Fed Provides Further Updates to Main Street Lending Program, Expanding Availability in Advance of Program Launch

On June 8, 2020, the Federal Reserve Bank of Boston, the administrator of the Federal Reserve's Main Street Lending Program, released updated term sheets for the three types of loans, “New,” “Priority” and “Expanded,” that will be available under Main Street as well as an updated extensive Frequently Asked Questions (FAQ). The Main Street Lending Program is a $600 billion loan program to provide support to small and medium-sized businesses established, with the approval of the Treasury Secretary, by the Federal Reserve using its emergency authority under Section 13(3) of the Federal Reserve Act, with $75 billion in equity provided by the Treasury Department under the $454 billion appropriation of Section 4003(b)(4) of Title IV of the Cares Act.

The Boston Fed explained in its accompanying June 8 press release that the thrust of the revisions to the loan programs, updating the terms sheets released on April 30, is to “allow more small and medium-sized businesses to be able to receive support.” Among the key changes are:

- Reduce minimum loan size for “New” and “Priority” loans from $500,000 to $250,000;
- Increase maximum loan size for “New” loans from $25 million to $35 million, for “Priority” loans from $25 million to $50 million and for “Expanded” loans from $200 million to $300 million;
- Extend maturity of all Main Street loans from four years to five years;
- Extend commencement of scheduled principal repayments from the first anniversary of the Main Street loan closing to the second anniversary (interest payments will continue to start on the first anniversary, with interest accrued during the first year capitalized either quarterly or annually in accordance with the Eligible Lender’s “customary practices”); and
- Increase government’s participation in “Priority” loans to 95% (the government, through the Main Street SPV, will now hold an undivided 95% participation interest in all Main Street loans).

The Boston Fed stated that the Federal Reserve “expects the Main Street program to be open for lender registration soon and to be actively buying loans shortly afterwards... Once they have successfully registered for the program, lenders are encouraged to begin making Main Street loans immediately,” although no set date for commencing lender registration has been announced. The Boston Fed also noted that the Federal Reserve is working to establish a separate lending program for nonprofit organizations (nonprofits as a whole are not eligible to borrow under the Main Street Lending Program).

The below annotated chart of the three Main Street loan programs summarizes and highlights key aspects of, and compares differences among, the “New,” “Priority” and “Expanded” loan programs, updating and superseding our prior summary of the April 30 term sheets. Sheppard Mullin is actively assisting borrowers and lenders in analyzing and accessing the funds available on the Main Street Lending Program.
# Main Street Lending Program Summary

(as of 6/9/2020)

<table>
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<tr>
<th>Program Terms</th>
<th>Main Street New Loan Facility (&quot;MSNFL&quot;)</th>
<th>Main Street Priority Loan Facility (&quot;MSPLF&quot;)</th>
<th>Main Street Expanded Loan Facility (&quot;MSELF&quot;)</th>
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<td><strong>Overview</strong></td>
<td>A Federal Reserve Bank (the &quot;Fed&quot;) will commit to lend to a single common special purpose vehicle (the &quot;SPV&quot;) on a recourse basis. The Department of the Treasury (the &quot;Treasury&quot;), using funds appropriated to the Exchange Stabilization Fund under section 401 of the CARES Act, will make a $75 billion equity investment in the SPV (from $25 billion appropriation under Title IV of the CARES Act). The combined size of Main Street Loans will be up to $600 billion. For a loan created under MSNFL, MSPLF and MSELF, the SPV will purchase a 95% participation and the Eligible Lender would retain 5%.</td>
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<td><strong>Eligible Loans</strong></td>
<td>The Main Street term loan would be a new secured or unsecured term loan that was originated after April 24, 2020.</td>
<td>The Main Street term loan would be an unsecured term loan or credit facility that was originated on or after April 24, 2020, was made by an Eligible Lender, and is currently outstanding. The underlying loan must have a remaining maturity of at least 18 months (including if the maturity is extended). The underlying loan may be a multi-lender facility, but the Eligible Lender must be one of the lenders holding an interest in the underlying loan and must have undersubscribed that interest on or before April 24, 2020.</td>
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| **Eligible Borrowers** | Eligible Borrower is a Business that must meet the following criteria:  
(a) established prior to March 13, 2020;  
(b) NOT an Ineligible Business;  
(c) meets at least one of the following two conditions: (i) have 15,000 employees or fewer; OR (ii) have 2019 annual revenues of or less;  
(d) be created or organized in the United States or under the laws of the United States with significant operations in and a major employment base in the United States;  
(e) may only participate in one of MSNFL, MSPLF, MSELF or the Primary Market Corporate Credit Facility;  
(f) NOT receive specific support under sections 4003(b)(1)-(3) of the CARES Act (which apply to air and cargo carriers and national businesses); AND  
(g) the President, Vice President, an executive department head, Member of Congress or close relative cannot own, control, or more (by vote or value) of any class of equity ownership interest in the Eligible Borrower. | | |
| **Eligible Lenders** | U.S. federally insured depository institution (including a bank, savings association, or credit union), a U.S. branch or agency of bank, a U.S. bank holding company, a U.S. savings and loan holding company, a U.S. intermediate holding company of a foreign organization, or a U.S. subsidiary of any of the foregoing. | | |

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