

## Federal Reserve Announces Main Street Lending Program

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On April 9, 2020, the Federal Reserve announced actions to assist employers of all sizes. The Federal Reserve's purpose is to promote maximum employment, maintain steady prices, and support the stability of the financial system. The Main Street Lending Program is being conducted under authority granted by the CARES Act.

### Main Street Lending Program

The Main Street Lending Program will provide funding to businesses that were in good financial standing prior to the COVID-19 crisis. All companies employing up to 10,000 workers, or with revenues of less than \$2.5 billion, are eligible for the program. A special purpose vehicle organized by the Federal Reserve will purchase 95% of eligible loans from the lenders. The vehicle may purchase up to a total of \$600 billion of eligible loans. The Main Street Lending Program will purchase loans until September 30, 2020 unless the program is extended further.

Businesses seeking Main Street loans must promise to make reasonable efforts to maintain payroll and retain their employees. An entity entering into the loan will also have to abide by the compensation limits set by the CARES Act. Those limits provide that, among other things, an officer or employee of the business whose total compensation exceeded \$425,000 in 2019 will not be allowed to receive an increase over the 2019 compensation for a two-year period beginning on March 1, 2020 and ending on March 1, 2022, and any severance for said employee will not exceed two times their 2019 compensation. An exception is allowed for compensation determined by a collective bargaining agreement.

The loans will be originated by banks by either issuing new loans (New Loan Facility) or increasing the size of existing loans originated prior to April 8, 2020 (Expanded Loan Facility). Borrowers cannot participate in both the New Loan Facility and the Expanded Loan Facility. Borrowers participating in the Main Street Program also may not participate in the Primary Market Corporate Credit Facility.

Entities that have taken advantage of the Paycheck Protection Program may also take advantage of the Main Street Lending Program.

### Loan Details

Loans eligible for the Main Street program will have a four-year maturity and a one-year deferral of principal amortization and interest. The minimum size of eligible loans is \$1 million. The maximum loan size for the New Loan Facility is the lesser of \$25 million or 4 times 2019 EBITDA. The maximum loan size for the Expanded Loan Facility is the lesser of \$150 million, 30% of the borrower's existing undrawn bank debt, or 6 times 2019 EBITDA. The EBITDA limitations include any existing undrawn debt of the borrower. The interest rate on eligible loans is the secured overnight financing rate (approximately 1.04% as of April 9) plus 250-400 basis points.

## Feedback

The Federal Reserve is seeking feedback from lenders, borrowers, and other stakeholders through April 16 on these programs. Feedback can be submitted on the Federal Reserve's website: [feedback form](#).

## Contact Us and Resources

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PKF O'Connor Davies is monitoring the situation regarding federal financial assistance. If you have any questions regarding any of the programs mentioned above or any other issues, please contact the PKF O'Connor Davies partner overseeing your account or contact:

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