

Fed \$2.3 Trillion Program



- The Federal Reserve announced on Thursday April 9 that it will inject another \$2.3 trillion to prop up the American economy through a series of initiatives that will extend its reach to small and midsize businesses, as well as state and municipal governments.
- The Fed will offer up to \$500 billion in loans to states and municipalities through the purchase of municipal bonds and expand an existing corporate lending program (the Term Asset-Backed Securities Lending Facility) to include more classes of low-rated and riskier debt.

Fed \$2.3 Trillion Program continued

Similar to the Payroll Protection Program (PPP) and the Primary Market Corporate Credit Facility (PMCCF), Main Street was created to assist companies that have been adversely affected by the COVID-19 pandemic. Each of these programs, however, was developed to provide liquidity to companies of different sizes:

- PPP: The PPP was established by the CARES Act and implemented by the Small Business Administration (SBA) to support the payroll and operations of small businesses through the issuance of government –guaranteed loans that include a forgiveness feature for borrowers that satisfy the requirements of the PPP
- Main Street: The Federal Reserve designed Main Street to support small and medium-sized businesses that were unable to access the PPP or that require additional financial support after receiving a PPP loan. Main Street loans are not forgivable.
- PMCCF: The Federal Reserve established the PMCCF to support large companies through the purchase of eligible corporate bonds from, and lending through syndicated loans to, large companies. PMCCF loans are not forgivable.

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- The central bank will buy up to \$600 billion in loans through its Main Street program (with a \$75 billion injection from the Treasury), which will offer four-year loans to companies with fewer than 10,000 workers or revenues of less than \$2.5 billion.
- The Fed will also offer financing to banks making loans through the Paycheck Protection Program, a provision under the federal economic stimulus plan that sets aside \$349 billion in rescue loans for small businesses through the SBA.