**Main Street Lending Program**
**Overview**

The "Main Street Business Lending Program" is the latest federal program to provide loans to companies struggling to find liquidity as a result of COVID-19. The program will provide access to a credit facility to small and medium size businesses through private lenders. The FAQs below address loans under the Main Street New Loan Facility Program. While it is not yet operational, below is an overview of the program that is expected to be launched soon.

**Which borrowers are eligible?**
The Program is intended to help companies that were in sound financial condition prior to the onset of COVID-19. To be eligible, a business must:

- Have been established prior to March 13, 2020
- Meet one of the following size conditions - either (a) 2019 employment size of 15,000 or less employees (no minimum), OR (b) 2019 annual revenues of $5 billion or less (SBA's affiliation rules under 13 CFR 120.301(f) will apply
- Be a U.S. business with significant U.S. operations
- Not eligible: financial businesses, passive real estate businesses, life insurance companies, businesses located in a foreign country, pyramid sale distribution plans, businesses deriving revenue from legal gambling (with threshold), private clubs, government owned entities, certain adult entertainment establishments, political or lobbying firms, and speculative businesses (*See* 13 CFR 120.110).
- Non-profits? Treasury states that while it recognizes the unique needs of non-profit organizations, they are not currently eligible. However, the Federal Reserve is actively evaluating the feasibility of adjusting the borrower eligibility criteria and loan eligibility to include non-profits.

For more information on eligibility, please see the Federal Reserve FAQs here

**What are the loan terms?**
The Federal Reserve's authority does not allow it to make grants, only loans, so these loans must be paid back and are not forgivable. The terms include:

- Four-year term with interest rate of 3 percent more than LIBOR rate (1 or 3 month rate)
- Deferment of principal and interest payments for one year
- Minimum loan is $500,000 and cannot exceed $25 million or four times the eligible borrower's adjusted 2019 earnings for the Main Street New Loan Facility. (A separate Main Street program for expanding existing loans has a higher cap)
- No prepayment penalty

**Where would I apply for this loan?**
Eligible lenders will include federally insured depository institutions, including banks, savings association, and credit unions. The eligible lenders will have to opt-in to participate in the program. Banks will retain a 5-15 percent share, selling the remaining 85-95 percent to the

federal "Main Street Facility," which will purchase up to $600 billion of loans. A start date has not yet been announced for this program, but it is expected to open up for availability in the near term. Lenders will be responsible for underwriting each loan application and should take into consideration the applicant's 2019 business condition for creditworthiness.

**What can this loan be used for?**
The loans may be used for any legal purposes to operate its business subject to the covenants, restrictions and certifications of each available loan facility. Borrowers participating in the program are required to certify that they will make "commercially reasonable efforts" to maintain their payroll and retain employees during the time that the loan is outstanding. Good faith efforts to maintain payroll and retain employees will take into account the economic environment, a borrower's resources and the business need for labor. Unlike PPP, there is not a formula or requirement that portions of the loan be spent on eligible expenses.

**What is the difference between the different *facilities* in the Program?**
The Program will operate through three facilities: the Main Street New Loan Facility, the Main Street Priority Loan Facility, and the Main Street Expanded Loan Facility (MSELF). Each of them offer many of the same features, including interest rates and deferral of payments for one year. The loan types differ in how they work alongside the borrower's existing debt. A borrower can only participate in one of the facilities. A quick view of the facilities is below:

- Main Street New Loan Facility: New loans ranging from $500,000 to $25 million; loan size cannot exceed four times the borrower's adjusted 2019 earnings
- Main Street Priority Loan Facility: New loans ranging from $500,000 to $25 million; loan size cannot exceed six times the borrower's adjusted 2019 earnings
- Main Street Expanded Loan Facility: Upsizes existing term loan or revolving credit facility; the enhanced loan is a four-year term ranging from $10 million to $200 million

**Can a business use a Main Street Lending Program loan if they already received a Paycheck Protection Program loan?**
Participation in the Paycheck Protection Program does not impact eligibility for this program.

**Are there any restrictions on borrowers?**
The borrower cannot use the loan to repay or refinance pre-existing loans and existing lines of credit made by the eligible lender, except where otherwise required to pay. Borrowers are also subject to certain restrictions, pursuant to the CARES Act, including:

- Prohibition on stock buybacks or paying dividends until one year after Main Street loan is repaid; and
- Limitations on executive compensation and severance pay

**Is there a time limit or financial cap on the Main Street Lending Program?**
The Program will purchase up to $600 billion in eligible loans until September 30, 2020.

More information can be found here.