



Executive Summary, 2023-FMIC-B-017, October 18, 2023

FRB Boston Followed Its Processes for Monitoring the Credit Quality of Main Street Lending Program Loans

Finding

To monitor the credit quality of the Main Street Lending Program (MSLP) loans, the MSLP special purpose vehicle (SPV) team established processes for quarterly credit scoring, including monitoring payment performance, as well as processes for workout loan management. The SPV followed its processes for quarterly credit scoring and workout loan management for all of the loans in our sample.

Recommendations

Our report does not contain recommendations. The Federal Reserve Bank of Boston (FRB Boston) chose not to provide an official response but concurred with the contents of the report.

Purpose

The objective of our evaluation was to assess the MSLP's processes for monitoring credit quality, including execution of the credit scoring process and management of workout loans. As of March 31, 2022, the MSLP had 1,601 loans outstanding, totaling \$14.8 billion. To assess the quarterly credit scoring process, we tested a judgmental sample of 30 of the 427 loans scored in the quarter ending March 31, 2022, and tested the MSLP's continuous monitoring of payment performance for all 8 loans in the MSLP portfolio that were 45 or more days delinquent as of March 31, 2022. Finally, we tested all 16 loans in the MSLP portfolio that proceeded through the workout loan process as of March 31, 2022.

Background

The COVID-19 pandemic disrupted economic activity in the United States. To support lending to businesses and nonprofits, the Board authorized the MSLP using section 13(3) of the Federal Reserve Act, with prior approval of the secretary of the U.S. Department of the Treasury. The MSLP is administered by FRB Boston, which established an SPV to manage the MSLP loan portfolio.