

Main Street Lending Program Updates

By Bryan Decker, CPA, Partner

The Federal Reserve announced on June 15, 2020 that lenders may begin registering to be an approved lender under the [Main Street Lending Program \(the Program\)](#). Once registered, the lenders will be allowed to offer loans under the Program. Previously, on June 8, 2020, the Federal Reserve announced changes to loan terms under the Program. The Federal Reserve's purpose is to promote maximum employment, maintain steady prices, and support the stability of the financial system. The Program is being conducted under authority granted by the CARES Act. Businesses seeking loans under the Program would obtain them from approved lenders. The loans are generally available to commercial companies employing up to 15,000 workers or with 2019 annual revenues up to \$5 billion.

The Main Street Lending Program is divided into three facilities:

- Main Street New Loan Facility (MSNLF)
- Main Street Expanded Loan Facility (MSELF)
- Main Street Priority Loan Facility (MSPLF)

Updated Universal Loan Terms

The following are the universal terms for the three lending facilities:

- Five-year term loan (principal amortization 15% at end of 3rd and 4th year, 70% at end of 5th year, one-year deferral of interest payments, and unpaid interest capitalized)
- Interest Rate – LIBOR (1 or 3 month) plus 300 basis points
- Origination fee – 100 basis points of the principal amount of the eligible loan
- The loan cannot be subordinate to any other debt of the borrower
- Loan fee of up to 75 basis points for a MSELF or 100 basis points for a MSNLF or MSPLF

Updated Available Loan Sizes

- **MSNLF** – minimum size of \$250,000 to maximum size of the lesser of \$35 million or four times borrower's adjusted 2019 EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) less borrower's existing outstanding and undrawn available debt
- **MSELF** – minimum size of \$10 million to maximum size of the lesser of \$300 million or six times borrower's 2019 EBITDA less borrower's existing outstanding and undrawn available debt
- **MSPLF** – minimum size of \$250,000 to maximum size of the lesser of \$50 million or six times borrower's 2019 EBITDA less borrower's existing outstanding and undrawn bank debt

Use of LIBOR

The London Inter-Bank Offered Rate (LIBOR) is set to be phased-out during 2021. The retirement of LIBOR will require lenders to add language to the loan agreements to replace LIBOR with an appropriate replacement rate.

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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