

Fed programs for midsized firms, municipalities to launch by end of May



BY VICTORIA GUIDA | 05/19/2020 10:59 AM EDT

Federal Reserve Chair Jerome Powell and Treasury Secretary Steven Mnuchin on Tuesday said the Fed’s emergency lending programs for midsized businesses and municipalities will begin operating by the end of May.

“In the case of Main Street facility and the municipal facility, which we expect both to be up and running by the end of the month, we expect these to have a big impact on both those markets,” Mnuchin said during a virtual hearing held by the Senate Banking Committee.

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Powell at the same hearing repeated that timeline with a slight caveat that

it could be “a day or two into June.”

Under the “Main Street” program, the Fed will buy the majority of a bank loan to a midsize business, defined as companies with up to 15,000 employees or up to \$5 billion in annual revenue. Its municipal lending program will purchase short-term debt from state and local governments with maturities of up to 36 months.

In both cases, Treasury is kicking in funds from the coronavirus relief package, [H.R. 748 \(116\)](#), passed by Congress in March to cover any potential losses if borrowers default.

The Fed chief said they will “find out fairly quickly” how much interest there is from midsize businesses in participating in the Main Street program, adding that the Fed stands ready to change eligibility requirements “if the uptake is not what we would hope.”

Mnuchin emphasized that the department is not insisting that these programs be designed so the government recoups all the money it lends out, amid concerns that federal officials won’t be aggressive enough in providing funding to the companies that need it most.

“We are fully prepared to take losses in certain scenarios on that capital,” the Treasury secretary said.

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