# Main Street Lending Program Adds Third Loan Program: The Main Street Priority Loan

May 08, 2020

**Categories:**

Coronavirus Response Team
Press Releases
Publications

**Authors:**

Monisha Coelho

The Federal Reserve announced it is expanding the Main Street Lending Program by offering businesses a new loan option called the **Main Street *Priority* Loan Program**. We detailed the other two loan options – (a) the Main Street *New* Loan Facility and (b) the Main Street *Expanded* Loan Facility – in our prior fact sheet located here.

The new Main Street Priority Loan expand*s the scope and eligibility of the prior two loans since it:

- (a) creates a new loan option for borrowers with greater leverage;
- (b) lowers the minimum loan size to $500,000; and
- (c) expands the pool of businesses eligible to borrow.

Additionally, businesses with up to 15,000 employees or up to $5 billion in annual revenue are now eligible, compared to the prior two loan terms, which were for companies with up to 10,000 employees and $2.5 billion in revenue. Also, the minimum loan size was lowered to $500,000 from $1 million. With these changes, the program now offers more loan options for small and medium-sized businesses.

**What Businesses are eligible for loans under the Main Street Priority Loan Program?**

While restrictions apply to businesses that received certain loans under the CARES Act, PPP Loan Borrowers remain eligible for Main Street Lending Program loans. Businesses that meet all of the criteria below are eligible for a loan under the Priority Loan Program:

- The business was established before March 13, 2020;
- Business is defined as an entity that is organized for profit as a partnership; a limited liability company; a corporation; an association; a trust; a cooperative; a joint venture with no


2026 FBT Gibbons LLP. All rights reserved. ADVERTISING MATERIAL.

more than 49 percent participation by foreign business entities; or a tribal business concern. Other forms of organization may be included as a Business at the discretion of the Federal Reserve; and

- It meets at least one of the following two conditions:
  - (a) has 15,000 employees or fewer, or
  - (b) had 2019 annual revenues of $5 billion or less;
- Is created or organized in the United States or under the laws of the United States with significant operations in and a majority of its employees based in the United States;
- Has not taken a loan under the Main Street New Loan Facility, the Main Street Expanded Loan Facility, or the Primary Market Corporate Credit Facility;
- Has not received specific support pursuant to the CARES Act; and
- Is not an ineligible Business under the Paycheck Protection Program regulations. Ineligible businesses include:
  - financial business engaged in the business of lending;
  - passive business owned by developers and landlords that do not actively use or occupy the asset;
  - life insurance companies;
  - businesses in foreign countries, though businesses in the US owned by resident aliens may qualify;
  - pyramid sales;
  - businesses engaged in illegal activity (cannabis);
  - private clubs and businesses which limit membership;
  - loan packaging companies;
  - businesses with an associate who is incarcerated, on probation, on parole, or indicted for a felony or crime involving moral turpitude;
  - sex parlors and strip clubs;
  - businesses who have defaulted on prior federal loans;
  - political or lobbying businesses; and


2026 FBT Gibbons LLP. All rights reserved. ADVERTISING MATERIAL.

- speculative businesses

- Affiliation rules under the Paycheck Protection Program will apply to calculate the number of employees and annual revenues of the business.

**What are the terms of a Main Street Priority Loan?**

These are the terms of a Main Street Priority Loan:

- The loan was originated after April 24, 2020;
- It may be secured or unsecured;
- It has a four year maturity period;
- The minimum loan size is $500,000;
- The maximum loan size is the lesser of (i) $25 million or (ii) an amount that, when added to the Borrower's existing outstanding and undrawn available debt, does not exceed six times the Borrower's adjusted 2019 earnings before interest, taxes, depreciation, and amortization ("EBITDA");
- At the time of origination and at all times it is outstanding, the loan is senior or equal in terms of priority and security with the borrower's other loans/debt instruments, except its mortgage debt;
- Prepayment is permitted without penalty;
- The loan is full recourse and not forgivable;
- Principal and interest payments are deferred for one year (unpaid interest will be capitalized);
- It has an adjustable rate of LIBOR (1 or 3 month) + 300 basis points;
- It has principal amortization of 15% at the end of the second year, 15% at the end of the third year, and a balloon payment of 70% at maturity at the end of the fourth year;
- If the Borrower had outstanding loans with the same lender as of December 31, 2019, such loans must have had an internal risk rating equivalent to a "pass" in the federal supervisory rating system on that date. Lenders will conduct an assessment of each potential Borrower's financial condition at


2026 FBT Gibbons LLP. All rights reserved. ADVERTISING MATERIAL.

the time of the Borrower's application;

- Lenders may charge Borrower a transaction fee of 100 basis points; and
- The borrower will pay an origination fee of up to 100 basis points of the principal amount of the loan at the time of origination.

**What Certifications and Covenants do Businesses have to provide to obtain a Priority Loan?**

In addition to certifications required by law, the following certifications and covenants are required from borrowers, which lenders will collect at the time of loan origination:

- Businesses must refrain from repaying the principal balance or interest on any debt until the Priority Loan is repaid in full unless the debt or interest payment is mandatory and due. However, businesses may, at the time of origination of the loan, refinance existing debt owed by them to a lender that is not the current lender.
- Businesses must commit they will not seek to cancel or reduce any of its committed lines of credit with the current lender or any other lender.
- Businesses must certify they have a reasonable basis to believe that, as of the date of origination of the loan and after giving effect to such loan, they have the ability to meet their financial obligations for at least the next 90 days and do not expect to file for bankruptcy during that time.
- Businesses must commit they will follow compensation, stock repurchase, and capital distribution restrictions that apply to direct loan programs under section 4003(c)(3)(A)(ii) of the CARES Act, except businesses that are S corporations or other tax pass-through entities may make distributions to the extent reasonably required to cover their owners' tax obligations of the businesses' earnings.
- Businesses that participate in the Priority Loan should make commercially reasonable efforts to maintain their payroll and retain their employees during the time the loan is outstanding.


2026 FBT Gibbons LLP. All rights reserved. ADVERTISING MATERIAL.

**When will the New Main Street *Priority* Loan Program start and end?**

The start date of the Main Street Priority Loan Program has not yet been announced but businesses are advised to start preparing their loan documentation and contact their lender for any additional documentation needed and get in the loan queue. As of now, this program will end on September 30, 2020, unless the Treasury Department extends the loan program. The Treasury Department may also make changes to any of the above Priority Loan terms and provision.

The Federal Reserve has developed a great loan comparison resource available here.

***Monisha Coelho represents clients – from startups to multinational corporations – in a wide range of business, corporate, and real estate matters before state and federal courts, in mediations and arbitrations. She counsels clients on contract drafting and negotiations. Monisha is licensed to practice law in India and advises clients on cross-border US-India business transactions and litigation.***

**DISCLAIMER:** The information contained herein is intended for informational purposes only and should not be construed as professional counsel or legal advice. Seek legal counsel for advice with respect to any legal matter. The information in this document may not reflect the most current developments as the subject matter is extremely fluid and may change daily. The content and interpretation of the issues addressed herein are subject to change.

© 2026 FBT Gibbons LLP. May be considered attorney advertising in some jurisdictions.


2026 FBT Gibbons LLP. All rights reserved. ADVERTISING MATERIAL.

FBT Gibbons