

Treasury Emergency Stabilization Fund (ESF) Process

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Earlier today, the Treasury Department and the Federal Reserve Board jointly announced ([Treasury, Fed](#)) several new policies implemented through § 13(3) of the Federal Reserve Act, aimed at **promoting \$2.3 trillion** in business liquidity.

These policies appear to include liquidity **both related and unrelated to the CARES Act**, but in many cases the Fed and Treasury have taken amounts allocated by CARES and [leveraged](#) those amounts to issue larger volumes of liquidity. Some highlights and additional details on these policies:

- **Main Street Lending (MSL):** New Fed facility will provide **\$600b** in new loans to mid-size businesses, using leverage from **\$75b** of the \$454b emergency stabilization fund capital allocated through CARES to small and mid-size businesses:
 - Fed will offer four-year loans through banks, with payments deferred for up to one year;
 - Eligible businesses are those with 10,000 or fewer employees OR revenues of less than \$2.5 billion;
 - Subject to stock buyback, dividend, and compensation restrictions **but apparently not to the workforce retention requirements from CARES;**
 - Firms that have received SBA/PPP loans will be eligible to seek MSL loans as well;
 - Two separate term sheets under the program:
 - [Main Street New Loan Facility \(MSNLF\)](#) maximum loan up to lesser of (i) \$150m, (ii) 30% of existing undrawn debt, or (iii) amount when added to outstanding undrawn debt does not exceed 6x 2019 EBITDA;
 - [Main Street Expanded Loan Facility \(MSELF\)](#): maximum loan of up to lesser of (i) \$25m, (ii) amount when added to outstanding undrawn debt does not exceed 4x 2019 EBITDA;
- **Municipal Liquidity Facility (MLF):** New Fed facility will provide **\$500b** in short-term debt to US states, using leverage from **\$35b** - that may or may not come from the CARES \$454b emergency stabilization fund but probably does not come from the § 5001 \$150b state and local fund
 - Term sheet [link](#);
- **Paycheck Protection Program Liquidity Facility (PPPLF):** New Fed facility will extend credit to lenders issuing components **the existing volume of \$350b** in PPP loans, through term financing and taking the loans as collateral at face value;
 - Term sheet [link](#);
- **Asset liquidity:** Enhancements of existing programs to purchase debt:
 - **Primary and Secondary Market Corporate Credit Facilities (PMCCF and SMCCF):**
 - Existing programs used by the Fed to purchase corporate debt;
 - **\$750b** in liquidity, using leverage from **\$75b** (up from a previous **\$20b**) in equity investment from Treasury;
 - PMCCF term sheet [link](#); SMCCF term sheet [link](#);

- **Term Asset-backed securities Lending Facilities (TALF):**
 - Existing program whereby Fed lends money to investors to buy consumer debt-backed securities;
 - New classes of debt now allowed which were generally excluded in 2008;
 - **\$100b** in liquidity, using leverage from **\$10b** in equity investment from Treasury - an amount previously allocated which was not increased in today's announcement;
 - term sheet [link](#).