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U.S. ECONOMY

Fed to Disclose Loan Amounts, Borrowers on Business Lending Programs

Central bank will provide monthly reports on programs to support corporate credit markets and Main Street lending

The Federal Reserve, led by Chairman Jerome Powell, said the loan-level disclosures will be made for several lending programs that use funds Congress provided the Treasury Department.

PHOTO: JOSHUA ROBERTS/REUTERS

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The Federal Reserve said Thursday it plans to disclose monthly the borrowers, loan amounts and interest rates on funding from several new lending programs the central bank is in the process of establishing.

The loan-level disclosures will be made for business loan programs that use funds Congress provided the Treasury Department to cover potential losses in last month's economic rescue legislation, called the Cares Act.

The Fed will make those disclosures for four lending programs: its $600 billion Main Street

Lending Program, which will extend bridge loans of up to four years to small and midsize businesses; its $500 billion program to purchase newly issued debt of large companies that were rated investment-grade as of March 25; a $250 billion program to backstop previously issued debt for that same market; and a $500 billion program to purchase the debt of state and local governments.

The Fed is already required to report this information to Congress, though the Fed's chairman can ask the chairs of the banking committees that oversee the Fed to keep the information confidential. The central bank is also required to make public the loan amounts and borrowers of its emergency loan programs one year after their operations have closed.

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The Fed won't provide real-time lending data for three other lending programs that don't have Treasury funding from the Cares Act and that were launched during the week of March 16 to support short-term funding markets.

Those programs backstopped money-market mutual funds and the market for short-term corporate IOUs called commercial paper. A third program allowed 24 large financial institutions that serve as the Fed's main counterparties on Wall Street to pledge a wider variety of collateral to the Fed.

The Fed will shield those transactions from the public due to concerns that real-time disclosure would create a stigma that would prevent financial institutions from using them, which in turn would make it harder for the Fed to stop a run on the financial market.

The Fed hasn't decided how it will handle real-time disclosure for two other lending operations—one that will finance bank loans made under the Small Business Administration's Paycheck Protection Program and another called the Term Asset Backed Securities Loan Facility, which is designed to support consumer and business credit markets.

While the Fed wasn't subject to the same legal disclosure requirements for the programs it launched after the 2008 financial crisis, it faced intense public pressure to make its transactions public. Back then, the Fed didn't disclose details of recipients of certain bailout funds amid worries that banks wouldn't come to the table due to fears that clients might pull out their cash and trigger a bank run.

In an April 2009 speech, then-Fed Chairman Ben Bernanke said banks were at times reluctant to openly receive aid because "if it became known, might lead market participants to infer weakness, the so-called stigma problem."

Financial watchdog groups and Democrats have been pressuring the Fed to be transparent regarding who gets funds from the rescue package.

The move by the Fed "is a very good step," said Bharat Ramamurti, a former staff member for Sen. Elizabeth Warren (D., Mass.) and a member of a five-person congressional panel overseeing the program, on Twitter following the release of the policy statement Thursday.

Several Senate Democrats, including Minority Leader Chuck Schumer of New York, called for increased disclosure in a letter last week to Fed Chairman Jerome Powell and Treasury Secretary Steven Mnuchin. They raised concerns that the government had "not provided sufficient transparency into the structure and administration of these programs or adequate explanation for the decisions made so far."

Others warned the Fed's credibility would suffer if it attempted to shield transactions. "It would be a grave error for the Federal Reserve to attempt to withhold transaction-level information on the identity of borrowers and the details of specific loans," said Marcus Stanley, policy director at Americans for Financial Reform, a nonprofit organization that advocates for tougher financial regulation, in a comment letter to the central bank last week.

Fed officials concluded the broader business lending programs announced over the past month wouldn't carry the same stigma that might limit their efficacy.

Those programs shouldn't carry a stigma because many businesses who participate "were overwhelmed by the pandemic," said Rep. French Hill (R., Ark.), a former bank executive who is also on the five-person congressional panel.

Scott Alvarez, who was the Fed's general counsel from 2004 until 2017, said he had concerns that disclosing loan-level detail about nonfinancial businesses could lead some to reconsider whether to participate.

"The stigma may be worse," he said. "It could be more discouraging to businesses if that information is disclosed" in real time because it could reveal to competitors important details about their operating expenses.

The disclosure rules don't apply to the SBA's PPP loan program, which is being run through the Treasury Department and has witnessed blowback for some large businesses due to how quickly funds for the program were exhausted.

After the $350 billion that Congress appropriated for that program was exhausted within days, publicly traded companies such as the owner of Ruth's Chris Steak House and Shake Shack have faced an outcry for receiving loans designed to help struggling small businesses cover payroll and certain other expenses.

Both restaurant chains have said they would give back the federal funds, and the Treasury Department on Thursday asked publicly traded companies to repay loans they received this month.

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