



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

April 9, 2020

What is the Main Street Business Lending Program?

- On April 9, 2020, the Federal Reserve announced the creation of a Main Street Business Lending Program. The program will support small and mid-sized businesses that were in good financial standing before the public health crisis.
- This facility will ensure credit flows to small and mid-sized businesses that may not have been supported through the Paycheck Protection Program or the Fed's other lending facilities.
- The Treasury will invest \$75 billion into a special purpose vehicle (SPV) to purchase eligible loans.
 - The facility can purchase up to \$600 billion in loans.
 - The SPV will stop purchasing loans on September 30, 2020, unless extended.

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

- An eligible borrower is a business with up to 10,000 employees or up to \$2.5 billion in 2019 annual revenues, that is created or organized in the United States or under the laws of the United States with significant operations in and a majority of its employees based in the United States.
- A borrower must commit to efforts to maintain payroll and retain workers and must comply with the CARES Act requirements on executive compensation, stock buybacks, dividends, capital distributions, and conflict of interest.
- Recipients of Paycheck Protection Program loans are eligible for the Main Street Business Lending Program.
- Eligible lenders are U.S. insured depository institutions, U.S. bank holding companies, and U.S. savings and loan holding companies.

How does the Main Street Business Lending Program Work?

- Eligible lenders may originate new loans or increase size of existing loans to businesses through the Main Street Business Lending Program.
 - The Main Street New Loan Facility (MSNLF) will purchase loans made on or after April 8.
 - The Main Street Expanded Loan Facility (MSELF) will purchase loans made prior to April 8.
- Loan amounts will range from \$1 million to \$150 million and will mature in 4 years.
- Payments of principal and interest may be deferred for one year.
- The Main Street facility will purchase up to 95 percent of each loan, and the bank will retain at least 5 percent.
- The Federal Reserve will take comments on the proposal through April 16, 2020.

Why is the Main Street Business Lending Program Important?

- The creation of the Main Street Business Lending Program will protect our businesses from the current liquidity crunch, ensure economic recovery on Main Street, and keep Americans employed.