

[Banking and Finance Law Daily Wrap Up, FEDERAL RESERVE SYSTEM— Main Street Lending Program now fully operational, \(Jul. 7, 2020\)](#)

Banking and Finance Law Daily Wrap Up

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The program will offer five-year loans to small and midsize companies that were in sound financial condition prior to the COVID-19 pandemic.

The Federal Reserve Bank of Boston has announced that the Main Street Lending Program (MSLP) is now fully operational, ready to purchase participations in eligible loans that are submitted to the program by registered lenders. The [MSLP](#) is designed to support small and medium-sized businesses that were in good financial status before the public health crisis by ensuring credit flows to businesses in need.

"This is an important milestone for the Main Street program," [said](#) Eric Rosengren, president of the Boston Federal Reserve Bank, which is administering the program for the Federal Reserve System. "Given the pandemic's shock to the economy, and its uncertain duration, support for businesses and their employees through bank lending is critical."

Under the program, eligible companies are defined as those that were created in the U.S., with significant operations in and a majority of employees in the U.S., with up to 15,000 employees or up to \$5 billion in 2019 annual revenues. 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.

The MSLP allows eligible lenders to originate new loans or increase the size of existing loans. The Federal Reserve will then purchase 95 percent 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.

"We have seen a significant improvement in liquidity since the program was first announced and I am pleased that many banks, recognizing the challenges that this shock has posed for otherwise healthy businesses, have already been lending to firms in this sector," [commented](#) Treasury Secretary Steven T. Mnuchin. "Small and medium-sized businesses play a vital role in our economy and the Main Street program will help ensure they have access to financing to maintain their operations as the economy safely reopens."

The Ranking Member of the House Financial Services Committee, Rep. Patrick McHenry (R-NC), [said](#), "MSLP loans are just that, loans, which provide stopgap support to keep our businesses operational and enable consumers to remain active in our economy as we get back to full capacity. This money is required to be repaid; it is not permanent government debt. Keeping these small and mid-size businesses solvent will help ensure a strong economic recovery that will benefit all Americans."

RegulatoryActivity: Covid19 FederalReserveSystem FinancialStability Loans