



Office of the Special Inspector General
for Pandemic Recovery
Office of Audits

Main Street Lending Program Survey Results

Report Number: SIGPR-A-22-001
January 27, 2022



Introduction

The Special Inspector General for Pandemic Recovery (SIGPR) was established by Section 4018 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the CARES Act, SIGPR has the duty to conduct, supervise, and coordinate audits and investigations of the making, purchase, management, and sale of loans, loan guarantees, and other investments by the Secretary of the Treasury under any program established by the Secretary under the Coronavirus Economic Stabilization Act of 2020 (CESA), as well as the management by the Secretary of any program established under CESA. SIGPR also has the duties, responsibilities, powers, and authorities granted inspectors general under the Inspector General Act of 1978.

The role and mission of SIGPR is to safeguard the people's tax dollars appropriated by Congress through the CARES Act. SIGPR strives to ensure that the American taxpayer gets the best return on investment by efficiently rooting out fraud, waste, and abuse. In carrying out its mission, SIGPR's goal is to treat everyone with respect, to operate with the utmost integrity, and to be fair, objective, and independent.

Background

Section 4003, Division A, Title IV, Subtitle A of the CARES Act authorizes the Secretary of the Treasury to make loans, loan guarantees, and other investments to provide liquidity to eligible businesses related to losses incurred as a result of the coronavirus pandemic. Section 4003(b)(4) authorizes the Secretary "to make loans and loan guarantees to, and other investments in, programs or facilities established by the Board of Governors of the Federal Reserve System...." On April 9, 2020, the Board and Secretary of the Treasury announced the establishment of the Main Street Lending Program (MSLP) under the authority of Section 13(3) of the Federal Reserve Act, with approval of the Secretary.¹

The Federal Reserve Bank of Boston (FRBB) operates the MSLP. To implement the program, the FRBB established a Special Purpose Vehicle (SPV) to purchase participations in loans originated by eligible lenders. The SPV consists of the FRBB as the Managing Member, and the Department of the Treasury (Treasury) as the Preferred Equity Member, as Treasury originally made a \$37.5 billion equity investment in the SPV using funds appropriated by the CARES Act.² Banks that participated in the MSLP

¹ Specifically, Treasury announced that "Pursuant to section 13(3) of the Federal Reserve Act," the Secretary, "approved the establishment" of the program. See "Treasury and Federal Reserve Board Announce New and Expanded Lending Programs to Provide up to \$2.3 Trillion in Financing" (found at [Treasury Press Release 04 09 2020](#)). The Federal Reserve Board announced that it had established the program "under the authority of Section 13(3) of the Federal Reserve Act, with approval of the Treasury Secretary." See "Federal Reserve takes additional actions to provide up to \$2.3 trillion in loans to support the economy" (found at [Federal Reserve Press Release 04 09 2020](#)).

² Treasury made an initial equity investment of \$37.5 billion in the SPV on May 29, 2020. On November 19, 2020, the Treasury Secretary requested the return of Treasury's excess capital in the SPV, and on January 11, 2021, the Federal Reserve Bank of Boston caused the SPV to return the unused funds in the amount of \$20.9 billion, resulting in an equity investment of \$16.6 billion.

and issued loans under the program retained a 5 percent stake in the loans, while the SPV purchased 95 percent.

All MSLP loans have a five-year maturity, with principal payments deferred for the first two years. Interest payments are also deferred for one year, and borrowers can prepay loans without penalty. All MSLP loans are also full recourse loans and are not forgivable. Maximum loan amounts differ depending on the type of loan, going as high as \$300 million. This maximum loan amount will also depend on a borrower's debt to earnings ratio.

To be eligible to borrow under the MSLP, a business must satisfy certain eligibility criteria, including restrictions of the CARES Act incorporated into the program's design. For example, an eligible business, must not:

- Borrow an amount that will result in a debt to earnings ratio in excess of program guidelines;
- Have total revenues for the year 2019 of greater than \$5 billion, or have greater than 15,000 employees;
- Have been established on or after March 13, 2020;
- Be an ineligible business as listed in 13 CFR 120.110(b)-(j), (m)-(s);
- Hold less than 50 percent of its assets in the United States;
- Generate less than 50 percent of its net income, operating revenues, and operating expenses in the United States; and
- Have also received support from the "Direct Loan Program" (Section 4003(b)(1)-(3) of the CARES Act).

In addition to these requirements, MSLP lenders were expected to assess each potential borrower's pre-pandemic financial condition and post-pandemic prospects, using its own application documentation and underwriting processes.

From the time of the first MSLP loan in July 2020 until the program's conclusion in January 2021, 312 participating banks awarded 1830 loans worth over \$17.5 billion.

Purpose

SIGPR is currently examining Treasury's investment in the Main Street Lending Program. As part of our examination, we surveyed both MSLP lender banks and borrowers to gain an understanding of how they viewed the program. The purpose of this report is to provide the results of SIGPR's survey of MSLP lenders and borrowers.

Methodology

SIGPR sent a survey to all MSLP lenders and borrowers on August 25, 2021. They had until October 15, 2021 to complete the survey. SIGPR received responses from 58 lenders and 627 borrowers. The SIGPR survey team reviewed and categorized responses to the survey's short answer questions to create quantifiable response

summaries.

This report represents the results of our survey of MSLP lenders and borrowers, which was conducted as part of our audit of the MSLP. In accordance with generally accepted government auditing standards (GAGAS), during an audit, the auditors may provide interim reports of significant matters to appropriate entity and oversight officials. The related ongoing audit, when completed, will comply with GAGAS. The associated performance audit report that will be issued in the future will incorporate the survey results discussed in this report.

Results

Feedback on the MSLP was mostly positive from both lenders and borrowers.

Both lenders and borrowers responded that the program enabled businesses to continue operating during the pandemic, and that the program met their expectations. The majority of lenders and borrowers felt the loan application process was “acceptable” or better. Finally, nearly all lenders and borrowers surveyed responded that they would be willing to participate in a similar program in the future. Details on these responses are shown below.

Was the MSLP successful in enabling businesses to continue operating during the pandemic?

	<u>Yes</u>	<u>No</u>
<i>Lenders</i>	88%	12%
<i>Borrowers</i>	96%	4%

Did the MSLP loan process meet your expectations?

	<u>Yes</u>	<u>No</u>
<i>Lenders</i>	79%	21%
<i>Borrowers</i>	94%	6%

Would you use MSLP or a similar government program in the future?

	<u>Yes</u>	<u>No</u>
<i>Lenders</i>	97%	3%
<i>Borrowers</i>	94%	6%

Please provide your assessment of the MSLP application process.

	<u>Extremely easy</u>	<u>Somewhat user friendly</u>	<u>Acceptable</u>	<u>Harder than expected</u>	<u>Extremely difficult</u>
<i>Lenders</i>	9%	26%	34%	29%	2%
<i>Borrowers</i>	23%	29%	29%	12%	6%

As for the borrowers themselves, almost all responding borrowers answered that the program enabled them to maintain payroll and retain employees.

Since receiving the MSLP loan, was your business able to make reasonable efforts to maintain payroll and employees?

	<u>Yes</u>	<u>No</u>
<i>Borrowers</i>	99%	1%

Although most lenders and borrowers we surveyed indicated positive experiences with the program, we noted some common responses where lenders and borrowers thought the program could have been improved. Three of the most common critiques we received had to do with the complexity of the program, restrictive eligibility requirements, and borrowers' difficulty in finding participating lenders.

Program Complexity

As noted above, when asked to provide an assessment of the MSLP application process, most lenders and borrowers provided a rating of "acceptable" or better. However, 31 percent of lenders and 18 percent of borrowers rated the process "harder than expected", or "extremely difficult". When given an opportunity to explain their response, program complexity was the most common critique given.

The SIGPR survey team singled out comments across survey questions related to program complexity and found that the most common issue contributing to program complexity for borrowers was unclear guidance. Twenty-three percent of borrower comments that mentioned program complexity as an issue identified unclear guidance as a cause. Under the program complexity analysis, borrowers also cited a lengthy underwriting process, lender banks' uncertainty with the program, and ongoing program term changes as the other most common issues. Examples of borrower comments on this issue include, "the process was extremely difficult and the rules (or interpretation by the bank) constantly changed", and "everyone was doing the best that they could, but rules were constantly being updated and information available to the bank and to the borrower was not always timely or consistent." Issues with program complexity could be further evident by our survey finding that 32 percent of responding borrowers needed assistance from a third party to apply for an MSLP loan.

Like borrowers, lenders also highlighted unclear guidance as an issue. Of 39 lenders who provided a written explanation of their assessment of the application process, 12

(31 percent) described the process as complex. Furthermore, in response to a question about the aspect of the program that was least attractive, the most common response was program complexity (39 percent of responses). One lender stated, “the ongoing FAQs, vague definitions and long forms need[ed] multiple rounds of review from both the business and legal teams to try to ensure a correct response is provided.”

Another common response from lenders pertaining to program complexity involved the automated application process. Nearly 10 percent of responses commenting on program complexity pointed to systems issues as a factor. Lenders seem to agree that they were required to resubmit information every time they made a change during the application process. One lender stated that, “the most challenging aspect of the application process was that our documentation packet was not reviewed in its entirety upon being sent. Instead, one mistake was found which caused the approval to be rejected. We would correct that mistake, resend the packet until the next error was found. This continued until we perfected the documentation process.” Similarly, another stated, “[my] only rationale for not designating this as extremely easy was that the final submission process required I re-upload all documents each and every time an edit or change was required. It would have been extremely easy if I only had to re-upload changed documents....”

Restrictive Eligibility Requirements

In short answer responses on how the program could be improved, survey respondents provided feedback that the program had too many eligibility restrictions for potential borrowers. Of the 363 borrowers who provided a recommendation on how to improve the program, 61 (17 percent) mentioned less restrictive qualifying requirements. This is a significant figure considering that the respondents were all able to qualify for a loan.

Lenders shared the concern about restrictive eligibility requirements for borrowers. Lenders mentioned a limited universe of eligible borrowers in response to several survey questions. Lenders commented that, “it was difficult to find customers who qualified for the program and/or found the loan attractive”, and “this program didn’t make much sense because the only borrowers who would qualify didn’t need the money, and the only borrowers who needed the money wouldn’t qualify.”

Difficulty in Finding MSLP Lender

Borrowers often cited difficulty in finding an MSLP lender as an issue with the program. The Federal Reserve Bank of Boston reported that there were 643 banks that registered to become MSLP lenders, which only represents approximately 12 percent of banks that could have registered with the program. Just less than half of the registered banks ended up issuing a loan.

Our survey found that nearly 40 percent of MSLP borrowers got a loan from a bank that was not the borrower’s primary banking institution. In response to a survey question about recommended improvements to the program, 48 of the 363 borrowers (13

percent) who offered a recommendation requested an increase in available lenders. One borrower responded, "...my experience when shopping for MSLP lenders was that many (maybe most) banks were wary of participation in the program. Figuring out why they were hesitant and fixing that so there are more participating banks may improve uptake of a program like this overall."

Even among banks registered with MSLP, our survey indicated that borrowers had issues finding banks willing to provide loans. Our survey asked borrowers about the number of applications they submitted before being approved for an MSLP loan. Among the 66 borrowers that submitted more than one application, 16 (24 percent) indicated they applied more than once because the bank they applied to initially did not want to use the program.

Banks that issued MSLP loans even acknowledged the difficulty borrowers encountered in finding available MSLP lenders. When asked why borrowers may have chosen their bank as their MSLP lender, 11 of 58 lenders (19 percent) answered that they were one of the few banks offering the program.

Survey Result Details

Lender responses are provided in detail in **Appendix A**. Borrower responses are provided in detail in **Appendix B**.

Survey Team

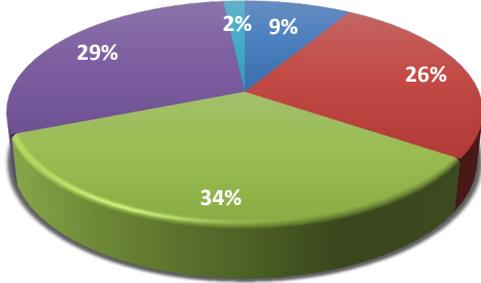
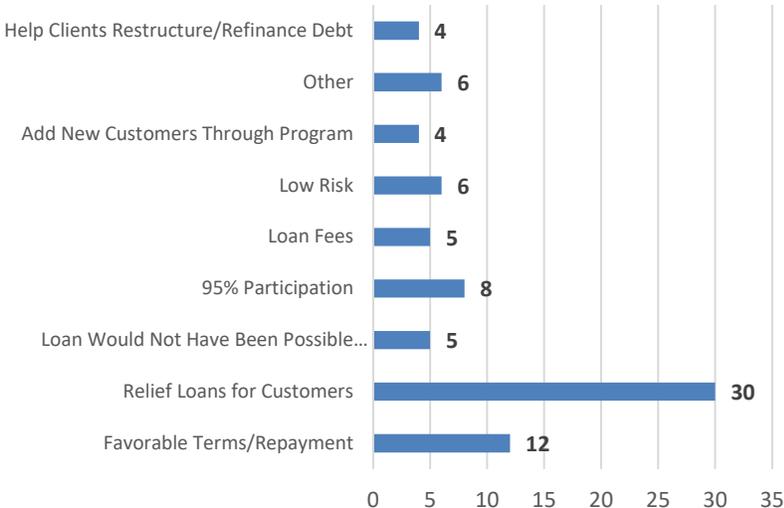
This survey was managed and conducted by the individuals listed below:

Kevin Gallagher
Emily Brown

Audit Manager
Auditor-In-Charge

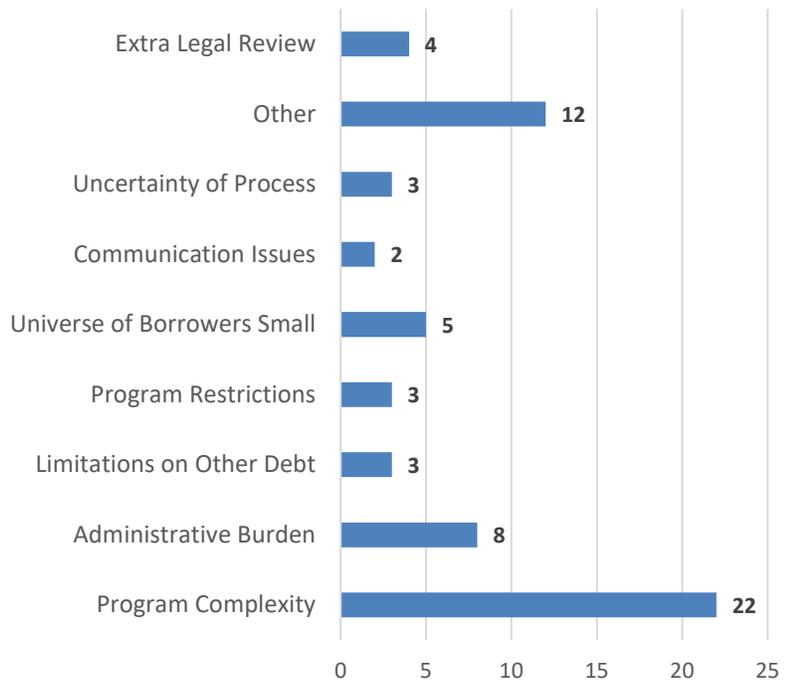
Appendix A – Responses from MSLP Lenders

The charts in Appendix A summarize MSLP lenders' answers to selected questions in SIGPR's *Main Street Lending Program Lender Survey* sent August 25, 2021. SIGPR received 58 lender responses. The number of responses is denoted by *n*. Please note that chart totals may not add up to 58 because (1) respondents provided more than one relevant answer in their response, (2) respondents provided a response that the survey team did not consider responsive to the question, or (3) some respondents did not answer all the questions.

<p>1. From your perspective as a financial institution, please provide your assessment of the application process for the Federal Reserve's Main Street Lending Program (MSLP).</p> <p><i>n</i> = 58</p>	 <table border="1"> <thead> <tr> <th>Assessment</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Extremely easy and user friendly</td> <td>9%</td> </tr> <tr> <td>Somewhat user friendly</td> <td>26%</td> </tr> <tr> <td>Acceptable</td> <td>34%</td> </tr> <tr> <td>Harder than expected</td> <td>29%</td> </tr> <tr> <td>Extremely difficult and cumbersome</td> <td>2%</td> </tr> </tbody> </table>	Assessment	Percentage	Extremely easy and user friendly	9%	Somewhat user friendly	26%	Acceptable	34%	Harder than expected	29%	Extremely difficult and cumbersome	2%								
Assessment	Percentage																				
Extremely easy and user friendly	9%																				
Somewhat user friendly	26%																				
Acceptable	34%																				
Harder than expected	29%																				
Extremely difficult and cumbersome	2%																				
<p>2. When deciding whether to participate in the MSLP, which aspect(s) of the program was/were most attractive to your institution?</p> <p><i>n</i> = 58</p>	 <table border="1"> <thead> <tr> <th>Aspect</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>Help Clients Restructure/Refinance Debt</td> <td>4</td> </tr> <tr> <td>Other</td> <td>6</td> </tr> <tr> <td>Add New Customers Through Program</td> <td>4</td> </tr> <tr> <td>Low Risk</td> <td>6</td> </tr> <tr> <td>Loan Fees</td> <td>5</td> </tr> <tr> <td>95% Participation</td> <td>8</td> </tr> <tr> <td>Loan Would Not Have Been Possible...</td> <td>5</td> </tr> <tr> <td>Relief Loans for Customers</td> <td>30</td> </tr> <tr> <td>Favorable Terms/Repayment</td> <td>12</td> </tr> </tbody> </table>	Aspect	Count	Help Clients Restructure/Refinance Debt	4	Other	6	Add New Customers Through Program	4	Low Risk	6	Loan Fees	5	95% Participation	8	Loan Would Not Have Been Possible...	5	Relief Loans for Customers	30	Favorable Terms/Repayment	12
Aspect	Count																				
Help Clients Restructure/Refinance Debt	4																				
Other	6																				
Add New Customers Through Program	4																				
Low Risk	6																				
Loan Fees	5																				
95% Participation	8																				
Loan Would Not Have Been Possible...	5																				
Relief Loans for Customers	30																				
Favorable Terms/Repayment	12																				

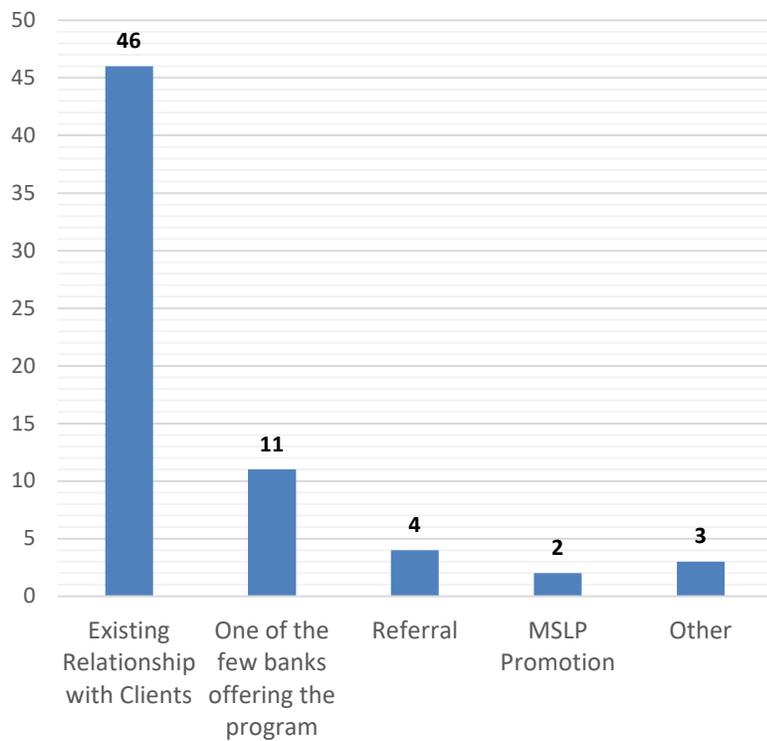
3. When deciding whether to participate in the MSLP, which aspect(s) of the program was/were **least** attractive to your institution?

n = 57



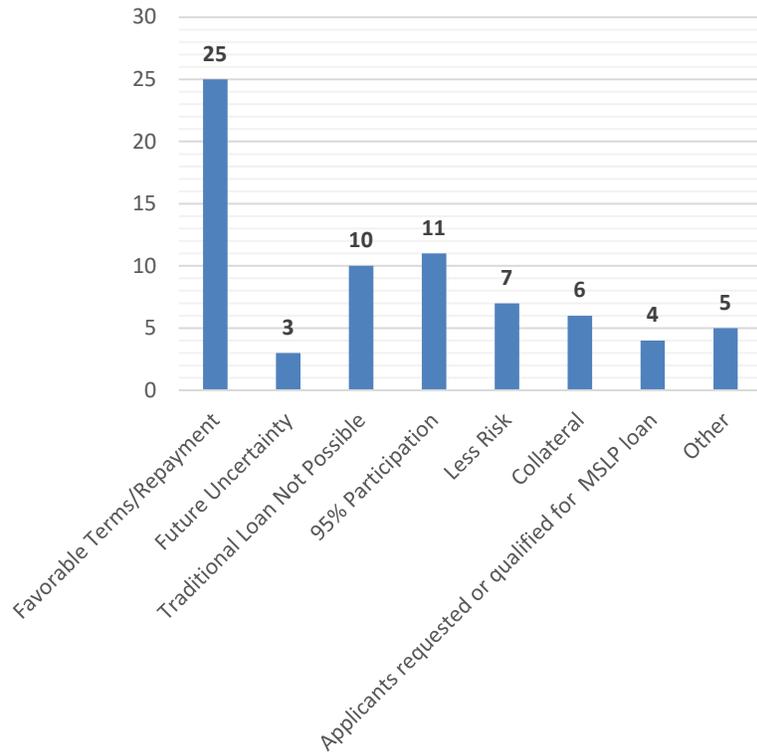
4. Why do you believe the MSLP recipients selected your institution as their MSLP lender?

n = 58



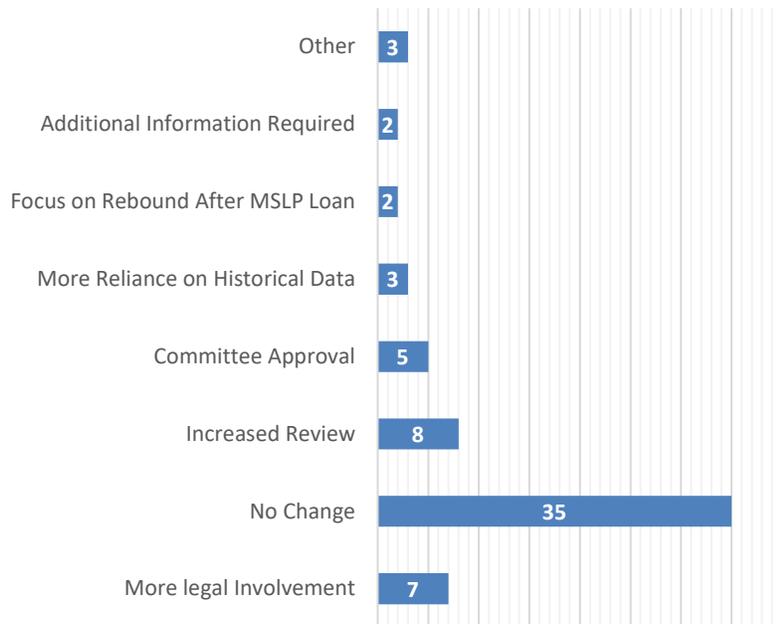
5. Why did your institution decide to loan money to certain applicants through the MSLP, rather than making your standard business loans to those applicants?

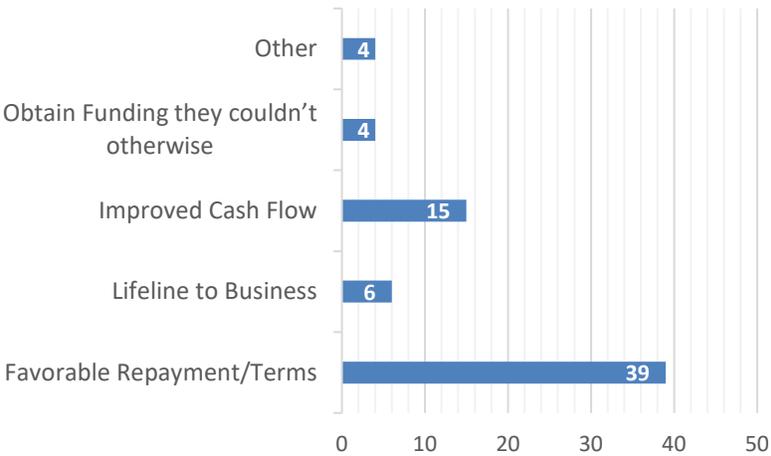
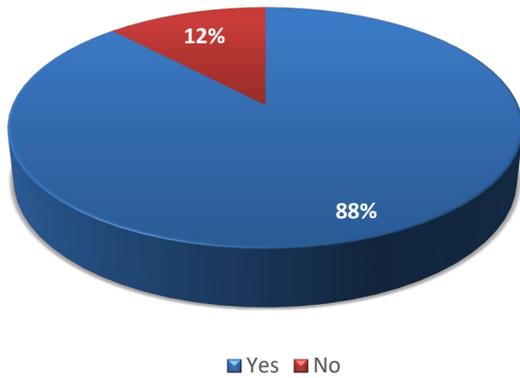
n = 58



6. How did your institution's MSLP loan application evaluation process differ from your standard business loans? For example, were there differences in the level of review and/or amount of supporting documentation required? Please explain any differences.

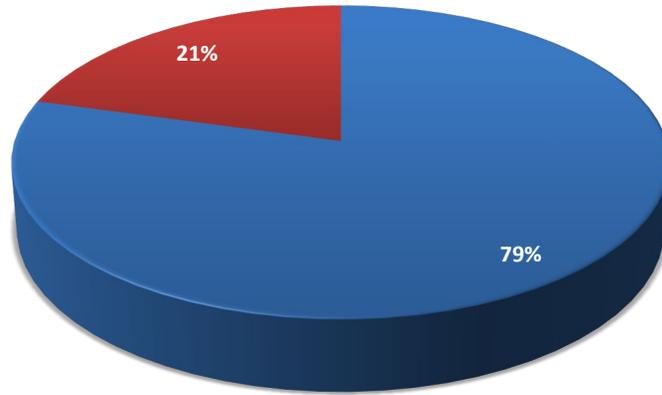
n = 58



<p>7. What do you believe were the benefits of the MSLP to the loan recipients?</p> <p><i>n</i> = 58</p>	 <table border="1"> <thead> <tr> <th>Benefit</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>Favorable Repayment/Terms</td> <td>39</td> </tr> <tr> <td>Improved Cash Flow</td> <td>15</td> </tr> <tr> <td>Lifeline to Business</td> <td>6</td> </tr> <tr> <td>Obtain Funding they couldn't otherwise</td> <td>4</td> </tr> <tr> <td>Other</td> <td>4</td> </tr> </tbody> </table>	Benefit	Count	Favorable Repayment/Terms	39	Improved Cash Flow	15	Lifeline to Business	6	Obtain Funding they couldn't otherwise	4	Other	4														
Benefit	Count																										
Favorable Repayment/Terms	39																										
Improved Cash Flow	15																										
Lifeline to Business	6																										
Obtain Funding they couldn't otherwise	4																										
Other	4																										
<p>8. In your opinion, was your MSLP loan program successful in enabling businesses to continue operating during the COVID-19 pandemic? Please explain your response.</p> <p><i>n</i> = 58</p>	 <table border="1"> <thead> <tr> <th>Response</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Yes</td> <td>88%</td> </tr> <tr> <td>No</td> <td>12%</td> </tr> </tbody> </table>	Response	Percentage	Yes	88%	No	12%																				
Response	Percentage																										
Yes	88%																										
No	12%																										
<p>9. Please explain your response to question 8.</p> <p><i>n</i> = 45</p>	<table border="1"> <tbody> <tr> <td>POSITIVE RESPONSES</td> <td>39</td> </tr> <tr> <td>Favorable Repayment/Terms</td> <td>9</td> </tr> <tr> <td>Improved Cashflow/Liquidity</td> <td>15</td> </tr> <tr> <td>Lifeline to Business</td> <td>15</td> </tr> <tr> <td>NEGATIVE RESPONSES</td> <td>12</td> </tr> <tr> <td>Length of Process to Operationalize</td> <td>1</td> </tr> <tr> <td>Continual Changes</td> <td>1</td> </tr> <tr> <td>Too Many Restrictions</td> <td>1</td> </tr> <tr> <td>Lack of Lender Participation</td> <td>1</td> </tr> <tr> <td>Overly Complicated</td> <td>1</td> </tr> <tr> <td>Difficult Process</td> <td>1</td> </tr> <tr> <td>Limited Pool of Borrowers</td> <td>5</td> </tr> <tr> <td>Too Late/Constrictive</td> <td>1</td> </tr> </tbody> </table>	POSITIVE RESPONSES	39	Favorable Repayment/Terms	9	Improved Cashflow/Liquidity	15	Lifeline to Business	15	NEGATIVE RESPONSES	12	Length of Process to Operationalize	1	Continual Changes	1	Too Many Restrictions	1	Lack of Lender Participation	1	Overly Complicated	1	Difficult Process	1	Limited Pool of Borrowers	5	Too Late/Constrictive	1
POSITIVE RESPONSES	39																										
Favorable Repayment/Terms	9																										
Improved Cashflow/Liquidity	15																										
Lifeline to Business	15																										
NEGATIVE RESPONSES	12																										
Length of Process to Operationalize	1																										
Continual Changes	1																										
Too Many Restrictions	1																										
Lack of Lender Participation	1																										
Overly Complicated	1																										
Difficult Process	1																										
Limited Pool of Borrowers	5																										
Too Late/Constrictive	1																										

10. Did the MSLP process meet your expectations?

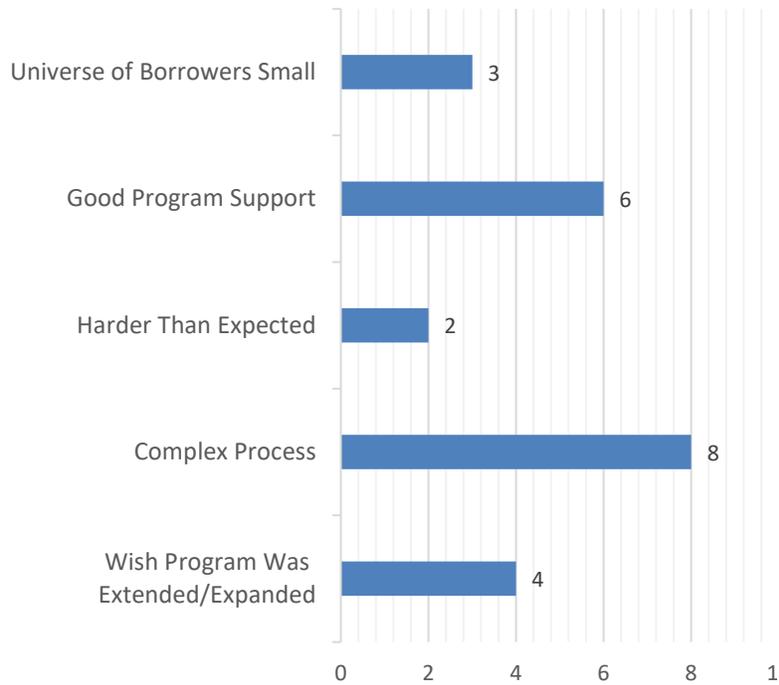
n = 58



■ Yes ■ No

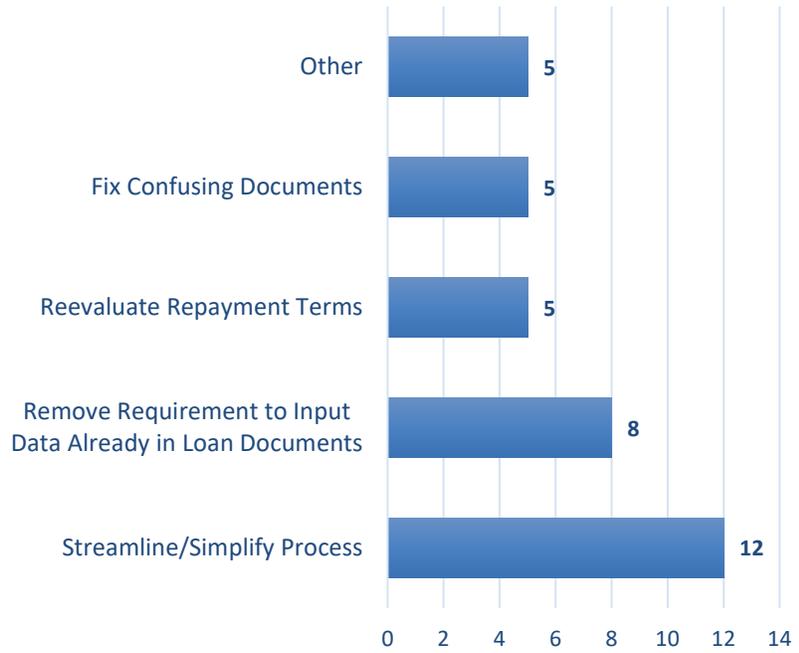
11. Please explain your response to question 10.

n = 23



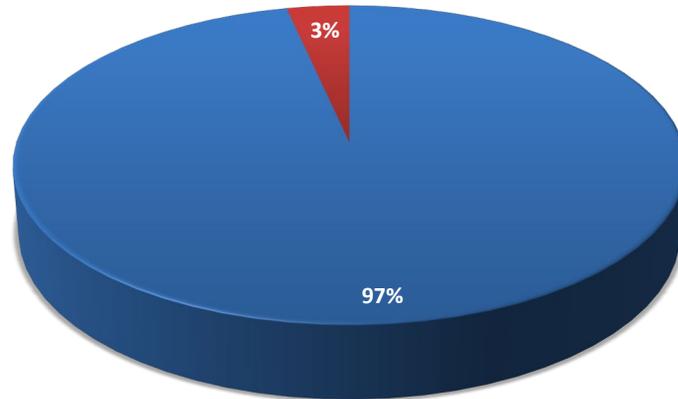
12. If the federal government were to offer another round of MSLP loans, what improvement(s) would you recommend to the program?

n = 28



13. Would your institution use MSLP or a similar government program in the future?

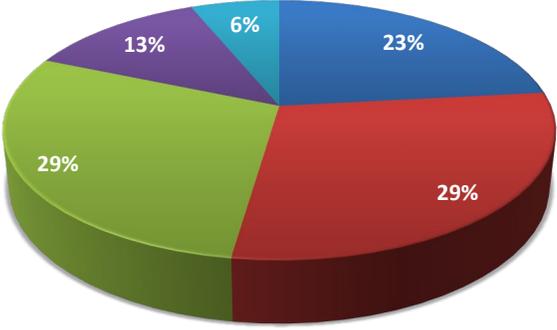
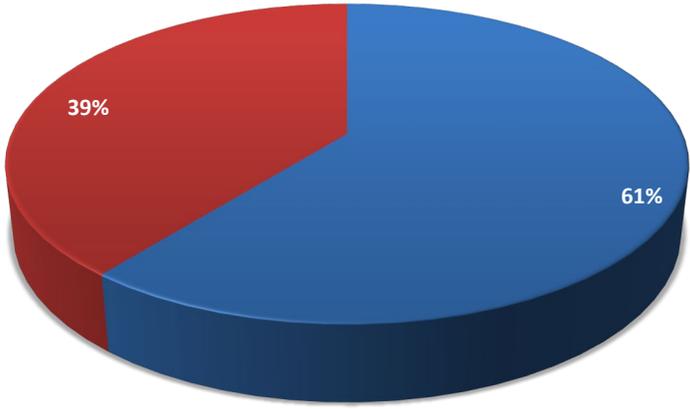
n = 58



■ Yes ■ No

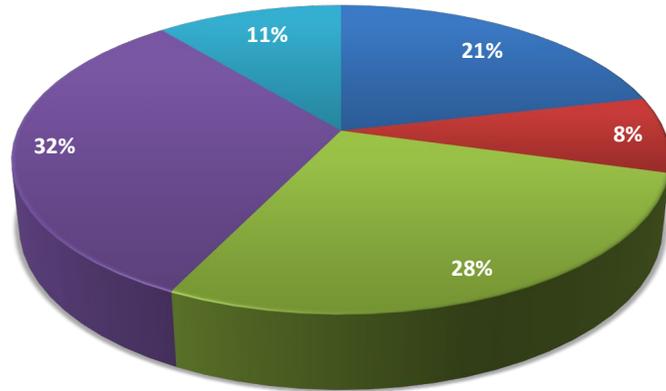
Appendix B – Responses from MSLP Borrowers

The charts in Appendix B summarize respondents' answers to selected questions in SIGPR's *Main Street Lending Program Recipient Survey* sent August 25, 2021. SIGPR received 627 borrower responses. The number of responses is denoted by *n*. Please note that chart totals may not add up to 627 because (1) respondents provided more than one relevant answer in their response, (2) respondents provided a response that the survey team did not consider responsive to the question, or (3) some respondents did not answer all the questions.

<p>1. From your perspective as a loan recipient, please provide your assessment of the Main Street Lending Program application process.</p> <p><i>n</i> = 627</p>	 <table border="1"> <thead> <tr> <th>Assessment</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Extremely easy and user friendly</td> <td>23%</td> </tr> <tr> <td>Somewhat user friendly</td> <td>29%</td> </tr> <tr> <td>Acceptable</td> <td>29%</td> </tr> <tr> <td>Harder than expected</td> <td>13%</td> </tr> <tr> <td>Extremely difficult and cumbersome</td> <td>6%</td> </tr> </tbody> </table>	Assessment	Percentage	Extremely easy and user friendly	23%	Somewhat user friendly	29%	Acceptable	29%	Harder than expected	13%	Extremely difficult and cumbersome	6%
Assessment	Percentage												
Extremely easy and user friendly	23%												
Somewhat user friendly	29%												
Acceptable	29%												
Harder than expected	13%												
Extremely difficult and cumbersome	6%												
<p>2. Was your MSLP lender your primary banking institution?</p> <p><i>n</i> = 627</p>	 <table border="1"> <thead> <tr> <th>Response</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Yes</td> <td>61%</td> </tr> <tr> <td>No</td> <td>39%</td> </tr> </tbody> </table>	Response	Percentage	Yes	61%	No	39%						
Response	Percentage												
Yes	61%												
No	39%												

3. Why did you select the MSLP lender your business used?

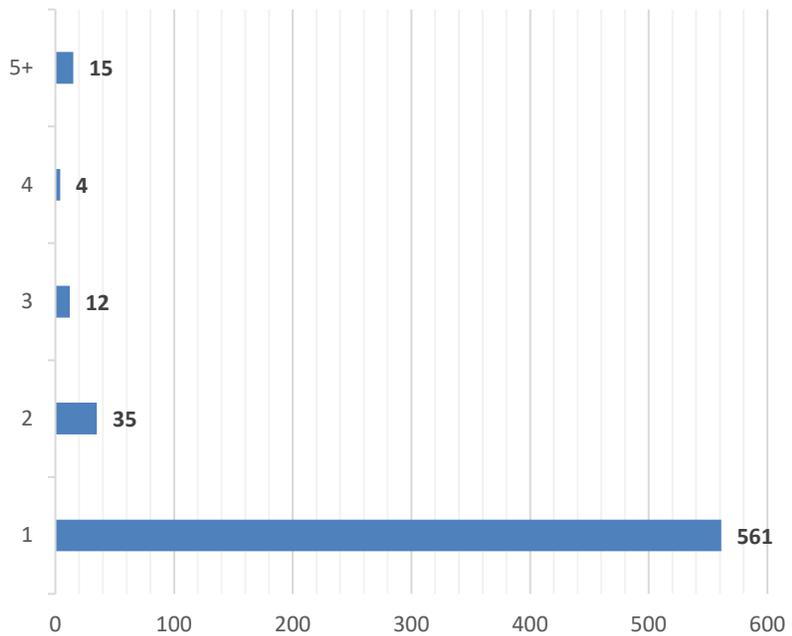
n = 231



- Had an Existing Relationship
- Could Not Get Approval From Other Banks
- Knowledgeable About the Program
- Primary Bank Did Not Offer MSLP
- Referral

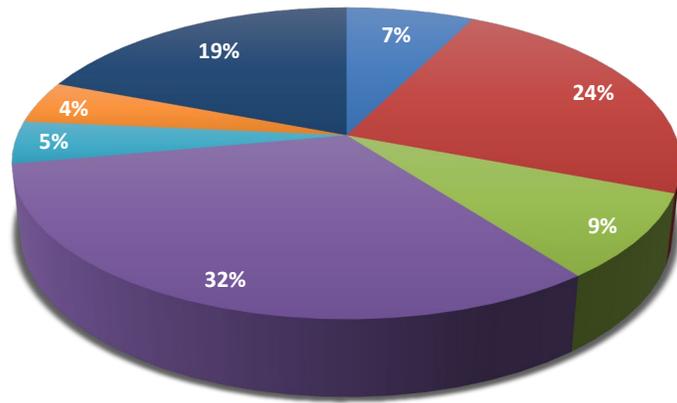
4. How many times did you apply for an MSLP loan before your application was accepted?

n = 627



5. What obstacles prevented your application from being accepted the first time?

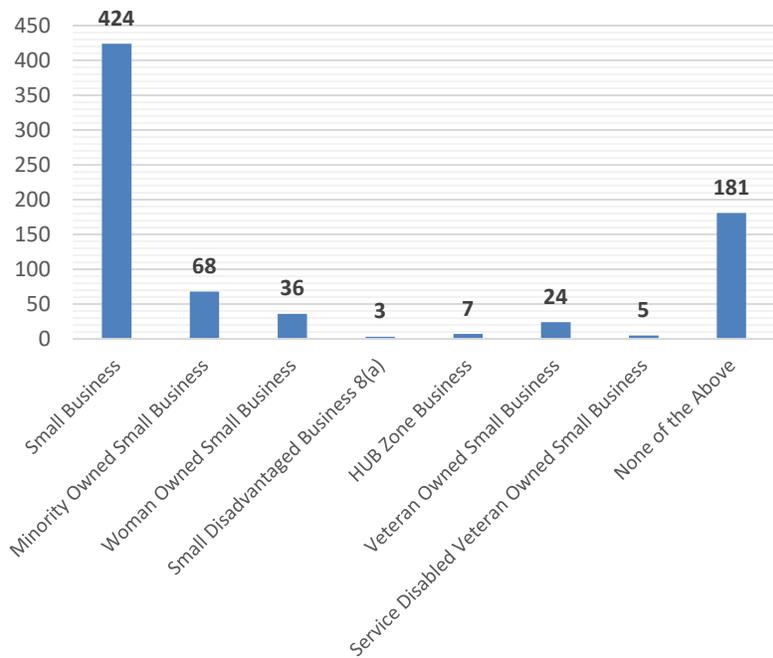
n = 66



- Bank Did Not Want to Lend to Business Type
- Bank Did Not Want to Use MSLP
- Do Not Know
- Missing Supporting Docs
- Bank Required Minimum Balance
- Bank Wanted Existing Customers
- Bank Determined Borrower Did Not Meet

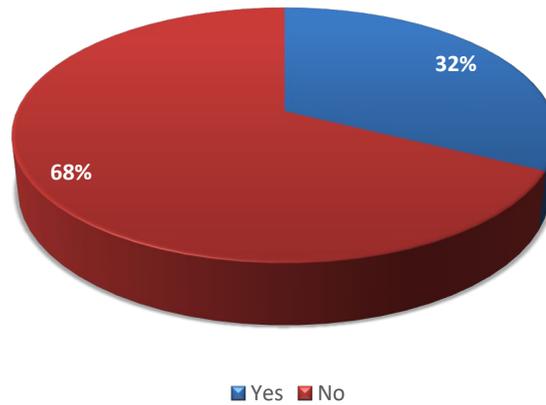
6. When your business applied for an MSLP loan, did your business meet any of the following classifications?

n = 748



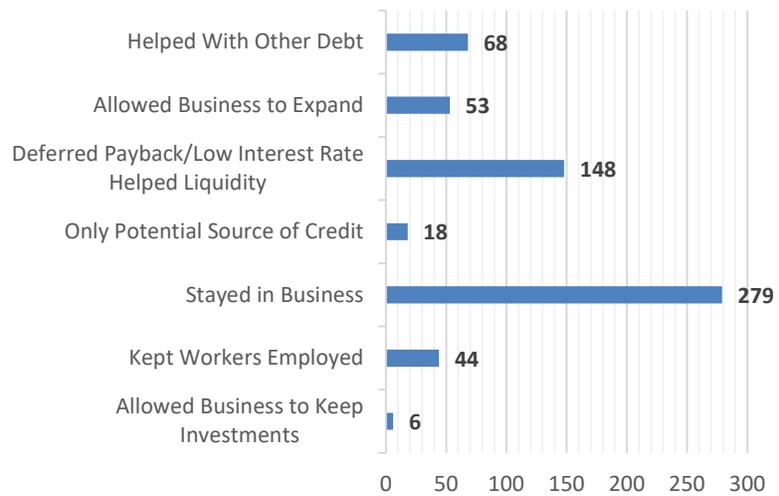
7. Did you need assistance or help from a third party to apply for and obtain the MSLP loan?

n = 627



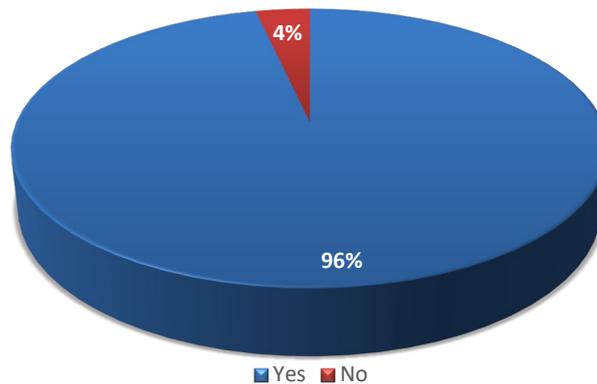
8. What were the benefits of the MSLP loan to you?

n = 626



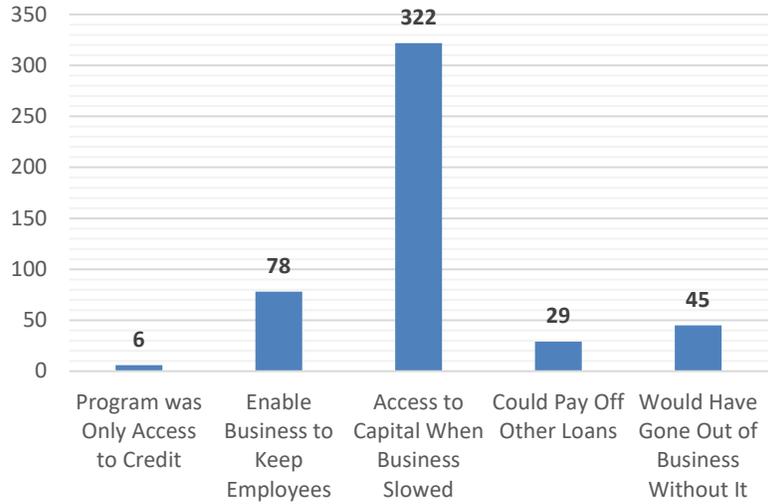
9. In your opinion, did the MSLP loan enable your business to continue operating during the COVID-19 pandemic?

n = 627



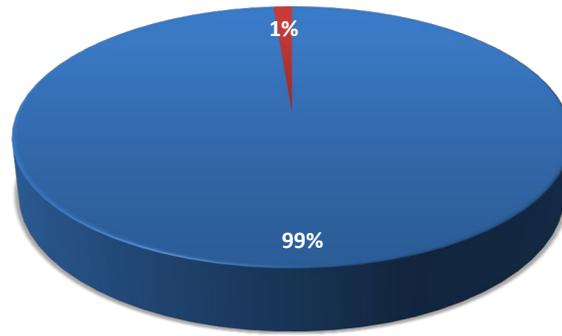
10. Please explain your response to question 9.

n = 519



11. Since you received the MSLP loan, was your business able to make commercially reasonable efforts to maintain payroll and retain employees?

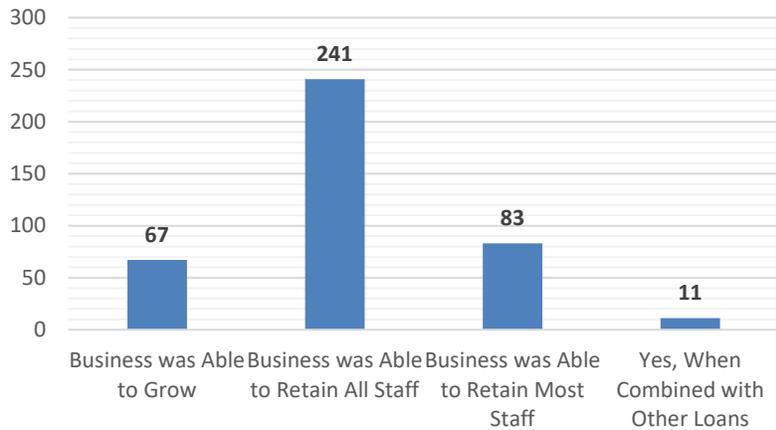
n = 627



■ Yes ■ No

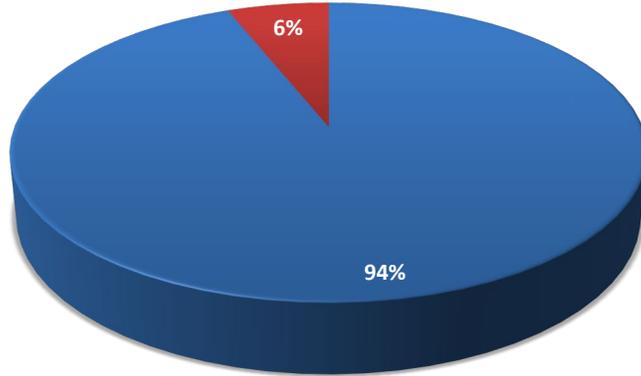
12. Please explain your response to question 11.

n = 450



13. Did the MSLP loan process meet your expectations?

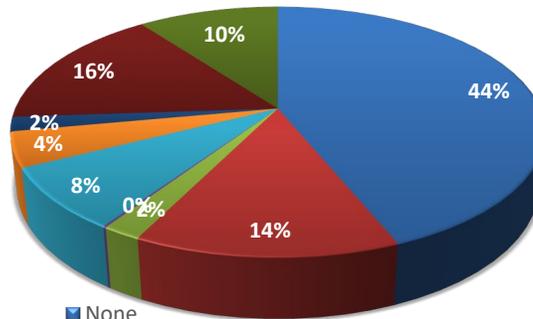
n = 627



■ Yes ■ No

14. If the federal government were to offer another round of MSLP loans, what improvement(s) would you recommend to the program?

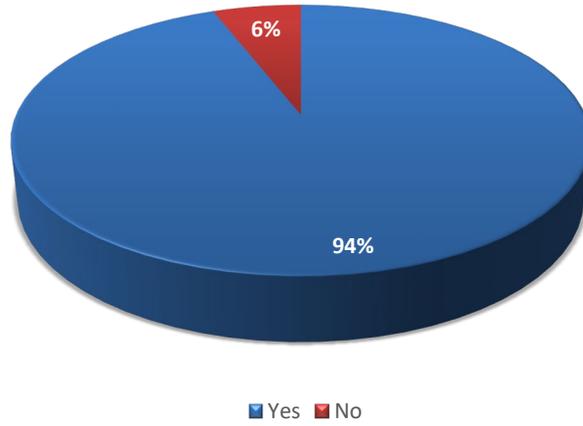
n = 625



■ None
■ Longer Repayment Terms
■ Lower Fees
■ Don't Want Another Government Program
■ More Lender Banks Involved in Program
■ Less Restrictions on Loan Proceeds
■ Simplify Closing Process
■ Clearer Guidance for Banks
■ Less Restrictive Qualifying Requirements

15. Would your business use MSLP or a similar government program in the future?

n = 627



16. Please explain your response to question 15.

n = 390

