



## Main Street Lending Program Could Help

lending business customers pandemic

**Summary:** The Main Street Lending Program is one government program that hasn't received much attention. We share some of the experiences from your peers who have begun to offer loans through this federal program.

According to the Washington Post, there are 3,134 Main Streets in the US. That number has been declining, but the Fed's Main Street Lending Program (MSLP) may help.

GDP recorded a record slide in the second quarter, shrinking at a 32.9% annual rate. As the economy continues to struggle, small businesses continue to grasp for help. While many bankers have helped businesses get funds through the Paycheck Protection Program (PPP), one government program that hasn't gotten as much attention is the MSLP. But, that may be changing.

Both programs are aimed at helping small- and medium-sized businesses obtain financing. Yet a key reason why the MSLP has been far less popular than the PPP is because PPP loans are forgivable and Main Street loans are not. A borrower who obtained a PPP loan is also permitted to apply for an MSLP loan - borrowers can have both! So, we are encouraging community financial institutions (CFIs) to be ready to help with these loans, as it could make a world of difference to your customers.

One CFI in TX, which was active with PPP loans, has proven itself ready and able to provide Main Street loans as well. Borrowers may have to pay back Main Street loans in full, but they get a year without interest on the loan, and two years without principle. This Texas-based CFI touts this as a good deal for businesses that remain viable, but are in a crunch as a result of the pandemic. The CEO notes that it is, "a bridge to get us to post-COVID."

It could also be a good deal for CFIs. According to this CFI, it can make much larger loans than it has in the past by being able to place loans and then comply with the program by keeping only 5% of each loan on its books. That should enable smaller institutions to make much larger loans and thus deal with more medium-sized businesses. Businesses with up to 15K employees and \$5B in revenue are eligible for Main Street loans.

Some CFIs that have signed up to participate, including ones in AZ, VA, and another in TX, already reported an uptick in calls from businesses interested in the loans.

But dealing with those bigger businesses isn't what some CFIs generally do. One CFI in OK signed up for the program but isn't sure how much business it would ultimately book. The loans are bigger -- with a minimum of \$250,000 -- and have more complex provisions, which this CFI feels will deter its small business clientele. Some other CFIs have voiced similar misgivings.

One important consideration for CFIs is how well suited they are to making loans as big as those in the Main Street program. Main Street loans should be viewed as commercial and industrial loans, which are much different from traditional small business loans. Institutions unfamiliar with those types of loans should plan on getting up to speed before issuing Main Street loans, or find a lending partner who can help.

More information about the [Main Street Lending Program](#) is available through the Federal Reserve or feel free to contact us as well.

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