

It's Here! The Main Street Lending Program – Relief for Small and Mid-Size Businesses



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Information as of April 10, 2020.

[Print PDF Summary of CARES Act Loan Program for Mid-size Businesses](#)

Background

The Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) or (the Act) was signed into law by President Trump on March 27, 2020 and authorizes more than \$2 trillion to battle COVID-19 and its economic effects, including immediate cash relief for individual citizens, loan programs for small business, support for hospitals and other medical providers, and various types of economic relief for impacted businesses and industries.

Included within the Act is a provision to provide \$454 billion (as well as potential additional amounts not used for direct lending programs for the airline and national security industries) for loans, loan guarantees and investments in support of emergency lending by the Federal Reserve. The Act further directs the Secretary of Treasury to implement a program to provide financing to banks and other lenders in order to make loans to mid-size businesses.

The Program includes two types of loans: the Main Street New Loan and the Main Street Expanded Loan. The New Loan is the name for loans originating on or after April 8, 2020. The Expanded Loan is for loans that originated before April 8, 2020. Under the Expanded Loan, an eligible borrower may increase their existing outstanding loan amount (referred to as the “incremental loan”). Businesses that have obtained loans under the SBA’s Paycheck Protection Program are eligible to receive loans under these new facilities.

Yesterday’s press release highlighted the terms and expanded eligibility of the Program. The Federal Reserve and Secretary of the Treasury have the authority to make adjustments to the terms and conditions of the Program going forward. We will continue to monitor for updates and provide additional information when available. A summary of the current loan terms and eligibility requirements follows.

General Terms

Amount of
Available Funds **Up to \$600 Billion**

Business that meets all the following criteria:

Eligible
Borrower

- Created or organized in the United States, or under the laws of the United States;
- Has significant operations in and a majority of its employees based in the United States;
- Up to 10,000 employees or up to \$2.5 billion in 2019 annual revenues; and
- Participation in only one of the following:
 - New Loan Facility
 - Expanded Loan Facility
 - [Primary Market Corporate Credit Facility](#)

Loan Features

Certain features within this section are differentiated between the New and Expanded Loans for instances where differences explicitly exist. Where no differentiation is made, the feature has the same terms for both loans.

Interest Rate **Secured Overnight Financing Rate (SOFR) + 2.50%-4.00%**

Loan Term 4 years

Payment
Deferral Payments on principal and interest deferred for one year

Minimum loan amount

\$1 million

Maximum loan amount

New Loan: The **lesser** of the following;

- Loan Amount
- a. \$25 million; or
 - b. an amount that, when added to the borrower's existing outstanding and committed but undrawn debt, does not exceed four times the borrower's 2019 earnings before interest, taxes, depreciation, and amortization (EBITDA)

Expanded Loan: The **lesser** of the following;

- a. \$150 million;
- b. 30% of the borrower's existing outstanding and committed but undrawn bank debt; or
- c. an amount that, when added to the borrower's existing outstanding and committed but undrawn debt, does not exceed six times the borrower's 2019 EBITDA

Prepayment Permitted without penalty

Forgiveness Loan is not forgivable

Tax
Treatment Treated as indebtedness for tax purposes

Required
Certification A good-faith certification is required to be made by the applicant (including, but not limited, to the items listed below)

Interest Rate **Secured Overnight Financing Rate (SOFR) + 2.50%-4.00%**

Good-faith
Certification
Items

- Loan proceeds will not be used to repay or refinance pre-existing loans or lines of credit between the lender and borrower, including the pre-existing portion of an eligible loan under the Expanded Loan
- The borrower will refrain from using the proceeds to repay other loan balances, including debt of equal or lower priority (with the exception of mandatory principal payments), unless the borrower has first repaid the New Loan or Expanded Loan in full
- The borrower will not cancel or reduce any of its outstanding lines of credit with the lender or any other lender
- The borrower requires financing due to the exigent circumstances presented by the COVID-19 pandemic, and, by using the loan proceeds, it will make reasonable efforts to maintain its payroll and retain its employees throughout the loan term
- The borrower meets the EBITDA leverage conditions stated in the “Loan Amount” section above

The borrower is eligible to participate in the Facilities loan program and does not have a conflict of interest prohibition, as defined in section 4019(b) of the CARES Act

New Loan: Origination fee equal to 1.00% of the principal amount

Loan Fees

Expanded Loan: Fee of 1.00% of the principal amount related to the incremental loan

For more information about how the Coronavirus is effecting businesses across all industries, visit our COVID-19 Resource page.

[COVID-19 Resources](#)