Federal Reserve Board Further Expands Main Street Lending Program

June 16, 2020

Porzio Client Alert

On April 9, 2020, the Federal Reserve established the Main Street Lending Program (the "Program") to support lending to small and medium-sized businesses that were in good financial condition before the onset of the COVID-19 pandemic. On April 30, 2020, the Federal Reserve expanded the loan options available to businesses and expanded the maximum size of businesses that are eligible to receive support under the Program.

On June 8, 2020, the Federal Reserve Board further expanded the Program to allow even more small and medium-sized businesses to receive support. The changes, which are summarized in the table below, include:

- Lowering the minimum loan size for certain loans from $500,000 to $250,000;
- Increasing the maximum loan size for all facilities;
- Increasing the term of each loan option from four years to five years;
- Extending the repayment period for all loans by delaying principal payments from one year to two years; and
- Raising the Federal Reserve Bank's participation to 95% for all loans.

Main Street Lending Program Options	Main Street New Loans	Main Street Priority Loans	Main Street Expanded Loans
Term	5 years[1]	5 years	5 years
Minimum loan size	$250,000[2]	$250,0002	$10,000,000
Maximum loan size	The lesser of $35 million or an amount that, when added to outstanding and undrawn available debt, does not exceed 4.0x adjusted 2019 earnings before interest, tax, depreciation and amortization (EBITDA)[3]	The lesser of $50 million or an amount that, when added to outstanding and undrawn available debt, does not exceed 6.0x adjusted 2019 EBITDA[4]	The lesser of $300 million, 35% of existing outstanding and undrawn available debt, or an amount that, when added to outstanding and undrawn available debt, does not exceed 6.0x adjusted 2019 EBITDA[5]
Risk Retention	5%	5%[6]	5%

Principal Repayment	Principal deferred for two years, years three to five: 15%, 15%, 70%[7]	Principal deferred for two years, years three to five: 15%, 15%, 70%[8]	Principal deferred for two years, years three to five: 15%, 15%, 70%[8]
Interest Payments	Deferred for one year	Deferred for one year	Deferred for one year
Rate	LIBOR + 3%	LIBOR + 3%	LIBOR + 3%

What can you do now if interested in obtaining funding through the Program?

The Program is not yet operational. The Federal Reserve Board expects the Main Street Lending Program to be open for lender registration soon and to begin actively buying loans shortly thereafter. Interested borrowers should contact eligible lenders for more information on whether the lender plans to participate in the Program and for more information on the application process. Eligible lenders are U.S. federally-insured depository institutions (including banks, savings associations, and credit unions) as well as any U.S. branch or affiliate of a foreign bank. Nonbank financial institutions are not considered eligible lenders at this time; however, the Federal Reserve is considering expanding the pool of eligible lenders.

Are nonprofit organizations eligible to apply for loans under the Main Street Lending Program?

Not yet. The Federal Reserve Board is working to establish a program soon for nonprofit organizations.

Where can you find additional information regarding the Program?

For further information regarding the initial adoption of the Program and the Federal Reserve's initial modification, please refer to the links below:

Main Street Lending Program - A New Option for Companies With More Than 500 Employees

Federal Reserve Board Expands Scope and Eligibility for Main Street Lending Program

The Federal Reserve has published updated term sheets for the New Loan Facility, the Expanded Loan Facility and the Priority Loan Facility. Please refer to the links below:

Main Street New Loan Facility Term Sheet

Main Street Priority Loan Facility Term Sheet

Main Street Expanded Loan Facility Term Sheet

Please also follow the Porzio COVID-19 Resources Page for further updates.

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[1] The term was previously 4 years.

[2] The minimum loan size was previously $500,000.

[3] The maximum loan size for New Loans was previously the lesser of $25 million or an amount that, when added to outstanding and undrawn available debt, does not exceed 4.0x adjusted 2019 EBITDA.

[4] The maximum loan size for Priority Loans was previously the lesser of $25 million or an amount that, when added to outstanding and undrawn available debt, does not exceed 6.0x adjusted 2019 EBITDA.

[5] The maximum loan size for Expanded Loans was previously the lesser of $200 million, 35% of existing outstanding and undrawn available debt, or an amount that, when added to outstanding and undrawn available debt, does not exceed 6.0x adjusted 2019 EBITDA.

[6] The risk retention on Priority Loans was previously 15%.

[7] Principal repayment on New Loans was previously deferred for one year and 33.33% repayment due in years 2-4.

[8] Principal repayment on Priority Loans and Expanded Loans was previously deferred for one year and 15%, 15% and 70% repayment in years 2, 3, and 4 respectively).