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August 31, 2020

Mr. Bharat Ramamurti, Commissioner
Congressional Oversight Commission
Washington, D.C. 20510

Dear Commissioner Ramamurti:

Enclosed are my responses to the questions you submitted following the August 7, 2020,[1] hearing before the Congressional Oversight Commission.

Please let me know if I may be of further assistance.

Sincerely,

Eric Rosengren

Enclosure

[1] Questions related to this hearing were received on August 14, 2020.

CONGRESSIONAL OVERSIGHT COMMISSION
August 7, 2020 Hearing: *Examination of the Main Street Lending Program Established by the Federal Reserve Pursuant to the CARES Act.*

Follow-Up Questions Submitted to President Eric Rosengren, Federal Reserve Bank of Boston (Witness Name) from Commissioner Ramamurti

Question 1: Many smaller cities, towns, school districts, and other public entities like hospitals function much like non-profits—both in terms of the essential role they play in our communities and with respect to how they obtain credit, with bank lending to local governmental entities constituting a large share of all outstanding municipal credit.[2] The Municipal Lending Facility (MLF) is ill-suited to serving these smaller governmental entities, who cannot participate directly in the MLF. Moreover, they may have trouble participating indirectly in the MLF through larger borrowers like state governments. Has the Federal Reserve considered whether there are unmet credit needs of such smaller governmental borrowers that could be met by expanding the MSLF to encompass them? Please explain whether the Federal Reserve believes such an expansion warranted.

In general, the Federal Reserve believes that the Municipal Liquidity Facility (MLF) is the best tool to address the liquidity challenges in the municipal bond market through which these entities normally obtain credit, rather than the Main Street Lending Program (Main Street or Program), which is a loan participation program. The purpose of the MLF is to enhance the liquidity of the municipal securities market by increasing the availability of funding to eligible issuers through purchases of their short-term notes. By addressing the cash management needs of eligible issuers, the MLF was also intended to encourage private investors to reengage in the municipal securities market, including across longer maturities. The MLF also encourages eligible issuers to borrow on behalf of and lend to smaller local governments and other entities that are not otherwise eligible for direct participation in the MLF. As a result of the deployment of the MLF and other Federal Reserve monetary tools, the municipal market has substantially recovered from its unprecedented sell-off in March and the vast majority of municipal issuers currently have access to capital at historically low costs of funds.[3] We will continue to closely monitor conditions in the markets for municipal securities and will evaluate whether additional measures are needed to support the flow of credit and liquidity to state and local governments.

The Main Street facilities for nonprofit organizations also have a role to play in providing credit to certain public entities, including public hospitals and public colleges and universities, that operate in a manner similar to other types of nonprofit organizations recognized as tax-exempt pursuant to 501(c)(3) of the Internal Revenue Code. The Federal Reserve has published the requirements that such public entities must meet to qualify as eligible borrowers for purposes of the Main Street facilities for nonprofit organizations. The eligibility criteria for the nonprofit lending facilities were designed in light of underwriting standards often applied by lenders in making loans to nonprofit borrowers, including nonprofit hospitals, colleges, and universities that have a similar financial profile to their public counterparts. The Federal Reserve is currently working to create the infrastructure necessary to fully operationalize the Main Street facilities for nonprofit organizations.

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[2] Ivanov, Ivan and Tom Zimmerman, "The Privatization of Municipal Debt," Brookings Institution Hutchins Center Working Paper #45 (Sept. 2018), *available at* https://www.brookings.edu/wp-content/uploads/2018/08/WP45.pdf.

[3] https://libertystreeteconomics.newyorkfed.org/2020/06/municipal-debt-markets-and-the-covid-19-pandemic.html.

Question 2: In a recent study examining the Payment Protection Program (PPP) administered by the Small Business Administration, the Federal Reserve Bank of New York found "significant coverage gaps" in the PPP's ability to reach Black-owned businesses, despite the pandemic's outsized impact on communities of color.[4] Will the Federal Reserve conduct a similar study of whether and how the CARES Act programs that it administers have impacted racial and ethnic minorities?

The Federal Reserve has taken a number of actions to facilitate broad coverage by Main Street. Recognizing that the circumstances, structure, and needs of small and medium sized for-profit and nonprofit organizations vary considerably, the Federal Reserve sought feedback from a wide range of potential borrowers, lenders and the general public on the proposed terms of the facilities to help make the Program as efficient and effective as possible. Based on this feedback, the Federal Reserve has modified the terms of the Program to provide greater access to credit for small and medium-sized for-profit and nonprofit organizations that were in sound financial condition prior to the pandemic.

To provide potential lenders with information about Main Street and to address their questions in real time, to date the Federal Reserve has held (and posted recordings of) 14 webinars and conducted a number of other events (including three in collaboration with the Small Business Administration) explaining aspects of the Program and engaging in question and answer sessions. On June 24, the Federal Reserve hosted a webinar on Main Street targeted toward minority- and women-owned businesses, and on August 4, the Federal Reserve hosted a webinar targeted toward tribal businesses. The Federal Reserve is conducting additional outreach to raise awareness of the program among women- and minority-owned businesses and in low- and middle-income communities, including sharing program information and updates with more than 70 associations and networks working with minority-owned and women-owned businesses.

To encourage their involvement, the Federal Reserve has also conducted outreach to minority depository institutions (MDIs) and community development financial institutions (CDFIs) to provide opportunities to learn about the Program. On July 1, as part of the Federal Reserve's Partnership for Progress program, staff of the Federal Reserve Board and FRBB, together with the National Bankers Association, held a briefing on Main Street for MDIs. On August 4, Federal Reserve Board and FRBB staff attended a National Business Inclusion Consortium event to present the details of the Main Street Program. On August 12, staff participated in an event sponsored by the Department of Commerce's Minority Business Development Agency and provided a Main Street Program overview.

[4] Claire Kramer Mills, "Double Jeopardy: COVID-19's Concentrated Health and Wealth Effects in Black Communities," Federal Reserve Bank of New York (Aug. 2020), *available at* https://www.newyorkfed.org/medialibrary/media/smallbusiness/DoubleJeopardy_COVID19andBlackOwnedBusinesses.

These efforts will contribute to broad coverage. The Federal Reserve will continue to assess the efficacy of the Program, including its effects on low-income or minority communities.

Question 3: Will the Federal Reserve collect and report any data on whether minority-owned businesses are participating in the MSLF program?

The Federal Reserve will collect and disclose information regarding Main Street during the operation of the facilities, including information regarding names of lenders and borrowers, amounts borrowed and interest rates charged, and overall costs, revenues, and other fees. The Federal Reserve does not plan to collect information on minority status of borrowing entities. We will continue to conduct outreach sessions to underserved communities to promote Program awareness. Further, we will continue to monitor broader credit conditions across different communities and geographies and weigh adjustments needed to reach eligible borrowers.

Question 4: President Rosengren testified that Federal Reserve's outreach plan for the MSLF included an intentional effort to reach minority and women-owned businesses, minority depository institutions, and tribal businesses. What further steps is the Federal Reserve taking to ensure that the MSLF program is made available on an inclusive basis? For example, in light of reports of lending discrimination by banks participating in the PPP,[5] what steps will the Federal Reserve take to ensure that banks participating in the MSLF offer MSLF-backed loans on a non-discriminatory basis?

As indicated in response to Question 2, the Program is designed to have wide coverage, and the Federal Reserve has conducted outreach targeted toward minority, women-owned, and tribal businesses, as well as MDIs and depository CDFIs.

All eligible lenders under Main Street are federally regulated financial institutions, subject to ongoing federal supervision. Such lenders are instructed to employ their existing underwriting processes in relation to Main Street loans, and to use loan documentation that is substantially similar, including with respect to required covenants, to the loan documentation that the eligible lender uses in its ordinary course lending to similarly situated borrowers, adjusted only as appropriate to reflect the requirements of the Program. By structuring the Program in this way, the Federal Reserve expects that Main Street loans would be subject to the same regulatory infrastructure and supervisory scrutiny (including by the Federal Reserve, where applicable) as other loans made by the eligible lenders. As such, any discriminatory behavior by lenders will be addressed as appropriate under the law.

Question 5: In response to questions about whether certain MSLF program terms and requirements were changed in response to requests from the oil and gas industry, President Rosengren testified that "[i]n the discussions [he] ha[s] been involved in, we do not discuss

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[5] *Anneliese Lederer, et al., "Lending Discrimination within the Paycheck Protection Program," National Community Reinvestment Coalition (July 2020), available at* https://www.ncrc.org/lending-discrimination-within-the-paycheck-protection-program/.

specific industries." However, the Energy Secretary has stated publicly that he and Treasury Secretary Mnuchin worked with the Federal Reserve to ensure that the energy industry could participate in the Federal Reserve's lending facilities.[6] Is President Rosengren aware of any discussions, deliberations, meetings, or communications in which specific industries or companies were discussed—irrespective of whether he was personally involved in those discussions? If so, please identify what officials or agencies may have been involved.

The Main Street facilities are intended to improve financial or credit conditions broadly, not to allocate credit to narrowly defined sectors, industries, or classes of borrowers. I am not aware of any conversations regarding how the terms and conditions of the Main Street facilities would apply to oil and gas companies beyond conversations discussing how Main Street would apply to broad sectors of the economy.

From time-to-time, the needs of specific industries or types of borrowers are raised in internal discussions and deliberations in relation to Main Street. In designing the Program, the Federal Reserve received more than 2,200 comments from businesses of all sizes, across industries, and representing many sectors of the economy. Federal Reserve staff has considered issues pertaining to particular companies or industries — including manufacturers, commercial real estate companies, and retailers — when such concerns are raised by members of Congress or other public commenters. However, any decisions that the Federal Reserve has made in designing the Program were intended to meet the needs of a wide range of businesses across the economy, not in response to any particular industry's concerns or to ensure any particular industry's participation.

<u>Question 5</u>: The Federal Reserve publicly disclosed public comments that it received, which reportedly were the basis for changes to the MSLF made on April 30, 2020.[7] However, some of the changes made on April 30, 2020 are not reflected in any of those publicly disclosed comments, such as the deletion of the required attestation that the loan was needed "due to the exigent circumstances presented by the … COVID-19 pandemic." As the public record currently stands, the only evidence of anyone requesting that change and certain other changes is that they were requested only by the oil and gas industry,[8] and that requests by

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[6] *E.g.*, Timothy Gardner, "Trump administration working to ease drilling industry cash crunch," Reuters (Apr. 17, 2020), *available at* https://www.reuters.com/article/us-health-coronavirus-usa-oil-credit/trump-administration-working-to-ease-drilling-industry-cash-crunch-idUSKBN21Z1JY; Saleha Mohsin & Ari Natter, "Energy Chief Says Fed Asked to Expand Lending for Oil Firms," Bloomberg.com (May 12, 2020), *available at* https://www.bloomberg.com/news/articles/2020-05-12/energy-chief-says-fed-was-asked-to-expand-lending-for-oil-firms.

[7] *See* Press Release, "Federal Reserve Board announces it is expanding the scope and eligibility for the Main Street Lending Program," Federal Reserve (Apr. 30, 2020), *available at* https://www.federalreserve.gov/newsevents/pressreleases/monetary20200430a.htm (citing public comments as basis for loan term sheet adjustments).

[8] *E.g.*, Letter to Secretary Mnuchin and Chairman Powell from Senator Ted Cruz (Apr. 24, 2020), *available at* https://www.cruz.senate.gov/files/documents/Letters/4.24.2020%20Oil%20Gas%20Fed%20Lending%20Facility%20Letter.pdf (stating that "condition…that a borrower must attest they require financing because of circumstances attributed to COVID-19…may prove to be too restrictive" "in the context of energy").

that industry were sometimes made outside the ordinary public comment process available to everyone else.[9] Will the Federal Reserve publicly disclose all documents, communications, and records of communications that relate to the energy industry's participation in the MSLF?

When issuing the April 30, 2020 term sheets, the Federal Reserve and Treasury made a number of changes to the attestations that would have been required under the initial April 8, 2020 term sheets in light of the public comment period and further internal discussion and analysis. In particular, a number of changes were driven by comments raising questions about the precise meaning of certain proposed attestations, how borrowers and lenders could determine and evidence their compliance with such requirements, and how such attestations would be enforced. In the course of this careful review and rationalization, it was determined that there was not sufficient reason to retain the initially proposed borrower attestation that a loan was needed "due to the exigent circumstances presented by the … COVID-19 pandemic." The following considerations informed this decision:

- Due to the widespread effects of the pandemic, the Federal Reserve and Treasury anticipated that nearly all borrowers that would desire to access Main Street would have been affected adversely by the pandemic. Further, the Federal Reserve and Treasury determined that it would be difficult for many businesses to evidence the pandemic's effect on their business outside of pointing to decreased demand, which may not conclusively demonstrate a connection to the pandemic.[10]

- Under the Board's Regulation A, each borrower must certify that it is unable to secure adequate credit accommodations from other banking institutions. It was determined that this required certification would serve much of the same purpose as the removed attestation, because each address whether the Program is being used as a back-stop.

- Under section 13(3) of the Federal Reserve Act and the Board's Regulation A, each borrower must certify that it is not "insolvent." As clarified in the Main Street Borrower Certifications and Covenants, a borrower is insolvent if it has been "generally failing to pay undisputed debts as they become due" during the 90 days preceding the date of borrowing to the extent it is behind on its debts for reasons other than disruptions to its business resulting from the pandemic. For those behind on their debts due to the pandemic, the borrower is considered insolvent if it was generally failing to pay its undisputed debts in the 90 days

[9] *E.g.*, Timothy Gardner, "Trump administration working to ease drilling industry cash crunch," Reuters (Apr. 17, 2020), *available at* https://www.reuters.com/article/us-health-coronavirus-usa-oil-credit/trump-administration-working-to-ease-drilling-industry-cash-crunch-idUSKBN21Z1JY (reporting Energy Secretary's statement that he met with U.S. energy industry representatives to discuss the size of loans they would need in order to participate in the MSLF).

[10] Similar concerns were raised by other commenters, including on p. 63 of the document, *available at* https://www.federalreserve.gov/monetarypolicy/files/mslp-public-comments-202007015.pdf; and p. 41 of the document *available at* https://www.federalreserve.gov/monetarypolicy/files/mslp-public-comments-202007016.pdf. In addition, during outreach to a trade association representing companies of all sizes and across all sectors, concerns were raised that this particular attestation could trigger material adverse change clauses in borrower's existing debt covenants.

preceding the later of March 1, 2020, or the date on which changes in its business activity related to the COVID-19 pandemic commenced. It was determined that this required attestation would serve much of the same purpose as the removed attestation by focusing on the financial condition of the borrower outside of the effects of the pandemic.

- The Program requires that any outstanding loans that the eligible borrower had with the eligible lender as of December 31, 2019, must have had an internal risk rating equivalent to a "pass" in the Federal Financial Institutions Examination Council's supervisory rating system on that date. A borrower meeting this criteria, but desiring a Main Street loan, is likely to have been adversely affected by the pandemic. It was determined that this requirement would serve much of the same purpose as the removed attestation by focusing on the financial condition of the borrower prior to the pandemic.

The Federal Reserve has disclosed the comments it received during the comment period, including those submitted by or on behalf of the oil and gas industry.

<u>Question 6</u>: Title 12 U.S.C. § 343(3) and 12 C.F.R. § 201.4 require the Federal Reserve's emergency lending programs to be "broad-based." In the Federal Reserve's view, as a legal matter, do these provisions permit changes to a program designed to benefit a particular industry or particular companies, so long as the program as a whole has broad eligibility? Please explain the Federal Reserve's view of what the broad-based requirement does and does not encompass.

Consistent with section 13(3) of the Federal Reserve Act, all of the Federal Reserve's facilities have broad, neutrally defined eligibility requirements and pricing mechanisms and are designed to minimize credit allocation while also minimizing risk to the taxpayer.[11] As the Federal Reserve and Treasury stated in March 2009, "actions taken by the Federal Reserve should aim to improve financial or credit conditions broadly, not to allocate credit to narrowly-defined sectors or classes of borrowers."[12]

The Federal Reserve Board formally interpreted the statutory "broad-based" requirement at 12 CFR 201.4(d)(4), which clarifies that "a program or facility has broad-based eligibility only if [it] is designed to provide liquidity to an identifiable market or sector of the financial system," and that a program or facility is not considered broad-based if it is designed to aid one or more failing companies, or if fewer than five persons or entities would be eligible to participate.[13]

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[11] 12 U.S.C. § 343(3).
[12] Joint Press Release, The Role of the Federal Reserve in Preserving Financial and Monetary Stability Joint Statement by the Department of the Treasury and the Federal Reserve (Mar. 23, 2009), *available at* https://www.federalreserve.gov/newsevents/pressreleases/monetary20090323b.htm.
[13] 12 CFR 201.4(d)(4)(ii)-(iii).

Question 7: For the Secondary Market Corporate Credit Facility (SMCCF), the Federal Reserve has stated that it will leverage the Treasury equity at a ratio as low as 3 to 1,[14] while the MSLF appears to have a larger equity cushion. Is the Federal Reserve more willing to absorb risks with respect to the SMCCF than with respect to the MSLF? If so, why?

The Secondary Market Corporate Credit Facility (SMCCF) uses credit ratings to identify which debt instruments it may purchase and how much Treasury equity will be allocated to protect against losses from those instruments. The historical default rates of companies rated below investment grade are higher than those of companies rated above investment grade, but the SMCCF adjusts for heightened credit risk by allocating more Treasury equity to support purchases of companies rated below investment grade. In particular, the SMCCF leverages the Treasury equity at 10 to 1 when acquiring corporate bonds of issuers that are investment grade but only at 7 to 1 when acquiring corporate bonds of issuers that were previously rated investment grade but are now rated one rating grade below investment grade. When the SMCCF purchases exchange-traded fund (ETF) shares, it leverages the Treasury equity at between 10 to 1 and 3 to 1, depending on the risk profile of the ETF.

For Main Street, which lends primarily to companies that were in sound financial condition prior to the onset of the COVID-19 pandemic, and to companies for which a credit rating is usually not readily available, the Federal Reserve has leveraged the $75 billion equity investment at a maximum of 8 to 1. We feel that this ratio is appropriate given the creditworthiness of the borrowers for whom Main Street was designed.

Question 8: Has the Federal Reserve analyzed whether more companies would be served by the MSLF if the loan term were extended an additional year or more? Please explain whether the Federal Reserve believes such an extension warranted.

The five-year maturity for Main Street loans facilitates the provision of credit over the medium-term to bridge near-term cash flow disruptions that result from the COVID-19 pandemic. A longer maturity may contribute to the ability of some borrowers to repay a loan. A longer maturity may also increase risk to lenders or the taxpayer. The five-year maturity balances these competing considerations.

We will continue to monitor lending conditions broadly and consider adjustments to Main Street terms and conditions, as appropriate, working with the Department of the Treasury which has made an equity investment in a Special Purpose Vehicle (Main Street SPV) in connection with the Program. The facility was established by the Federal Reserve under the authority of Section 13(3) of the Federal Reserve Act, with approval of the Treasury Secretary.

[14] Terms Sheet, Secondary Market Corporate Credit Facility, Federal Reserve (July 28, 2020), *available at* https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200728a1.pdf.

Question 9: Has the Federal Reserve analyzed whether Community Development Financing Institutions (CDFI) are able to originate MSLF loans? Please explain whether the Federal Reserve believes any changes to the MSLF would be needed to facilitate participation by CDFIs that serve low-income and minority communities, and whether it believes such changes warranted?

CDFIs that are depository institutions are eligible lenders under Main Street. At this time, nonbank CDFIs are not considered eligible lenders for purposes of the Program. Some aspects of the Program may limit participation by eligible CDFIs, which often originate loans smaller than the minimum Main Street loan or that emphasize underwriting criteria that differ from those used by Main Street. The Federal Reserve will continue to analyze these issues. As emphasized in my testimony and responses to questions at the hearing, adjustments to the Program, including a lower minimum loan size, would provide benefits but also entail operational costs, and there may be more efficient approaches to supporting CDFIs and the communities they serve than adjustments to Main Street.

Question 10: Has the Federal Reserve analyzed whether lowering the minimum loan size further would facilitate participation by more businesses with unmet needs? Please explain whether the Federal Reserve believes such changes warranted. To the extent the Federal Reserve believes a lower loan size would present administrability issues given the capacity of the Boston branch to oversee this complex program, has it considered creating another facility administered by a branch other than Boston?

In order to manage the operational elements of the Program, we have maintained a minimum loan size of $250,000. Allowing for smaller loans may increase the number of businesses that wish to participate in the Program. However, managing intake and credit administration during the life of the loan for many thousands of small loans would require significant additional operational capacity on the part of lenders. In addition, the fixed costs for both borrowers and lenders of legal and accounting fees and administration costs of originating and administering loans would be very high as a percentage of the loan amount for smaller loans. The additional volume and the costs of originating smaller loans could therefore reduce lenders' willingness to participate in the Program.

We will continue to monitor credit conditions for small businesses to determine if additional adjustments to the Program are needed.[15] And the Federal Reserve will continue to assess the optimal arrangements for administering programs, in the public interest.

Question 11: Has the Federal Reserve analyzed whether decoupling lender fees from loan size could better incentivize lenders to identify and onboard smaller borrowers? Please explain whether the Federal Reserve believes higher fees for smaller-size loans could better incentivize lenders to originate loans.

[15] To date, there has been limited uptake for loans near the Program's $250,000 minimum loan size.

The fee structure on each of the Main Street facility loan products is a fixed percentage of the principal amount of the loan at the time of origination or upsizing. The fee is designed to cover costs of underwriting the loan and incentivize eligible lenders to participate in the Program. Linking fees to loan size is also a standard industry practice. While higher fees for origination of smaller loans may provide some incentives to lenders, higher fees would also place additional burden on smaller borrowers. Changes of this type would need to be considered in terms of their overall effect on Program operations and efficacy; in this regard, it may be useful to assess the potential benefits and costs of such adjustments relative to adjustments to other government programs to support lending to small businesses that have the experience and expertise to execute such programs quickly and effectively.

As with other aspects of Main Street, we will continue to monitor the efficacy of the fee structure and will make adjustments as necessary.

Question 12: Were the MSLF affiliation rules to be relaxed, what would prevent private-equity companies from transferring wealth out of the borrowing business to the private-equity sponsor, and what kinds of restrictions would prevent such wealth transfers?

To determine eligibility for Main Street, a business must aggregate the employees and 2019 revenues of the business itself with those of the business's affiliated entities in accordance with the affiliation test set forth in 13 CFR 121.301(f) (1/1/2019 ed.). This affiliation test applies to private equity-owned businesses in the same manner as any other business subject to outside ownership or control. As a result, some businesses owned by private equity companies are not eligible to participate in Main Street, or are otherwise constrained in the amount they can borrow due to maximum loan size restrictions on borrowing by an affiliated group.

Should such restrictions be amended, and a greater share of businesses affiliated with private-equity companies become eligible borrowers, restrictions on capital distributions and the repayment of debt owed to private-sector lenders would limit the ability of such businesses to transfer funds to the private-equity sponsor.

Question 13: Were the MSLF to be expanded to include an asset-based lending facility, how would the Federal Reserve ensure that assets are appropriately appraised, particularly in light of the significant uncertainty surrounding how COVID-19 will impact commercial propriety values? Would the Federal Reserve be equipped to oversee and enforce appraisals, so that taxpayers are not on the hook if private parties' appraisals turn out to be overvalued?

Main Street currently focuses on cash flow-based lending, for which adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) is a key underwriting metric used by lenders in evaluating the credit risk of small and medium-sized businesses. The Federal Reserve recognizes that, for some borrowers, collateral values or other factors are more indicative of the ability to obtain credit than cash flows. Staff continue to monitor lending conditions broadly. If credit conditions for collateral-based borrowing deteriorate or other factors indicate strains on borrowers or lenders in these markets, the Federal Reserve would carefully evaluate whether its authorities could support the availability of credit.

If conditions warrant adjusting Main Street in a manner that relied on collateral values as a complement or replacement to the ratio of debt to adjusted EBITDA in determining maximum loan size, the Program would need to have features to protect taxpayers against losses. Among these features would be the amount of collateral required and how such collateral would be valued. Analysis of these issues would be important before establishing such a loan option.

Question 14: Were the MSLF to be expanded to include an asset-based lending facility, would the Federal Reserve be prepared to foreclose on assets if the borrower lacks the cash-flow to make loan payments? How would the Federal Reserve administer foreclosures?

If conditions warranted adjusting Main Street in a manner that relied on collateral values as a complement or replacement to the ratio of debt to adjusted EBITDA in determining maximum loan size, the Program would need to have features to protect taxpayers against losses. Among these features would be the process for recovering value from collateral in the event of default. Analysis of these issues would be important before establishing such a loan option.[16]

[16] In connection with the existing Main Street facilities, the Federal Reserve has stated that, consistent with Section 13(3) of the Federal Reserve Act and the Federal Reserve's obligations under the CARES Act, the Main Street SPV will make commercially reasonable decisions to protect taxpayers from losses on Main Street loans and will not be influenced by non-economic factors when exercising its rights, including with respect to a borrower that is the subject of a workout or restructuring.