

The Main Street Lending Program: How it Works and Who is it For?

What Is It?

On April 9, the Federal Reserve Board revealed details about the previously announced Main Street Lending Program. Even larger than the Paycheck Protection Program, the Main Street Lending Program is geared toward mid-sized businesses. Its principal purpose is to get 4-year loans with deferred principal and interest payments to mid-sized businesses with up to 10,000 employees or less than \$2.5 billion in revenue.

Who Can Apply?

Both the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan Program from the SBA are for smaller businesses. The Fed's Main Street Lending Program focuses on mid-size and larger firms needing assistance. It's important to note that you can apply for a Main Street Lending Program loan even if you've also applied for a loan under the PPP. You cannot apply, however, if you participate in other programs such as the Main Street Expanded Loan Facility (MSELF) or the Primary Market Corporate Credit Facility.

To apply for the Main Street Lending Program, you:

- Must be a U.S. business with up to 10,000 employees or less than \$2.5 billion in revenue in 2019.
- Must be in good financial standing before the COVID-19 outbreak.
- Must make reasonable efforts to maintain payroll and retain workers.
- Must follow all applicable restrictions that apply to direct loan programs under the CARES Act, i.e., compensation, stock repurchase, and dividend repurchase restrictions.

How Does It Work?

Loans under the Main Street Lending Program will range in size between \$1 million and \$25 million. Loans cannot exceed \$25 million or an amount that, when added to the borrower's existing outstanding and committed, but undrawn debt, does not exceed four times 2019 earnings before interest, taxes, depreciation, and amortization (EBITDA), whichever is less. Interest on Main Street



by Eric S. Clarke & Scott C. Smith



Loans will be at an adjustable rate of Secured Overnight Financing Rate (SOFR) + 250-400 basis points. Payments of interest and principal will be deferred for the first year, and all or any portion of any loan may be prepaid without any fee or penalty. There is a fee for the origination and servicing of these loans, which will equal 100 basis points.

When/Where/How Do You Apply?

Loans under the Main Street Lending Program will be made by U.S. insured depository institutions, U.S. bank holding companies, and U.S. savings and loan holding companies. No details are available yet about how and when you can apply or the application process. This process is likely to vary from lender to lender. You may start preparing now by gathering information about your 2019 IRS payroll filings, all payroll records supporting compensation figures and total workforce numbers.

For more information, please contact:

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