

## COVID-19 – The Main Street Lending Program: Federal Reserve Board Revises Key Terms of Main Street Lending Program

June 9, 2020

The Main Street Lending Program (the “Program”) is a financial assistance program established by the Board of Governors (the “Board”) of the Federal Reserve System to support small and medium-sized businesses affected by the COVID-19 pandemic. The Program authorizes eligible lenders to originate up to \$600 billion in eligible loans through three separate facilities - the Main Street New Loan Facility (the “New Facility”), the Main Street Priority Loan Facility (the “Priority Facility”), and the Main Street Expanded Loan Facility (“MSELF”). A special purpose vehicle (“SPV”) formed by the Federal Reserve will purchase 95% participations in these loans. Please consult our previous Client Alerts on the [April 30th Program Guidance](#) and [May 27th Program Guidance](#) for additional details on the Program terms previously announced.

On June 8<sup>th</sup>, 2020, the Board issued revised term sheets for the three Program facilities, enacting a number of substantive changes to the prior April 30<sup>th</sup> term sheets. These changes were intended to expand both the universe of potential borrowers for the Program and the appeal of the loan terms. The details on the changes are as follows:

FEATURE	NEW FACILITY LOANS	PRIORITY FACILITY LOANS	MSELF LOANS
<b>Term</b>	5 years (previously 4 years)		
<b>Minimum Loan Size</b>	\$250,000 (previously \$500,000)		\$10M
<b>Maximum Loan Size</b>	The lesser of \$35M, or an amount that, when added to outstanding and undrawn available debt, does not exceed 4.0x adjusted EBITDA  (previously \$25M)	The lesser of \$50M, or an amount that, when added to outstanding or undrawn available debt, does not exceed 6.0x adjusted EBITDA  (previously \$25M)	The lesser of \$300M, or an amount that, when added to outstanding or undrawn available debt, does not exceed 6.0x adjusted EBITDA  (previously \$200M; also eliminated the prior cap based on 35% of borrower’s existing and outstanding debt )
<b>Risk Retention</b>	5%	5% (previously 15%)	5%
<b>Principal Repayment</b>	Principal deferred for two years, years 3-5: 15%, 15%, 70%  (previously principal deferred for one year and 33.33% repayment due in years 2-4)	Principal deferred for two years, years 3-5: 15%, 15%, 70%  (previously principal deferred for one year and 15%, 15%, 70% repayment due in years 2, 3, and 4, respectively)	
<b>Interest Payments</b>	Deferred for one year		
<b>Rate</b>	LIBOR + 3%		

**Observations:**

- (1) *By increasing the maximum loan size for the Priority Facility to \$50 million, the Program significantly expands a borrower's opportunities to use the Program to refinance existing debt.*
- (2) *By eliminating the MSELF's prior cap based on 35% of the borrower's existing and outstanding debt, even very small loans with the Eligible Lender that were made prior to April 24 can now be upsized by up to \$300 million under the MSELF.*
- (3) *By deferring principal payments for two years rather than one, borrowers may have significantly more time to recover from the impact of COVID-19 before principal amortization commences. Note, however, that interest is only deferred for one year.*

The participation agreement and other legal forms will be updated to align with these changes.

The Program is anticipated to be open for lender registration soon and to be actively buying loans shortly afterwards. The Main Street Lending Program will also accept loans that were originated under the previously announced terms, if funded before June 10, 2020.

The terms of the Loan Facilities are subject to further rulemaking and guidance from the Federal Reserve System and the Federal Reserve Bank of Boston. We will continue to monitor developments and provide additional details as they become available. In the meantime, please feel free to contact us if you have any questions about the Program.

**CONTACT**

*Please do not hesitate to contact your Windels Marx relationship lawyer or a member of our [Financial Transactions Practice Group](#) with any questions or comments.*

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