

Main Street Lending Program



Overview

On March 23, 2020, the Federal Reserve announced the creation of a Main Street Lending Program to support small and medium-sized businesses. This program is designed to encourage lenders to make low interest loans to eligible businesses with fewer than 15,000 employees or less than \$5 billion in 2019 revenue. The program consists of three facilities, which function in the same manner but involve slightly different loan terms (discussed further below). The facilities are:

- [Main Street New Loan Facility](#) (MSNLF)
- [Main Street Priority Loan Facility](#) (MSPLF)
- [Main Street Expanded Loan Facility](#) (MSELF)

The Federal Reserve has published revised term sheets for each facility, required documentation for borrowers and lenders, and updated [FAQs](#), and has indicated that the program should launch imminently.

Timeframe

Expected to launch imminently, and purchases under the Facilities are scheduled to cease on Sept. 30, 2020, unless extended.

Eligibility

- **Eligible lenders:** Any U.S. insured depository institution, U.S. bank holding company or U.S. savings and loan holding company are eligible.
- **Eligible borrowers:** Entities that are (i) established prior to March 13, 2020, (ii) not an ineligible business, as defined under the Paycheck Protection Program, (iii) have fewer than 15,000 employees or 2019 annual revenues of \$5 billion or less, (iv) organized in the U.S. and with both significant operations and a majority of their employees in the U.S. and (v) has not received targeted support to the aviation and related industries under the CARES Act. For purposes of the employee count and 2019 revenue thresholds, borrowers must aggregate their employees and revenue with "affiliates," which include other entities under common majority ownership or control. Borrowers (or affiliate groups) may not participate in more than one of the facilities, and borrowers under any facility may not use the Federal Reserve's Primary Market Corporate Credit Facility (for large investment grade or recently downgraded borrowers). The Federal Reserve has proposed terms for separate facilities that would be available to non-profit organizations.

TIP: Lending under the Main Street Lending Program is subject to banks' existing underwriting policies. Therefore, availability may depend on the perceived creditworthiness of potential borrowers, access to collateral and/or ability to provide guarantees.

Amount of funds available

The total amount of credit extended via the facilities in the aggregate is expected to be up to \$600 billion, based on current commitments. Loans (or tranches) are subject to minimum and maximum loan amounts outlined in the Federal Reserve's [FAQs](#). The maximum loan amounts apply to an affiliated group of borrowers on an aggregated basis, so borrowers that are part of an affiliate group may be subject to further limitation.

Repayment terms

Loans or eligible tranches would have a five year maturity, with interest deferred for 12 months (capitalized into principal) and with principal amortization of 15% at the end of the third year, 15% at the end of the fourth year and a balloon payment of 70% at maturity at the end of the fifth year. Prepayment is permitted at any time without penalty. Loans would have an interest rate of LIBOR plus 3%.

Loan forgiveness

No loan forgiveness is allowed under the facilities.

Payment deferment

The facilities would require that eligible loans or tranches are deferred as to the payment of interest during the first 12 months of the loan and principal amortization would begin at the end of year three of the loan.

Use of funds

See "Certification" below.

Certification

Borrowers and lenders are required to make several certifications in relation to participation in either of the facilities including:

- The borrower and lender attest that they are eligible pursuant to the terms of the program as well as under the CARES Act conflict of interest provision. The borrower commits to refrain from making any voluntary prepayment of other existing debt (though borrowers may continue to make due and payable payments on other debt), subject to the right, under the MSPLF only, and to refinance existing debt of a lender other than the MSPLF lender with the MSPLF loan proceeds.
- The borrower attests that it will comply with the restrictions on compensation, stock repurchase, and capital distribution included under Section 4003 of the CARES Act.

Application instructions

Since the underlying loans will be offered via banks, each such lender will produce its own application forms and loan documentation for potential borrowers. Forms of the required certifications are available [here](#) along with the forms of participation agreement and servicing agreement that would govern the participation structure and servicing of the loan by the originating lender.

Availability of funds

The relevant funds were appropriated to the U.S. Treasury as part of the CARES Act and Federal Reserve officials have indicated they expect the program to be launched imminently.