sized businesses, through our financial institutions, in this time of unprecedented need. This support will help keep Main Street businesses operational and their employees on payroll to ensure a strong economic recovery.

What is the Main Street Lending Program?

- The MSLP will support small and mid-sized businesses, and their employees, that were in good financial standing before the public health crisis by ensuring credit flows to businesses in need.
- MSLP loans will provide stopgap support to keep our businesses operational and enable consumers to remain active in our economy as communities across the country work to reopen.
- This money is required to be repaid; it is not permanent government debt.
- The Federal Reserve and Treasury are using the Exchange Stabilization Fund exactly as Congress intended—to provide liquidity to Main Street Businesses, through our financial institutions, in this time of unprecedented need.
- Keeping these small and mid-size businesses solvent will help ensure a strong economic recovery that will benefit all Americans.
- The Fed worked at a breakneck pace to stabilize the markets and the economy early on by rushing relief to businesses through the Paycheck Protection Program and the Federal Reserve's Corporate Credit Facilities.

Who is eligible to participate in the Main Street Lending Program?

- An eligible borrower:
 - Is a business with up to 15,000 employees or up to \$5 billion in 2019 annual revenues;
 - Is created or organized in the United States or under the laws of the United States; and
 - Has significant operations in and a majority of its employees based in the United States
- A borrower must commit to commercially reasonable efforts to maintain payroll and retain workers and must comply with the CARES Act requirements on executive compensation, stock buybacks, dividends, and capital distributions.
- Recipients of Paycheck Protection Program loans are eligible for the Main Street Lending Program, provided the other eligibility requirements are met.
- Bottom line: Small to mid-sized businesses who meet eligibility requirements can access this program to remain solvent and take part in our nation's economic comeback.

Who is eligible to lend through the Main Street Lending Program?

- Eligible lenders include U.S. federally-insured depository institutions (including banks, savings associations, and credit unions), U.S. branches or agencies of foreign banks, U.S. bank holding companies, U.S. savings and loan holding companies, U.S. intermediate holding companies of foreign banking organizations, or any U.S. subsidiary of any of the previously listed institutions.



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How does the Main Street Lending Program Work?

- Eligible lenders may originate new loans or increase the size of existing loans. The Federal Reserve will then purchase 85-95% of the loan, providing liquidity to these lenders to continue making loans while also ensuring the lenders retain a small percentage of the risk associated with the loan.
- There are three facilities available:
 - o The Main Street New Loan Facility (MSNLF) will purchase loans originated after April 24, 2020. The minimum loan amount is \$500,000, and the maximum loan amount is the lesser of \$25 million or four times borrower earnings. The lender will retain 5% of the loan.
 - o The Main Street Priority Loan Facility (MSPLF) will purchase loans originated after April 24, 2020 to borrowers with higher amounts of existing debt. The minimum loan amount is \$500,000, and the maximum loan amount is the lesser of \$25 million or six times borrower earnings. The lender will retain 15% of the loan.
 - o The Main Street Expanded Loan Facility (MSELF) will purchase loans originated prior to April 24, 2020. The minimum loan amount is \$10 million, and the maximum loan amount is the lesser of \$200 million, six times earnings, or 35% of the borrower's existing debt with the eligible lender. The lender will retain 5% of the loan.

Visit the Federal Reserve Bank of Boston's [website](#) for additional information and answers to frequently asked questions about the Main Street Lending Program.