

FEDERAL RESERVE SYSTEM

# Main Street Lending Program

## Main Street Lending Program and Your Business

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# Welcome

## Logistics

- Call-in number: **888-625-5230**
- Participant code: **678 278 94#**
- Webinar: <https://www.webcaster4.com/Webcast/Page/583/35467>
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## Webinar

- You can listen through your PC or dial in to the phone.
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## How We'll Take Questions

- Use the chat feature in the webinar (**Ask Question** button on bottom of screen)
- Email your question to: [questions@askthefed.org](mailto:questions@askthefed.org)

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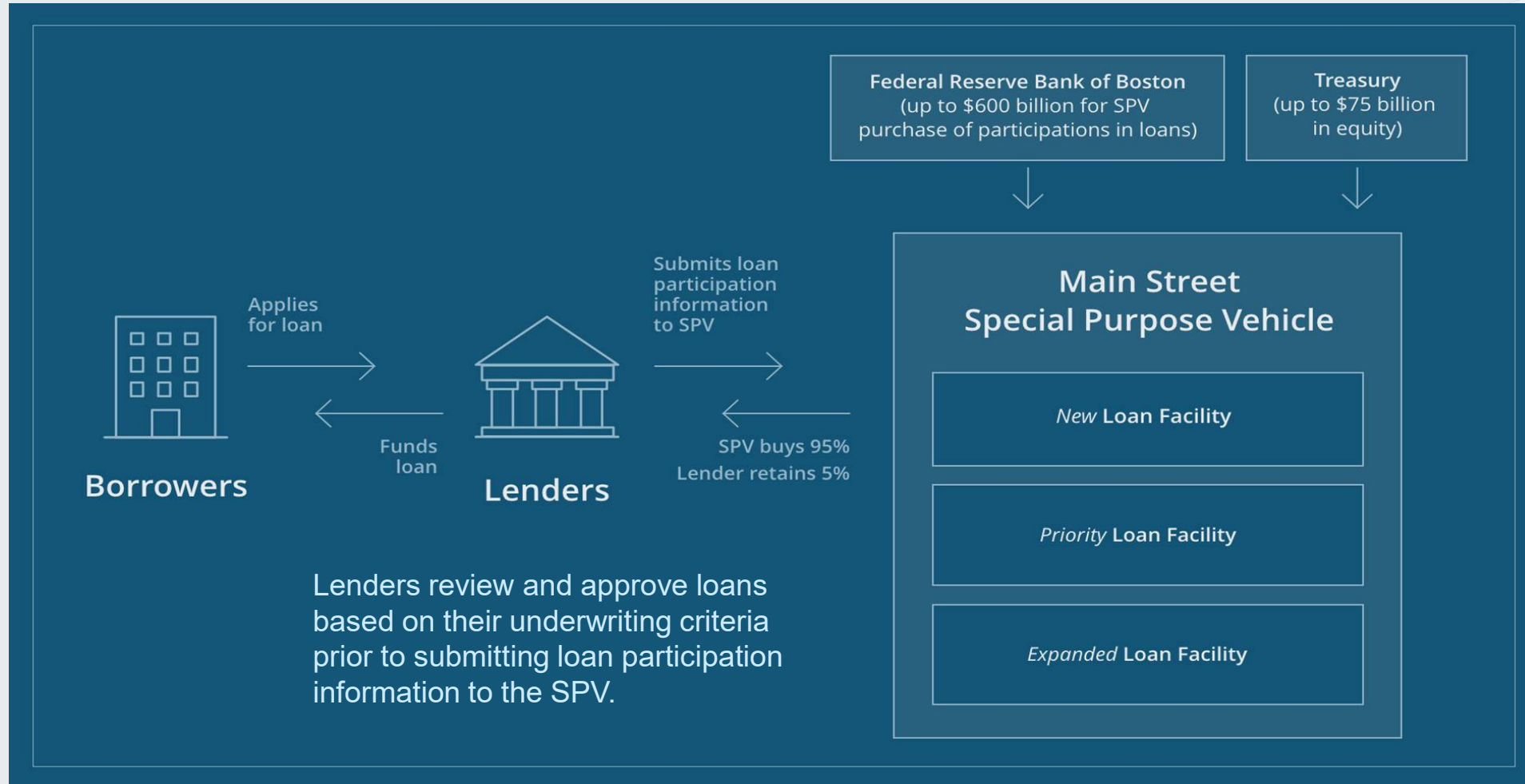
# Agenda for Today's Session

- ▷ Overview of the Main Street Lending Program (Main Street or Program)
- ▷ Eligibility Requirements
- ▷ Loan Conditions and Documentation
- ▷ Getting Started
- ▷ Questions and Answers
- ▷ Additional Resources

# Main Street Overview

- ▶ The Federal Reserve established the Main Street Lending Program to facilitate lending to a wide variety of small- and medium-sized businesses that were in sound financial condition before the onset of the COVID-19 pandemic to help maintain their operations until they have recovered from, or adapted to, the impacts of the pandemic.
- ▶ Main Street is an innovative program that can help lenders across the country support the credit needs of businesses during these very challenging economic times.
- ▶ Lending is conducted through eligible lenders. The Federal Reserve does not extend loans directly to businesses.
- ▶ Main Street loans are not grants and cannot be forgiven.

# Main Street Overview (continued)



# Eligible Loans

- ▷ The Program offers three different loan types, each with different features, to meet the needs of small- and medium-sized businesses:
  - ▷ Wide range of loan sizes
  - ▷ Attractive repayment terms
  - ▷ Deferred interest for one year
  - ▷ Secured or unsecured loans
- ▷ Loan features are detailed in the chart on the following page and in the [Program term sheets](#).

## Eligible Loans (continued)

|  | <i>New Loan Facility</i>                                   | <i>Priority Loan Facility</i>     | <i>Expanded Loan Facility</i>   |
|--|--|-----------------------------------|---|
| <b>Loan Term</b>   | 5 years  |                                   |   |
| <b>Interest Rate</b>   | Adjustable rate of LIBOR (1 or 3 month) + 300 basis points |                                   |   |
| <b>Principal Payments, Years 1-2</b>                                   | None (principal deferred for 2 years)                      |                                   |   |
| <b>Interest Payment, Year 1</b>  | None (interest deferred for 1 year)                        |                                   |   |
| <b>Loan Size</b>   | \$250,000-\$35 million                                     | \$250,000-\$50 million            | \$10 million-\$300 million  |
| <b>Relevant Adjusted 2019 EBITDA for Maximum Loan Size Calculation</b> | 4 times  | 6 times                           | 6 times   |
| <b>Lender Participation Rate</b>                                       | Lender will retain 5% of the loan                          | Lender will retain 5% of the loan | Lender will retain 5% of the upsized tranche of the loan                        |
| <b>Main Street SPV Participation Rate</b>                              | Main Street SPV will purchase an 95% interest in the loan  |                                   | Main Street SPV will purchase a 95% interest in the upsized tranche of the loan |
| <b>Principal Payments, Years 3-5</b>                                   | 15%, 15%, 70%  |                                   |   |
| <b>Prepayment Allowed</b>  | Yes, without penalty                                       |                                   |   |
| <b>Loan Fees</b>   | Origination and transaction fees may apply                 |                                   |   |

## Eligible Lenders

- ▷ U.S. federally insured depository institutions (including banks, savings associations, and credit unions)
- ▷ U.S. bank holding companies and savings and loan holding companies
- ▷ U.S. branches or agencies of foreign banks
- ▷ U.S. intermediate holding companies of foreign banking organizations
- ▷ Any U.S. subsidiary of any of the above-mentioned institutions

# Eligible Borrowers

- ▷ U.S. business established prior to March 13, 2020
- ▷ Up to 15,000 employees or up to \$5 billion in 2019 annual revenue
- ▷ Must not be an Ineligible Business as modified and clarified by SBA regulations for purposes of the PPP (see [term sheets on the Main Street website](#) for details)
- ▷ Must be able to meet all conditions and certifications required by the Program

# Borrower Conditions

- ▷ Borrowers may participate in only one of the Main Street facilities (New, Priority, or Expanded).
- ▷ Borrowers participating in a Main Street facility may not also participate in the Primary Market Corporate Credit facility.
- ▷ Borrowers that have received loans or funds under the following programs may also receive Main Street loans:
  - ▷ CARES Act PPP loan program
  - ▷ Economic Injury Disaster Loan (EIDL) advance

# Borrower Legal Documentation

- ▷ Lenders will require borrowers to sign **Facility Borrower Certifications and Covenants** for each loan, which includes certifications required by the CARES Act.
- ▷ By signing the form, borrowers certify to, among other things, the following:
  - ▷ Prohibition on early debt repayment
  - ▷ Prohibition on reduction in lines of credit
  - ▷ Ability to meet financial obligations for at least next 90 days
  - ▷ CARES Act restrictions on compensation, capital distributions, and equity repurchases
  - ▷ CARES Act prohibition on conflicts of interest

## Borrower Legal Documentation (continued)

- ▷ Lenders may also require borrowers to sign two additional Program forms:
  - ▷ **Assignment Executed in Blank:** This form gives consent to the Main Street SPV to elevate its participation in the loan in a limited set of circumstances.
  - ▷ **Co-Lender Agreement:** In the event the Main Street SPV elevates its participation in the loan, this form sets out intercreditor arrangements for the Main Street SPV and the Lender with respect to the borrower's loan.
- ▷ The most current [Main Street Lending Program Forms and Agreements](#) are located on the Main Street website.

# Getting Started

- ▷ Businesses should start by reviewing the Program requirements and, if interested, contact a lender to discuss applying for a Main Street loan that meets your needs.
- ▷ Borrowers must complete required Program documentation, as well as the lender's own loan documentation.
- ▷ Lenders will apply their own underwriting standards in evaluating the financial condition and creditworthiness of borrowers.
- ▷ Lenders determine whether a borrower is approved for a Main Street loan.

## To Ask a Question

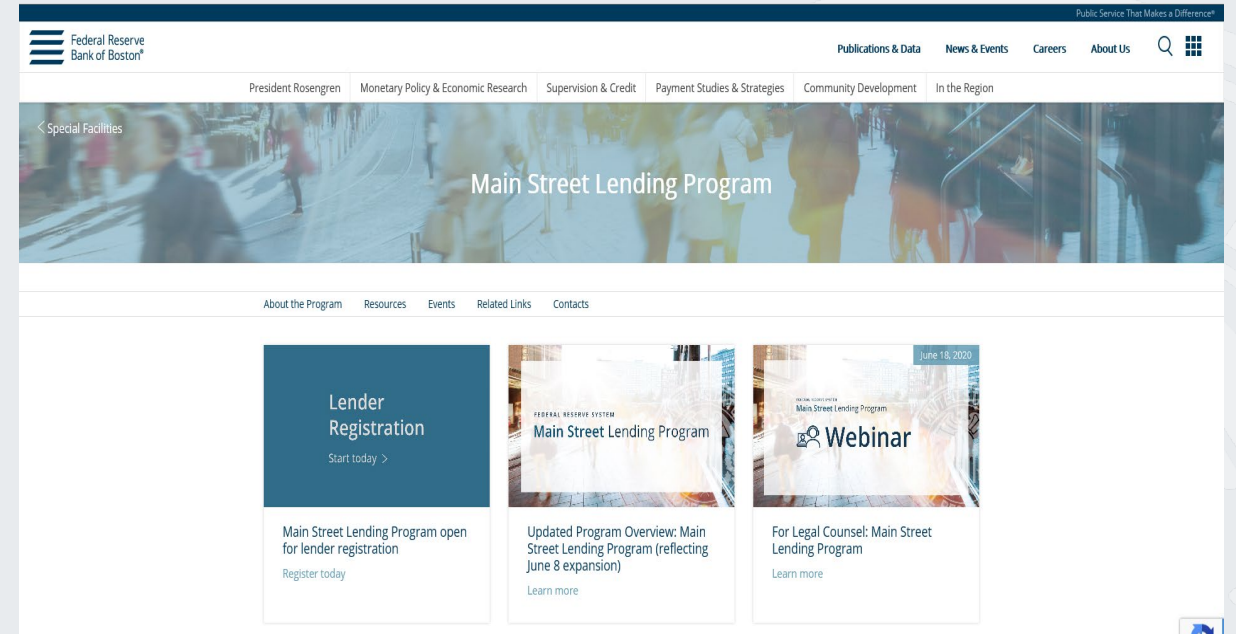
- ▷ Use the chat feature in the webinar (***Ask Question*** button on bottom of screen).
- ▷ Email your question to: [questions@askthefed.org](mailto:questions@askthefed.org).

# Thank You for Submitting Questions

- ▷ When can I apply for a Main Street loan?
- ▷ How do I find an eligible lender?
- ▷ Are non-profit organizations (e.g., schools, hospitals, religious organizations) eligible borrowers?
- ▷ How can I use the loan proceeds? Are there any restrictions?
- ▷ How is adjusted EBITDA calculated? Can I still apply for a Main Street loan if my adjusted 2019 EBITDA is negative?

# Additional Resources

- ▶ Program information and FAQs are located on the [Main Street Lending Program website](https://www.bostonfed.org/mslp) ([www.bostonfed.org/mslp](https://www.bostonfed.org/mslp)).
- ▶ Find the [Main Street Lending Program Forms and Agreements](#) on a dedicated landing page.
- ▶ [Sign up](#) to receive email alerts for Program updates.
- ▶ Submit inquiries to [MSLP@bos.frb.org](mailto:MSLP@bos.frb.org).



- ▶ The following recorded session provides additional information about the Program:
  - ▶ [June 15, 2020, Borrower Drop-in Session](#)

Thanks for joining us.

