

Federal Reserve Announces Expansion of Main Street Lending Program

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The Main Street Lending Program ("Program") was designed to support small and medium-sized businesses that are unable to access the Paycheck Protection Program (PPP) or that require additional financial support after receiving a PPP loan. The Program was initially comprised of two different facilities: The Main Street New Loan Facility ("MSNLF") and the Main Street Expanded Loan Facility ("MSELF"). The Federal Reserve later expanded the Program to include a third facility: The Main Street Priority Loan Facility ("MSPLF"). However, even with the expansion of the Program in late April, as noted in our recent article, Main Street Lending Program "Very Close" to Operational, the Program has received some criticism from potential participants as being overly restrictive. In an effort to broaden the Program's impact, the Federal Reserve announced another expansion of the Program on June 8, 2020.

The expanded terms affect each of the three facilities and include:

- increasing the maximum loan amount for the MSNLF from $25 million to $35 million;
- increasing the maximum loan amount for the MSPLF from $25 million to $50 million;
- increasing the maximum amount of the upsized tranche for the MSELF from $200 million to $300 million and removing the 35% of outstanding debt limitation;
- reducing the minimum loan amount for the MSNLF and the MSPLF from $500,000 to $250,000;
- increasing the loan term from four years to five years for all three facilities;
- deferring principal payments for the first and second years of the loan term for all three facilities;
- requiring principal payments in the amount of 15% at the end of the third and fourth years of the loan term for all three

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facilities; and

- requiring a balloon payment for the remaining 70% of the principal amount at loan maturity for all three facilities.

We previously published a comparison chart which summarizes the similarities and differences among the facilities. An updated chart comparing the three Main Street Loan Facilities reflecting the expanded terms above can be accessed here.

The updated term sheets for each of the three facilities can be accessed via the following links:

- MSNLF Updated Term Sheet
- MSPLF Updated Term Sheet
- MSELF Updated Term Sheet

In addition to updated term sheets, the Federal Reserve also issued updated FAQs for the Main Street Loan program, which indicate that any loans that were issued in reliance on the April 30, 2020 term sheets will be accepted for purchase by the Main Street Special Purpose Vehicle during the first 14 days of the relevant Main Street facility's operation. Alternatively, any loans that were issued in reliance on the April 30, 2020 term sheets may be amended or refinanced in accordance with the June 8, 2020 terms.

Our team of attorneys is here to help you analyze eligibility and the features of this lending program. For more information on the Main Street Lending Program and other financial assistance under the CARES Act, please contact Becky Moore, Amanda England, Maria Kroeger, Meghan Jackson Tyson or any attorney in Frost Brown Todd's Financial Services Industry Team.

To provide guidance and support to clients as this global public-health crisis unfolds, Frost Brown Todd has created a Coronavirus Response Team. Our attorneys are on hand to answer your questions and provide guidance on how to proactively prepare for and manage any coronavirus-related threats to your business operations and workforce.

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