Update on the Reserve Board's Main Street Program: Moves to Assist Larger Businesses

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This article was authored by Katelyn Sandoval.

A few weeks ago, we commented on the Federal Reserve’s newly unveiled Main Street Lending Program. We noted that the $600 billion lending effort was for businesses with up to 10,000 employees and up to $2.5 billion in 2019 revenue. Although the program was established to support larger companies, the CARES Act restrictions regarding compensation, stock repurchase, and dividend were still applicable.

Yesterday, the Federal Reserve Board announced that it was expanding the scope and eligibility for its Main Street Lending Program. This was in response to the board’s call for feedback from the public on potential refinements to the program’s initial terms. After receiving more than 2,200 comments, the board expanded the loan options and increased the size of eligible businesses.

Pursuant to the new changes:

- Businesses with 15,000 employees (up from 10,000) and annual revenues of up to $5 billion (up from $2.5 billion) are now eligible;
- The two preexisting loan options under the program have lowered their minimum loan size to $500,000 (down from $1 million); and
- A new, third loan option will allow lenders to retain a 15% share on loans that, when added to existing debt, will not exceed six times the borrower’s income.

The following table outlines the three loan options under the program:

Main Street Lending Program Loan Options	New Loans	Priority Loans	Expanded Loans
Term	4 years	4 years	4 years
Minimum Loan Size	$500,000	$500,000	$10,000,000
Maximum Loan Size	The lesser of $25 million or an amount that, when added to outstanding and undrawn available debt, does not exceed 4.0x adjusted 2019 EBITDA	The lesser of $25 million or an amount that, when added to outstanding and undrawn available debt, does not exceed 6.0x adjusted 2019 EBITDA	The lesser of $200 million, 35% of existing outstanding and undrawn available debt, or an amount that, when added to outstanding and undrawn available debt, does not exceed 6.0x adjusted 2019 EBITDA
Risk Retention	5%	15%	5%
Payment (year one deferred for all)	Years 2–4: 33.33% each year	Years 2–4: 15%, 15%, 70%	Years 2–4: 15%, 15%, 70%
Rate	LIBOR + 3%	LIBOR + 3%	LIBOR + 3%

(Board of Governors of the Federal Reserve System, *Federal Reserve Board Announces It Is Expanding the Scope and Eligibility for the Main Street Lending Program* (Apr. 30, 2020), available at https://www.federalreserve.gov/newsevents/pressreleases/monetary20200430a.htm.)

The program will now operate through three facilities: the Main Street New Loan Facility (MSNLF), the Main Street Priority Loan Facility (MSPLF), and the Main Street Expanded Loan Facility (MSELF).

We are still waiting for a confirmed start date for the program, which should be announced soon. Please contact the author of this article or any member of the Carlton Fields team to discuss how this program may assist your business.

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