

# Revised Terms Announced for Main Street Lending Program



## ARTICLE 05.04.20 DEAN DORTON

The Federal Reserve issued a press release on April 30, 2020, announcing expanded loan options and increased eligibility associated with the recently established Main Street Lending Program (the Program). The Program, for which initial terms were summarized [here](#), is meant to provide access to credit for small and medium-sized businesses, which were in sound financial condition before the onset of the COVID-19 pandemic, to maintain operations until conditions normalize.

We have summarized the key changes to the Program below.

- **Expanded eligibility:** For-profit businesses established before March 13, 2020 with up to 15,000 employees or up to \$5 billion in annual 2019 revenue (both in aggregate with affiliated entities) are now eligible to participate in the Program. Previous loan terms only allowed for participation by businesses with up to 10,000 employees or \$2.5 billion in 2019 annual revenue. The Federal Reserve acknowledged the fact that not-for-profit organizations are currently excluded from participating in the Program; however, the Federal Reserve is currently evaluating the potential of adjusting related eligibility terms that may subsequently include these organizations.
- **Priority loans:** A third loan option is now available to eligible borrowers and is referred to as the Main Street Priority Loan Facility (Priority Loans). This new facility shares similar terms as the previously established Main Street New (New Loans) and Expanded (Expanded Loans) loan facilities but includes a higher risk retention percentage (15 percent) for lenders.
- **New loan amounts:** Changes in both the minimum and maximum loan amounts were announced in conjunction with the release. The minimum loan amount was decreased to \$500,000 for both the New Loans and Priority Loans, whereas it was increased to \$10,000,000 for Expanded Loans. The maximum loan amount for Expanded Loans is now \$200,000,000, which reflects an increase from the \$150,000,000 threshold in the initial loan terms.

Concerning business eligibility, the Federal Reserve said eligibility criteria are minimum requirements for the Program and that lenders will perform an assessment of each borrower's financial condition at the time of application submission. Documentation related to this assessment may vary from lender to lender. The press release issued by the Federal Reserve also reiterated that businesses who receive a loan through the SBA's Paycheck Protection Program (PPP) may still be eligible for a Main Street Lending Program loan.

In addition to the above, a variety of new information and clarification to initial Program loan terms were announced, including information about interest rates, principal repayment, and calculation of loan amounts. Accompanying the press release, the Federal Reserve provided updated term sheets for each Program loan option as well as a Frequently Asked Questions (FAQ) document, all of which can be found [here](#). We will continue to provide updates on

the Program as new guidelines are released by the Federal Reserve.

A current overview of the Program terms and certifications is below.

### General Program Terms

**Size** Up to \$600 billion  
**End Date** September 30, 2020 (start date is currently unknown)

A for-profit business that meets all the following:

**Eligible Business Criteria**

- Established before March 13, 2020;
- 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;
- Must not be an ineligible business;\*
- When aggregated with affiliated entities, up to 15,000 employees or up to \$5 billion in 2019 annual revenue;
- Has not received support under Section 4003(b)(1)-(3) of the CARES Act;
- Able to make all the required certifications and covenants; and
- Participates in only one of the following:
  - New Loan Facility
  - Priority Loan Facility
  - Expanded Loan Facility
  - [Primary Market Corporate Credit Facility](#).

**Forgiveness** Loan is not forgivable  
**Payment Deferral** Payments on principal and interest deferred for one year  
**Prepayment** Permitted without penalty  
**Tax Treatment** Treated as indebtedness for tax purposes

For general term definitions, including “business” and “affiliate,” as well as how-to information for calculating employees and annual revenue, refer to the FAQ guide, [here](#).

[here](#)   [here](#)   [here](#)

### Specific Loan Option Terms

Note: revisions to initial loan terms are bolded within the table below (except for terms related to the Priority Loan)

#### Main Street Lending Loan Program

	New Loan	Priority Loan	Expanded Loan
<b>Loan Amount</b>			
<b>Minimum</b>	<b>\$500,000</b>	\$500,000	<b>\$10,000,000</b>

## Main Street Lending Loan Program

	New Loan	Priority Loan	Expanded Loan
<b>Maximum</b>	Lesser of \$25,000,000 or 4x 2019 <b>adjusted</b> EBITDA	Lesser of \$25,000,000 or 6x 2019 adjusted EBITDA	Lesser of <b>\$200,000,000</b> , 35% of outstanding and undrawn available debt, or 6x 2019 <b>adjusted</b> EBITDA
<b>Term</b>	4 years	4 years	4 years
<b>Interest Rate</b>	<b>LIBOR + 3%</b>	LIBOR + 3%	<b>LIBOR + 3%</b>
<b>Principal Repayment</b>	<b>Year 2: 33%</b> <b>Year 3: 33%</b> <b>Year 4: 33%</b>	Year 2: 15% Year 3: 15% Year 4: 70%	<b>Year 2: 15%</b> <b>Year 3: 15%</b> <b>Year 4: 70%</b>
<b>Eligible Loans</b>	Secured or unsecured term loan originated after <b>April 24, 2020</b>	Secured or unsecured term loan originated after April 24, 2020	Secured or unsecured term loan or revolving credit facility originated on or before <b>April 24, 2020, with a remaining maturity of at least 18 months</b>
<b>Lender Risk Retention</b>	5%	15%	5%
<b>Origination Fee</b>	1.00% of principal amount	1.00% of principal amount	<b>0.75%</b> of principal amount related to incremental loan
<b>Transaction Fee*</b>	1.00% of principal amount	1.00% of principal amount	<b>0.75%</b> of principal amount related to incremental loan

At the discretion of the lender, these fees may be paid by the borrower.

### Certifications and Covenants

In addition to the required certifications below, eligible borrowers will also be committed to making commercially reasonable efforts to maintain payroll and retain employees during the outstanding period of the respective loan under the Program.

- The Eligible Borrower must commit to refrain from repaying the principal balance of or paying any interest on, any debt until the Eligible Loan is repaid in full unless the debt or interest payment is mandatory and due. (*This certification is amended for eligible Priority Loan borrowers who will be able to refinance certain existing debt at the time of loan origination.*)
- The Eligible Borrower must commit that it will not seek to cancel or reduce any of its committed lines of credit with the Eligible Lender or any other lender.
- The Eligible Borrower must certify that it has a reasonable basis to believe that, as of the date of origination of the Eligible Loan and after giving effect to such loan, it has the ability to meet its financial obligations for at least the next 90 days and does not expect to file for bankruptcy during that time period.

- The Eligible Borrower must commit that it will follow compensation, stock repurchase, and capital distribution restrictions that apply to direct loan programs under section 4003(c)(3)(A)(ii) of the CARES Act, except that an S corporation or other tax pass-through entity that is an Eligible Borrower may make distributions to the extent reasonably required to cover its owners' tax obligations in respect of the entity's earnings.
- The Eligible Borrower must certify that it is eligible to participate in the Facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.

For more information on how the Coronavirus is impacting businesses across multiple industries, visit our COVID-19 resource page:

[COVID-19 Resources](#)