

# New Information on Main Street Lending Program and FAQs

The Federal Reserve has released additional information for potential lenders and borrowers on the Main Street Lending Program (the Program), including updated frequently asked questions (FAQs) and operational documents. The Program will be implemented by the Federal Reserve Bank of Boston, which has set up a special purpose vehicle to participate in program loans (the “Main Street SPV”). The operational documents fall into two main categories: (1) lender registration documents and (2) transaction specific documents required at the time a loan participation is sold to the Main Street SPV by an eligible lender.

## Lender Registration Documents

To participate in the Program, eligible lenders must first register by submitting certain documents to the Main Street SPV. In the Lender Registration Certifications and Covenants, an eligible lender must make certain certifications and covenants regarding its status as an eligible lender, its eligibility under the CARES Act conflicts of interest prohibition, and its solvency. An eligible lender is also required to complete and submit Lender Wire Instructions for the bank account into which the Main Street SPV will transfer the purchase amount, servicing fees, and any other payments related to Main Street loan transactions.

## Transaction Specific Documents

**Loan Participation Agreement:** This is the agreement under which the Main Street SPV purchases participation in an eligible loan from the eligible lender.

**Co-Lender Agreement:** If the eligible loan is a “Bilateral Facility” – meaning a loan where the eligible lender is the only lender – then this Co-Lender Agreement must be signed by the eligible lender and eligible borrower and delivered to the Main Street SPV in blank. This agreement only becomes effective if and when the Main Street SPV decides to “elevate” its participation interest to an actual assignment, making the Main Street SPV (or its assignee) and eligible lender co-lenders and providing direct privity of contract between the eligible borrower and Main Street SPV. Under the Loan Participation Agreement, the Main Street SPV generally may only sell its participation interest with the consent of the eligible lender, and can only cause an assignment of the subject loan (“elevate” its participation into an assignment) with the consent of both the eligible borrower and eligible lender; provided, however, upon a payment default by the eligible borrower or the eligible borrower becoming subject to bankruptcy proceedings, the Main Street SPV may sell its participation or cause an assignment of the subject loan without consent.

**Servicing Agreement:** This agreement sets forth the terms and conditions under which the eligible lender will service the eligible loan on behalf of the Main Street SPV. The Main Street SPV requires the eligible lender to collect extensive annual and quarterly financial reporting from each eligible borrower, as provided in Schedule 1 of this Servicing Agreement.

**Lender Transaction Specific Certifications and Covenants:** The eligible lender is required to certify that the eligible borrower has delivered the Borrower Transaction Specific Certifications and Covenants. The eligible lender may rely upon the Borrower Transaction Specific Certifications and Covenants without independently verifying its contents or actively monitoring eligible borrower’s ongoing compliance therewith. However, eligible lenders are nevertheless expected to conduct an assessment of each potential borrower’s financial condition at the time of the

potential borrower's application, according to their underwriting standards. The eligible lender must also certify that the subject loan is eligible for the specific loan facility under the Program that is the subject of the transaction, and that the terms of the loan documentation meet all requirements of such facility. The eligible lender agrees that it shall not require that the eligible loan be used to pay off existing loan facilities among the eligible lender and the eligible borrower, and the eligible lender cannot cancel or reduce existing lines of credit with the eligible borrower.

**Borrower Transaction Specific Certifications and Covenants:** The subject borrower is required to certify that it is an "eligible" business and borrower under the terms of the Program and the specific facility to which it is applying. The eligible borrower also commits to comply with certain compensation, stock repurchase, and capital distribution restrictions.

## Loan Documentation and Funding

The Federal Reserve is not providing form loan documents for eligible lenders to use when making loans to eligible borrowers. Eligible lenders should use their own ordinary course loan documentation for Main Street loans, adjusted only as appropriate to reflect the requirements of the Program. In order for the Main Street SPV to participate in a loan, the loan documentation must reflect certain required items set out in a checklist attached to the new FAQs.

Eligible lenders have two options for funding loans under the Program. Eligible lenders may, but are not required to commit and pre-fund loans under the Program and then seek to sell participation in such loans to the Main Street SPV by submitting all required documentation within 14 days of the closing. Alternatively, an eligible lender may extend a loan under the Program to an eligible borrower but make the funding of such a loan contingent on a binding commitment from the Main Street SPV that it will purchase participation in the loan.

The Federal Reserve is still working to create the infrastructure necessary to operationalize the Program but expects a launch date within the next two weeks.

[All Main Street Lending Program Forms for lenders and borrowers can be found here.](#)

*In the meantime, please feel free to reach out to [Andy Leffler](#), [Laura McKinney](#), or your relationship attorney to discuss the Program or any questions you may have.*

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