

April 10, 2020

New Main Street Lending Program Offers More Relief for Small and Mid-Sized Businesses

Human Resources & Employment

Corporate

The Federal Reserve yesterday announced a series of actions authorized by the CARES Act to try to stabilize the economy amidst the fallout from the COVID-19 pandemic, including two measures targeted at helping hard-hit small and mid-sized businesses.

The first is the establishment of the Main Street Lending Program (MSLP) to benefit businesses with up to 10,000 employees or annual revenues of less than \$2.5 billion that are struggling as a result of the pandemic. Under the program, the Fed will purchase up to \$600 billion in loans made by banks to qualifying businesses, which can include those who have also applied for the Paycheck Protection Program (PPP).

Participating banks may originate new MSLP loans or use the program to increase the size of existing loans to businesses. Lenders will retain a 5% share of the loan, selling the remaining 95% to the MSLP facility program created by the Fed.

The MSLP loans will be capped at \$25 million, with a term of four years that includes an automatic one-year deferral. To be eligible for MSLP loans, businesses that were in good standing before the pandemic must commit to make reasonable efforts to maintain payroll and retain workers. Borrowers must also follow compensation, stock repurchase and dividend restrictions that apply to direct loan programs established by the CARES Act.

Through Thursday, April 16, 2020, the Fed is inviting lenders, borrowers and other stakeholders to comment on the MSLP [here](#).

More information on the MSLP can be found [here](#). We expect further guidance to be issued in the coming days, and we will keep you updated as needed.

The second step by the Fed was a move intended to shore up the PPP by making it more attractive for banks to loan money as part of the PPP. In creating the Paycheck Protection Program Liquidity Facility (PPPLF), the Fed will extend credit to eligible financial institutions that originate PPP loans, taking the loans as collateral at face value. While not a direct benefit to small businesses, the move may help more banks offer more loans under the program.

Additionally, the Fed established the Municipal Liquidity Facility, which will offer up to \$500 billion in direct financing to states and large counties and cities to help with cash flow needed to help provide relief for their affected businesses and households.

Other moves announced by the Fed to help an economy battered by the pandemic included expanding access to Primary and Secondary Market Corporate Credit Facilities (PMCCF and SMCCF) for eligible corporate debt, and restarting the 2008 Term Asset-Backed Securities Loan Facility (TALF) to the tune of \$100 billion in nonrecourse loans with a term of three years. The Fed stated that it will "continue to closely monitor conditions in the primary and secondary markets for municipal securities and will evaluate whether additional measures are needed to support the flow of credit and liquidity to state and local governments."