

## Fed lifeline for midsize businesses, municipalities still weeks away

By Victoria Guida

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A top Federal Reserve official said on Tuesday that launching emergency lending facilities to aid midsize businesses and municipal governments is the “highest priority” but suggested it will still be weeks before they’re up and running.

“It’s important that we do the complicated technical work to ensure they can be rolled out effectively, as well as quickly,” Fed Vice Chairman of Supervision Randal Quarles told Senate Banking Chairman [Mike Crapo](#) at a virtual committee hearing.

“I don’t think we’re looking at months, but it would be premature for me to say exactly how many weeks it would be before they’re operational,” Quarles said.

Sen. [Mark Warner](#) (D-Va.) later warned Quarles that taking too long to set up the so-called Main Street facility would go against Congress’ intent. Under that facility, 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.

A separate program set up by the Treasury Department and the Small Business Administration for small businesses, the Paycheck Protection Program, was criticized for a hasty rollout last month that resulted in numerous snags.

Sen. [Kyrsten Sinema](#) (D-Ariz.) and Warner both expressed worry that the terms of the Fed's Main Street lending facility for midsize businesses might prove too

restrictive. Sinema pressed Quarles on why the Fed will only allow companies whose previous loans with the participating lender passed supervisory muster, while Warner fretted that the rates might be too high.

“In general, I don’t think that the measure of effectiveness or success of any these facilities is the amount by which they are taken up, but by the degree to which the economy recovers by having them present,” Quarles said.

He also faced questions from Sens. [Sherrod Brown](#) (D-Ohio) and [Brian Schatz](#) (D-Hawaii) about why the Fed had not prohibited large banks from paying dividends.

Quarles said the central bank’s decision there would depend on results from this year’s stress tests, the annual examinations the Fed administers to determine whether banks can survive a severe economic slump.

“It’s fair to say that we are doing the analysis,” he said. “Of course we’re open-minded to what the data will show, but our regulatory framework requires us to do that analysis, and that will determine the need of banks to conserve capital.”

He also said the results of those tests would likely be announced before the end of June, the statutory deadline for that information.