

Alert

Federal Reserve Expands Main Street Lending Program

June 10, 2020

On June 8, 2020, the Board of Governors of the Federal Reserve System (“Federal Reserve”) announced the expansion of the Main Street Lending Program (“MSLP”)¹ to enable more small- and medium-sized businesses to access the MSLP. This *Alert* summarizes the changes and, thus, supplements our prior *Alerts* on the MSLP, dated [June 4, 2020](#) and [May 1, 2020](#).

Notably, the Federal Reserve enacted the following changes:

- Lowered the minimum loan size for certain loans from \$500,000 to \$250,000;
- Increased the maximum loan size for all facilities in the MSLP;
- Increased the term of each loan option from four years to five years;
- Extended the repayment period for all loans by delaying principal payments for two years, rather than one year; and
- Raised the Federal Reserve Bank of Boston’s participation to 95% for all MSLP loans.

The table below summarizes the updated terms of each of the MSLP’s three facilities:²

	New Loan Facility	Priority Loan Facility	Expanded Loan Facility
Term of Loan	5-year maturity	5-year maturity	5-year maturity
Minimum Loan Size	\$250,000	\$250,000	\$10 million
Maximum Loan Size	The lesser of \$35 million, or an amount that, when added to outstanding and undrawn available debt, does not exceed 4.0x the eligible borrower’s 2019 adjusted EBITDA	The lesser of \$50 million, or an amount that, when added to outstanding or undrawn available debt, does not exceed 6.0x the eligible borrower’s 2019 adjusted EBITDA	The lesser of \$300 million, or an amount that, when added to outstanding or undrawn available debt, does not exceed 6.0x the eligible borrower’s 2019 adjusted EBITDA

¹ The Main Street Lending Program was created to support small- and medium-sized businesses affected by the COVID-19 pandemic through the provision of credit in order to help them maintain their payroll and day-to-day operations.

² Updated term sheets for each of the MSLP facilities are available at Main Street New Loan Facility, available [here](#); Main Street Priority Loan Facility, available [here](#); and Main Street Expanded Loan Facility, available [here](#).

	New Loan Facility	Priority Loan Facility	Expanded Loan Facility
Risk Retention by Eligible Lender	5% of Eligible Loan	5% of Eligible Loan	5% of Eligible Loan
Principal Repayment	Principal deferred for two years, years three – five: 15%, 15%, 70%	Principal deferred for two years, years three – five: 15%, 15%, 70%	Principal deferred for two years, years three – five: 15%, 15%, 70%
Interest Payments	Interest deferred for one year	Interest deferred for one year	Interest deferred for one year
Interest Rate	LIBOR + 3%	LIBOR + 3%	LIBOR + 3%

Authored by [Joseph P. Vitale](#) and [Kristen Q. Lin](#).

If you have any questions concerning this *Alert*, please contact your attorney at Schulte Roth & Zabel or one of the authors.

Schulte Roth & Zabel
 New York | Washington DC | London
www.srz.com

This is a fast-moving topic and the information contained in this *Alert* is current as of the date it was published.

This communication is issued by Schulte Roth & Zabel LLP for informational purposes only and does not constitute legal advice or establish an attorney-client relationship. In some jurisdictions, this publication may be considered attorney advertising. ©2020 Schulte Roth & Zabel LLP. All rights reserved. SCHULTE ROTH & ZABEL is the registered trademark of Schulte Roth & Zabel LLP.