Three Reasons Why MSLP Is Viable

lending business customers pandemic

Summary: A number of community financial institutions are participating in the Main Street Lending Program. We show you three strategies to gain market share through it.

You probably didn't realize that it is National Yorkshire Pudding Day. If you are not sure what it is, we looked it up. It is a popover of baked unsweetened egg batter eaten as a side dish, often with roast beef. Not everyone may be looking for Yorkshire pudding, but it is nice to have it as an option.

Similarly, it is nice to have lending options for your customers. As the pandemic slogs on, you may be looking to bring in more business and continue helping your customers, especially those that may have been too big for the Paycheck Protection Program (PPP). If this is the case, you may want to consider participating in the Federal Reserve's Main Street Lending Program (MSLP). While you have likely heard of this program when it first came out, you may not have given it much more thought, thinking that it was for larger institutions. Yet, a number of community financial institutions (CFIs) are enthusiastically participating in the MSLP. Here's a look at why:

1. Increasing the pie. One CFI in FL is capitalizing on this program to increase its share of the pie of commercial lending in the Sunshine State. This CFI had already been on a growth tear even before the advent of the Fed program through acquisitions and double-digit loan growth, and its CEO contends that the MSLP is an opportune way to expedite the institution's growth even further.

2. Differentiation. Another CFI in Texas is on the opposite end of the spectrum: a smaller bank with three branches in small towns, leveraging both the MSLP and the PPP to distinguish itself.

"*We have to look for ways to differentiate ourselves," says the CFI's chief lending officer. "These two programs have allowed us to do that. Historically, we have liked government programs, in that there's less competition...*" Moreover, since the Fed will own 95% of any Main Street loan, this CFI can make larger loans that it traditionally cannot do.

3. Win-win situation. A CFI in the Midwest made the very first approved loan in the program, a $12.5MM loan to a dental office with multiple practices. The customer was too big to obtain a PPP loan, and the Main Street loan's rate and other terms are "a little more favorable" than traditional loans in normal times, says the loan officer who processed the loan.

"*When this pandemic hit, and the uncertainty is really what it came down to, it created the need to keep businesses solvent and liquid as a top priority of the bank,*" he continues.

For this CFI, the Fed's purchase of the loans makes lending "more palatable" in this current state of economic uncertainty and its customer received the credit it needed -- a win-win.

While not every program is right for all CFIs, the MSLP may deserve another look. These three institutions have had success with it, you could too.

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