

The Main Street Lending Program (MSLP) Is A Failure To Date

When MSLP Was Created, It Was Allocated \$600B, But Only 54 Payments (Totaling \$530M) Were Active In Its System.

The Federal Reserve's Main Street Lending Program (MSLP) Was Intended To Offer \$600 Billion In Emergency Loans To Small- And Medium-Sized Businesses During The Pandemic...

The Federal Reserve's (The Fed's) Main Street Lending Program (MSLP) Is Intended To Offer \$600 Billion In Emergency Loans To "Small And Medium-Sized Businesses That Were In Sound Financial Condition Before The Onset Of The COVID-19 Crisis." "The program is designed to help credit flow to small and medium-sized businesses that were in sound financial condition before the onset of the COVID-19 crisis, but now need loans to help maintain their operations until they have recovered from, or adapted to, the impacts of the pandemic." [Federal Reserve Bank of Boston, accessed [06/17/20](#)]

MSLP Was Authorized Under The CARES Act And Section 13(3) Of The Federal Reserve Act. "The Main Street Lending Program, authorized under the CARES Act and Section 13(3) of the Federal Reserve Act, is designed to provide financial assistance to small and medium sized businesses." [Foley & Lardner, [6/12/20](#)]

The \$600B MSLP Was One Of The Federal Reserve's Emergency Lending Programs. "For months, the Federal Reserve's \$600 billion Main Street lending program has been overshadowed by a lengthy rollout and little appetite from banks and businesses alike." [Washington Post, [8/7/20](#)]

...But As Of Early August 2020, The MSLP Only Had \$530 Million Through Just 54 Loans Active In Its System.

Federal Reserve Bank Of Boston President And CEO Eric Rosengren Testified That The Federal Reserve Had 54 Loans Worth Over \$530 Million Active In Its MSLP System, As Of August 4, 2020. "As of Tuesday, over \$530 million in loans are active in the portal. 54 Loans. 18 Loans with a combined value of \$109 million have our commitment for purchase or have settled." [C-SPAN, [08/07/20](#) (12:19)]

A Key Oversight Official Said, "By Any Measure, The [Main Street Program](#) Has Been A Failure."

A Member Of The Congressional Oversight Commission Charged With Overseeing The MSLP Told Congress, "By Any Measure, The [Main Street Program](#) Has Been A Failure" Because It Failed To Gain Traction. "The Federal Reserve's first-ever attempt to lend money to midsize businesses was destined to be a challenge. The push has proved to be an outright flop, according to a member of the oversight commission charged with monitoring it. 'By any measure, the [Main Street program](#) has been a failure,' [Bharat Ramamurti](#), a member of the [Congressional Oversight Commission](#), said at the group's first-ever hearing on Friday. Since it came fully online about a month ago, the program has hardly been used, supporting [less than](#) \$200 million in loans.'" [New York Times, [08/07/20](#)]

Only 13 MSLP Loans Have Been Disclosed, Totaling \$92,175,000 In Aid To Recipients In Just Five States.

Federal Reserve Disclosed 13 MSPLF And MSNLF Loans, As Of August 10, 2020. According to data release by the Federal Reserve, thirteen MSPLF and MSNLF loans have been purchased. Details can be found in the below table:

DATE	LENDING FACILITY	LENDER	RECIPIENT	STATE	AMOUNT
7/1/20	MSPLF	Starion Bank	Cherry Tree Dental, LLC	Wisconsin	\$12,300,000
7/14/20	MSNLF	City National Bank of Florida	Solesdi US LLC	Florida	\$2,000,000
7/13/20	MSPLF	City National Bank of Florida	Cailis Mechanical Corp	Florida	\$5,000,000
7/21/20	MSNLF	City National Bank of Florida	Atlas Apex Roofing, LLC	Florida	\$5,500,000
7/16/20	MSNLF	City National Bank of Florida	O.T. Concrete Services Inc.	Florida	\$2,500,000
7/13/20	MSPLF	FNCB Bank	Mount Airy #1, L.L.C.	Pennsylvania	\$50,000,000
7/16/20	MSPLF	City National Bank of Florida	RESOF, LLC	Florida	\$2,100,000
7/16/20	MSPLF	City National Bank of Florida	Pablo Alfaro, P.A.	Florida	\$1,500,000
7/22/20	MSNLF	City National Bank of Florida	Zevuloni & Associates Inc	Florida	\$1,900,000
7/22/20	MSNLF	City National Bank of Florida	Air-Source Int'l Corp.	Florida	\$1,900,000
7/15/20	MSNLF	B1BANK	Gulf South Energy Services, LLC	Louisiana	\$2,000,000
7/23/20	MSPLF	FNCB Bank	Este Tux, Inc.	Pennsylvania	\$3,250,000
7/23/20	MSNLF	Transpecos Banks, SSB	Ilios Lighting Design, LLC	Texas	\$2,225,000
TOTAL					\$92,175,000.00

[Federal Reserve – Reports To Congress – MSPLF and MSNLF Transactions, [8/10/20](#)]

- Lending Facilities Of MSLP Included The Main Street New Loan Facility (MSNLF) And The Main Street Priority Loan Facility (MSPLF).** “The Federal Reserve established the Main Street Lending Program (Program) to support lending to small and medium-sized businesses and nonprofit organizations that were in sound financial condition before the onset of the COVID-19 pandemic. The Program operates through five facilities: the Main Street New Loan Facility (MSNLF), the Main Street Priority Loan Facility (MSPLF), the Main Street Expanded Loan Facility (MSELF), the Nonprofit Organization New Loan Facility (NONLF) and the Nonprofit Organization Expanded Loan Facility (NOELF).” [Federal Reserve – Policy Tools – Main Street Lending Facility, Accessed [8/11/20](#)]

In The Three Months It Took The Fed To Launch The MSLP, It Repeatedly Loosened The Program’s Eligibility Requirements, And Is Likely To Further Lower Its Standards.

Prior To The MSLP, The Federal Reserve Had Never Tried To Support Mid-Sized Businesses, And The Program Failed To Gain Traction Months After The Program’s Launch.

Prior To The MSLP, The Fed “Had Never Tried To Support Midsize Businesses Before,” And Even After Several Revisions, The Program Still Hadn’t Gained Traction, As Of Early August 2020. “The Fed first said it would set up a Main Street option in late March, but it had never tried to support midsize businesses before, and Chair Jerome H. Powell has said designing the program was a challenge. Even after multiple revisions, thousands of comments and extensive congressional grilling, it remains unclear how extensively the program will be used. Many lenders report that they are hearing of only limited borrower interest in the program.” [New York Times, [07/08/20](#)]

March 23, 2020: The Fed Announces Its Intent To Establish What It Then Called The “The Main Street Lending Business Lending Program” As Part Of Its Efforts To Assist Businesses Struggling During The COVID-19 Pandemic.

March 23, 2020: The Federal Reserve Announces It Will Soon Establish “The Main Street Lending Business Lending Program” In Addition To Other COVID-19 Relief Efforts. “In addition to the steps above, the Federal Reserve expects to announce soon the establishment of a Main Street Business Lending Program to support lending to eligible small-and-medium sized businesses, complementing efforts by the SBA.” [Federal Reserve, [03/23/20](#)]

April 9, 2020: Weeks After Its Initial Announcement, The Fed Formally Announced Details On MSLP, Which Would Offer 4-Year Loans To Firms With Up To 10,000 Workers And Up To \$2.5 Billion In Annual Revenue.

April 9, 2020: The Federal Reserve Announced The Main Street Lending Program (MSLP), Which At The Time Offered 4-Year Loans To Companies With Up To 10,000 Workers And Revenues Up To \$2.5 Billion. “The Main Street Lending Program will enhance support for small and mid-sized businesses that were in good financial standing before the crisis by offering 4-year loans to companies employing up to 10,000 workers or with revenues of less than \$2.5 billion.” [Federal Reserve, [04/09/20](#)]

- **At The Time, The Fed Said MSLP Recipients Must “Commit To Make Reasonable Efforts” To Maintain Payroll And Workers And Adhere To CARES Act Limitations On Compensation, Stock Buybacks, And Dividends.** “Firms seeking Main Street loans 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 under the CARES Act.” [Federal Reserve, [04/09/20](#)]

April 23, 2020: The Fed Claimed It Would Offer “Extensive And Timely” Information On MSLP Participants, Loan Amounts, And Overall Program Information.

April 23, 2020: The Fed Announced It Would Release “Extensive And Timely” Information About Lending Facility Participants, Including Names, Amounts, And Overall Financial Information About Each Facility. “Building on its strong record of transparency and accountability around financial reporting and the policymaking process, the Federal Reserve Board on Thursday outlined the extensive and timely public information it will make available regarding its programs to support the flow of credit to households and businesses and thereby foster economic recovery. Specifically, the Board will report substantial amounts of information on a monthly basis for the liquidity and lending facilities using Coronavirus Aid, Relief, and Economic Security, or CARES, Act funding, including the:

- Names and details of participants in each facility;
- Amounts borrowed and interest rate charged; and
- Overall costs, revenues, and fees for each facility.”

[Federal Reserve, [04/23/20](#)]

April 30, 2020: Following Comments From Industry And Others, The Fed Expanded MSLP With A Third Loan Option, A Lower Minimum Loan Size of \$500,000, And Increased Eligibility To Firms With Up To 15,000 Workers And Up To \$5 Billion In Annual Revenue.

April 30, 2020: Following Comments From Industry And Others, The Fed Expanded MSLP To Include A Third Loan Option, Lowered The Minimum Loan Size To \$500,000, And Expanded The Pool Of Eligible Businesses.” “The Federal Reserve Board on Thursday announced it is expanding the scope and eligibility for

the Main Street Lending Program [...] When the initial terms of Main Street were announced, the Board indicated that, because the financial needs of businesses vary widely, it was seeking feedback from the public on potential refinements. More than 2,200 letters from individuals, businesses, and nonprofits were received. In response to the public input, the Board decided to expand the loan options available to businesses, and increased the maximum size of businesses that are eligible for support under the program.” [Federal Reserve, [04/30/20](#)]

- **The changes included:**

- “Creating a third loan option, with increased risk sharing by lenders for borrowers with greater leverage;
- Lowering the minimum loan size for certain loans to \$500,000; and
- Expanding the pool of businesses eligible to borrow.”

[Federal Reserve, [04/30/20](#)]

The Fed Expanded MSLP Eligibility To Companies With Up To 15,000 Workers And Up To \$5 Billion In Annual Revenue. “Additionally, businesses with up to 15,000 employees or up to \$5 billion in annual revenue are now eligible, compared to the initial program terms, which were for companies with up to 10,000 employees and \$2.5 billion in revenue.” [Federal Reserve, [04/30/20](#)]

June 6, 2020: Wall Street Balked At The Fed’s MSLP “Slow Rollout” And Companies Remained Silent On Whether They Were Interested In The Program.

Companies Were “Silent” About Whether They Would Participate In The Program. “So far, companies have been silent about whether they plan to tap the Fed facility, which is largely seen as a last resort for businesses that can’t get funding elsewhere.” [Bloomberg, [06/06/20](#)]

- **June 6, 2020 HEADLINE: “Wall Street Doubts Fed’s \$600 Billion Lending Plan Can Succeed”**
[Bloomberg, [06/06/20](#)]

MSLP’s “Slow Rollout Combined With Its Complexity Has The Financial Industry Questioning Whether [The Program] Will Work.” [Bloomberg, [06/06/20](#)]

June 8, 2020: The Fed Further Expanded MSLP, Lowering Minimum Loan Sizes To \$250,000, Increasing Maximum Loans, Doubling Principal Repayment Timelines, And Increasing The Fed’s Stake To 95% In All Loans.

June 8, 2020: The Fed Further Expanded MSLP, Lowering Minimum Loans To \$250,000, Raising Maximum Loan Sizes, Increasing Principal Repayment Timelines To Two Years, Extending Terms To Five Years, And Raising The Fed’s Stakes To 95% For All Loans. “The Federal Reserve Board on Monday expanded its Main Street Lending Program to allow more small and medium-sized businesses to be able to receive support. The Board lowered the minimum loan amount, raised the maximum loan limit, adjusted the principal repayment schedule to begin after two years, and extended the term to five years, providing borrowers with greater flexibility in repaying the loans.” [Federal Reserve, [06/08/20](#)]

- **The Changes Included:**

- “Lowering the minimum loan size for certain loans to \$250,000 from \$500,000;
- Increasing the maximum loan size for all facilities;
- Increasing the term of each loan option to five years, from four years;
- Extending the repayment period for all loans by delaying principal payments for two years, rather than one; and
- Raising the Reserve Bank’s participation to 95% for all loans.”

[Federal Reserve, [06/08/20](#)]

June 8, 2020: While Fed Chair Jerome Powell Said He Was “Confident” The MSLP Expansions Would Be Effective, Experts Argued That The Fed’s New 95% Stake “Could Result In Banks Doling Out Millions In Bad Loans.”

Fed Chair Jerome Powell Said, “I Am Confident The Changes We Are Making Will Improve The Ability Of The Main Street Lending Program To Support Employment During This Difficult Period.” [Federal Reserve, [06/08/20](#)]

Experts Said The Fed’s New 95% Stake In All Loans “Could Result In Banks Doling Out Millions In Bad Loans.” “The Fed also rolled back the stake banks are required to hold from 15% to just 5% for all loans, with the central bank taking on the rest. The move was meant to encourage lenders to participate, but some experts say it could result in banks doling out millions in bad loans.” [ABC News, [06/16/20](#)]

June 10, 2020: Fed Chair Powell Said The Fed Would Continue To Make Changes To The MSLP If Needed.

June 10, 2020: Fed Chair Jerome Powell Said The Fed Will Continue To Make Changes To The MSLP If Necessary. “Powell on Wednesday repeated that the Fed will make more changes if needed to see that the Main Street program is effective in funneling capital to businesses that would generally be too big to qualify for other programs such as the Small Business Administration's Payroll Protection Program or too small to tap public arenas like the bond market.” [Reuters, [06/10/20](#)]

June 15, 2020: The MSLP Finally Opened For Lender Registration, Nearly Three Months After The Fed Initially Announced The Program.

June 15, 2020: “Federal Reserve’s Main Street Lending Program Opens For Lender Registration,” And Banks Were Encourages To Begin Making Loans “Immediately.” [Federal Reserve Bank of Boston, [06/15/20](#)]

- Lenders Were “Encouraged To Begin Making Main Street Program Loans Immediately.” “The Federal Reserve Bank of Boston, which administers the program, announced Monday it had opened registration for interested lenders, saying that banks are ‘encouraged to begin making Main Street program loans immediately.’” [ABC News, [06/16/20](#)]

June 15, 2020: The Fed Began To Seek Feedback On Opening The MSLP To Nonprofit Organizations.

June 15, 2020: The Federal Reserve Announces It Is Seeking Feedback To Expand The MSLP To Nonprofit Organizations. “Federal Reserve Board announces it will be seeking public feedback on proposal to expand its Main Street Lending Program to provide access to credit for nonprofit organizations” [Federal Reserve, [06/15/20](#)]

June 30, 2020: Fed Chair Powell Told The Congressional Oversight Commission “We Continue To Be Open To Playing With The Formula” For The MSLP, Indicating Loan Thresholds Could Fall Even Further.

June 30, 2020: Fed Chair Jerome Powell Told Congress “We Continue To Be Open To Playing With The Formula And Making Adjustments Going Forward,” Indicating The MSLP Minimum Loan Size Could Fall Further. “Even so, Mr. Powell told lawmakers on June 30 that banks were ‘not getting a ton of interest from borrowers,’ adding that they expected demand to grow. ‘We continue to be open to playing with the formula and making adjustments going forward.’ Mr. Powell [signaled that](#) the minimum loan size could drop further, and Mr. Mnuchin said that the Treasury and the Fed were looking into asset-based lending — which

could allow more indebted firms to borrow by using their shops and factories to secure the loans.” [New York Times, [07/09/20](#)]

The MSLP’s Poor Design Has Excluded Firms That Need Most Help And Has Disincentivized Banks From Signing Up.

The MSLP Has Been Criticized For Not Aiding The Firms That Need Help The Most, Excluding Highly-Indebted Companies.

The MSLP “Not Set Up To Bail Out The Companies That Need It The Most,” As It Is Not Open To Companies With High Amounts Of Debt. “The problem? It’s not set up to bail out the companies that need it the most. The emergency program, aimed at midsize companies, isn’t open to businesses with high levels of debt — including hotels with big mortgages, as well as firms that were already struggling before the crisis, like certain retailers and oil and gas companies. And many banks are reluctant to participate because they still have to do extensive underwriting and face risk if a loan defaults.” [Politico, [08/01/20](#)]

One Business Group Said 81% Of Its Members That Applied For MSLP Were Unable To Get Loans...

One Business Group Said That 81% Of Its Members That Applied For MSLP Loans Were Not Able Get Them. “Midsize companies that need to use the Federal Reserve’s so-called Main Street Lending Program to weather the coronavirus crisis are having trouble getting banks interested, business representatives warned a panel overseeing the Fed’s efforts. The Association for Corporate Growth, a lobbying group for middle-market businesses, surveyed its members and found that 81 percent of them that tried to get a loan through the program weren’t able to.” [Politico, [08/14/20](#)]

...After A Fed Official Reportedly Said “The Program’s Goal Was Not To Make As Many Loans As Possible.”

The President Of The Boston Fed Said, “Said The Program’s Goal Was Not To Make As Many Loans As Possible But To Support Companies That Went Into The Pandemic In Good Health And Had Trouble Getting Access To Credit.” Boston Federal Reserve President Eric Rosengren “said the program’s goal was not to make as many loans as possible but to support companies that went into the pandemic in good health and had trouble getting access to credit. ‘We want firms and banks to really need it to use it,’ Mr. Rosengren said.” [New York Times, [07/08/20](#)]

MSLP’s Design Has Also Disincentivized Banks From Participating, With Just One Major Bank Disclosing Their Participation In The Program And “Far Fewer” Total Banks Expected To Join MSLP Than The Paycheck Protection Program.

As Of Early August, Only 90 Banks Had Publicly Disclosed Their Participation In The MSLP, Including Just One Of The Nation’s Largest Banks – Bank of America. “The Federal Reserve Bank of Boston on Wednesday released a list of lenders that have signed up for the central bank’s midsize-business lending program and are willing to make loans to new customers through the initiative. Noticeably absent are most of the nation’s biggest banks. Only Bank of America has so far agreed to participate and take on new clients, based on the Boston Fed’s release, while lenders like JPMorgan Chase, Citigroup and Wells Fargo are not listed. Only about 90 banks agreed to publicly say they are willing to lend to new customers and were listed.” [New York Times, [07/08/20](#)]

“Far Fewer” Banks Were Expected To Participate In MSLP Than In The Paycheck Protection Program Run By The Treasury And U.S. Small Business Administration. “Far fewer banks are slated to participate

in the Main Street program than the Paycheck Protection Program, which is being run through the Treasury and the Small Business Administration.” [New York Times, [07/08/20](#)]

The Fed Will Purchase A 95% Stake In Each MSLP Loan, Which Will Be Handled Primarily By Banks—But The Banks’ 5% “Skin In The Game” Is Expected To Discourage Them From Lending If The Crisis Worsens.

Eligible Lenders Will Make MSLP Loans, Approving Or Denying Businesses According To Fed Standards As Well As Their Own Underwriting Standards. “Interested businesses will work with an eligible lender to determine if they meet the program requirements, which are available online, as well as the lender’s own underwriting standards. The lender will determine whether a business is approved for a loan.” [Federal Reserve Bank of Boston, accessed [06/17/20](#)]

The Fed Will Purchase A 95% Interest In The Loans Than Lenders Make Under The MSLP. “The Fed will participate in the lending by purchasing a 95% interest in the loan. The lender retains 5% of the loan.” [Federal Reserve Bank of Boston, accessed [06/17/20](#)]

Meanwhile, The MSLP’s Requirement That Banks Have A 5% Piece Of “Skin In The Game” Is Expected To Discourage Banks From Underwriting Loans If The Crisis Deepens And Defaults Look Likely. “The Fed takes on 95 percent of the risk, but banks have to retain 5 percent of any loan they underwrite through the Main Street program, a stipulation meant to discourage them from dumping bad debt on the Fed. Because they must have “skin in the game,” they are likely to avoid underwriting loans if the economy is in crisis and it looks like a big chunk of borrowers might default.” [New York Times, [07/09/20](#)]

The MSLP Has Been Said To Have A “Goldilocks Design” That Discourages Banks From Using It If They Are Struggling And Discourages Firms From Using It If They Can Get Credit Elsewhere.

The MSLP Has Been Said To Have A “Goldilocks Design: Firms Won’t Use It If Credit Conditions Are Healthy And Banks Won’t Use It If They Are Too Unhealthy.” “The program also comes with reporting requirements and other [restrictions](#) — including limitations on executive pay and capital distributions, like dividends, that Congress set out in the relief legislation. If the economy is muddling along and credit is basically available, some companies will find borrowing through the Main Street program unattractive because of the strings attached. It’s a Goldilocks design: Firms won’t use it if credit conditions are healthy and banks won’t use it if they are too unhealthy.” [New York Times, [07/09/20](#)]