Federal Reserve Expands Scope and Eligibility of Main Street Lending Program

On April 30, 2020, the Federal Reserve announced changes to its Main Street Lending Program that will expand the loan options available to businesses and increase the maximum size of the companies that are eligible for support under the Program.

Key Changes to Original Terms of the Program

- The Federal Reserve has created a third loan option, called the Main Street Priority Loan facility, with increased risk sharing by lenders for borrowers with greater leverage.
- Businesses with up to 15,000 employees or up to $5 billion in annual revenue are now eligible for loans, compared to the initial Program terms, which were for companies with up to 10,000 employees and $2.5 billion in revenue.
- The minimum loan size for two of the facilities was also lowered to $500,000 from $1 million.
- The Federal Reserve initially required banks to price the loans using the Secured Overnight Financing Rate (SOFR), a newer benchmark that is due to replace the London Inter-Bank Offered Rate (LIBOR) next year; however, in response to industry feedback during the comment period, the loans will now be priced using the LIBOR benchmark.
- In addition, the definition of eligible lender has been expanded to include U.S. branches or agencies of a foreign bank, U.S. intermediate holding companies of a foreign banking organization, or U.S. subsidiaries of any of the foregoing. At this time, nonbank financial institutions are not considered eligible lenders for purposes of the Program.

Main Street Lending Program Loan Options

The Main Street Lending Program now includes threefacilities, all of which use the same eligible lender and eligible borrowercriteria and have many of the same features, including the same maturity,interest rate, deferral of principal and interest for one year, and ability ofthe borrower to prepay without penalty. Other features of the loans extended inconnection with each facility differ, including how they interact with theeligible borrower's existing outstanding debt. Key characteristics of eachfacility are set forth below:

Main Street Lending Program Loan Options	New Loans	Priority Loans
Term	4 years	4 years
Minimum Loan Size	$500,000	$500,000
Maximum Loan Size	Lesser of $25M or 4x 2019 adjusted EBITDA	Lesser of $25M or 6x 2019 adjusted E
Lender Risk Retention	5%	15%
Repayment	Year 1: fully deferred; Years 2-4: 33.3% amortization per year	Year 1: fully deferred; Years 2-4: 15%, 15
Interest Rate	LIBOR (1 or 3 month) + 3%	LIBOR (1 or 3 month) + 3%
Security	Lender may require	Lender may require
Prepayment	No penalty	No penalty
Fees	100bps fee to Fed; up to 100bps origination fee in lender discretion	100bps fee to Fed; up to 100bps origi fee in lender discretion
Forgivable	No	No
Priority	Senior to all other debt	Senior or pari passu, except mortgage
Use of Proceeds to Pay Other Debt	No, except debt service due and owing or maturity of other debt	No, except debt service due and owi maturity of other debt, and debt of o lender refinanced at origination
Compensation, Stock Purchase, & Distribution Restrictions	Yes	Yes

View Table

Important Considerations

Businesses that have received Paycheck Protection Program (PPP) loans are permitted to borrow under the Main Street Lending Program, provided that they are eligible borrowers. In contrast to loans under the PPP, Main Street loans are full-recourse loans and are not forgivable. If you have questions, please contact Andy Leffler, Laura McKinney, or your relationship attorney.

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