

Federal Reserve Provides Lending Support during COVID-19 Pandemic

The Federal Reserve Board has announced actions that will provide up to \$2.3 trillion in loans to support the economy during the COVID-19 pandemic. The actions taken include:

- Supporting the SBA Paycheck Protection Program by supplying liquidity to participating financial institutions through term loans backed by PPP loans to small businesses. The Paycheck Protection Program Liquidity Facility will extend credit to eligible financial institutions that originate PPP loans, taking these loans as collateral at face value.
- Ensuring credit flows to small and mid-sized businesses with the purchase of up to \$600 billion in loans through the Main Street Lending Program. The U.S. Treasury, using funding from the CARES Act, will provide \$75 billion in equity to the facility.
- Increasing the flow of credit to households and businesses through capital markets by expanding the size and scope of the Primary and Secondary Market Corporate Credit Facilities as well as the Term Asset-Backed Securities Loan Facility. These three programs will now support up to \$850 billion in credit backed by \$85 billion in credit protection provided by the Treasury.
- Helping state and local governments manage cash flow stresses caused by the coronavirus pandemic by establishing a Municipal Liquidity Facility using funds appropriated by the CARES Act.

The FRB said the Main Street Lending Program will enhance support for small and mid-sized businesses that were in good financial standing prior to the crisis by offering 4-year loans to companies employing up to 10,000 workers or with revenues of less than \$2.5 billion. Principal and interest will be deferred for one year. Banks may originate new Main Street loans or use these loans to increase the size of existing loans. Banks will retain a five percent share, selling the remaining 95 percent to the Main Street facility. Firms may use both the PPP and the Main Street program.

The Municipal Liquidity Facility will help state and local governments better manage cash flow pressures in order to continue to serve households and businesses. The facility will purchase up to \$500 billion of short-term notes directly from states, counties, and municipalities.

The FRB has also broadened the range of assets that are eligible collateral for TALF.

Term Sheets for each program can be found below:

[Asset-Backed Securities Loan Facility](#)

[Primary Market Corporate Credit Facility](#)

[Secondary Market Corporate Credit Facility](#)

[Municipal Liquidity Facility](#)

[Paycheck Protection Program Lending Facility](#)

[Main Street New Loan Facility](#)

[Main Street Expanded Loan Facility](#)