

Main Street Lending Program Factsheet

In March 2020, the Federal Reserve opened six lending facilities using Section 13(3) authority in response to financial disruptions caused by COVID-19 in markets for corporate debt, municipal debt, and nonresidential asset-backed securities. Under the Facility and the Main Street New Loan Facility (MSNLF), a Federal Reserve Bank will commit to lend to a single common special purpose vehicle (SPV) on a recourse basis. The SPV will purchase 95% participations in the upsized tranche of eligible loans from eligible lenders.

The Federal Reserve on April 9, 2020 took actions to provide up to \$2.3 trillion in loans to support the economy. This funding ensures credit flows to small and mid-sized businesses with the purchase of up to \$600 billion in loans through the Main Street Lending Program.

Eligible Loans

An eligible loan is an unsecured term loan made by an eligible lender(s) to an eligible borrower that was originated on or after April 8, 2020 and before September 30, 2020 (this date could be extended in the future), provided that the loan has the following features:

- 4 year maturity with payment of principal and interest deferred for the first year;
- Adjustable rate of Secured Overnight Financing Rate (SOFR) + 250-400 basis points (2.5-4%);
- Minimum loan size of \$1 million and a maximum loan size that is the lesser of \$25 million or an amount that, when added to the eligible borrower's existing outstanding and committed but undrawn debt, does not exceed four times the eligible borrower's 2019 earnings before interest, taxes, depreciation, and amortization ("EBITDA");
- Borrowers will pay an eligible lender a fee of 100 basis points (1%) of the principal amount of the loan;
- Prepayment permitted without penalty; and
- Loan is NOT eligible for loan forgiveness.

Borrowers

Eligible Borrowers

- Eligible borrowers are businesses with up to 10,000 employees OR up to \$2.5 billion in 2019 annual revenues;
- Each eligible borrower must be a business that is created or organized in the US with significant operations in and a majority of its employees based in the US; and
- Borrowers that have taken advantage of the Paycheck Protection Program may also receive a loan as part of the Main Street Lending program.

Borrower Required Attestations

- Borrower must commit to refrain from using the proceeds of the eligible loan to repay other loan balances of equal or lower priority, with the exception of mandatory principal payments, unless the eligible borrower has first repaid the eligible loan in full.
- Borrower must attest that it will not seek to cancel or reduce any of its outstanding lines of credit with the eligible lender or any other lender.

- Borrower must attest that it requires financing due to the exigent circumstances presented by the coronavirus disease 2019 (“COVID-19”) pandemic, and that, using the proceeds of the upsized tranche of the eligible loan, it will make reasonable efforts to maintain its payroll and retain its employees during the term of the upsized tranche of the eligible loan.
- Borrower must attest that it will follow compensation, dividend/capital distribution, and stock repurchase restrictions that apply to direct loan programs under the CARES Act.
- Borrowers must attest to other employment related provisions including to not outsource or offshore jobs for the repayment period plus 2 years, to not abrogate any existing collective bargaining agreements, and to be neutral in any union organizing effort during the term of the loan.

Lenders

Eligible Lenders

- Eligible lenders are U.S. insured depository institutions, U.S. bank holding companies, and U.S. savings and loan holding companies.
- The loans will be issued through traditional lenders, which will retain 5% of the loans while the central bank buys the remaining 95%.
- Eligible banks may originate new Main Street loans or use Main Street loans to increase the size of existing loans to businesses.
- The SPV will pay an eligible lender 25 basis points of the principal amount of its participation in the Eligible Loan per annum for loan servicing.
- Participating lenders must pay a facility fee equal to the amount of the origination fee, and lenders are authorized to charge this fee to applicants.

Lender Required Attestations

- Lender must attest that the proceeds of the eligible loan will not be used to repay or refinance pre-existing loans or lines of credit made by the eligible lender to the eligible borrower, including the pre-existing portion of the eligible loan.
- Lender must attest that it will not cancel or reduce any existing lines of credit outstanding to the eligible borrower.
- Lenders will be required to certify that the entity is eligible to participate in the Facility, including in light of the conflicts of interest prohibition in section 4019(b) of CARES Act.

NOTE:

**The Federal Reserve is taking comments on the program’s terms and conditions until April 16, 2020 and may make adjustments. Any such adjustments will be publicly announced.*

**Further details for completing or submitting applications for loans under the Main Street Program have not been released.*

**The Board of Governors of the Federal Reserve System and Secretary of the Treasury may make adjustments to the terms and conditions described in their term sheet. Any changes will be announced on the Board’s website.*

**It is unclear at this time whether Treasury will require collateral or other commitments to secure loans.*