



# Federal Reserve Main Street Lending Program

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**Funder Organization:** Federal Reserve Bank of Boston (the Fed).

**Program URL:** <https://www.federalreserve.gov/monetarypolicy/mainstreetlending.htm>

**Type of Fund:** Participation loan program with eligible lenders retaining 5% and the Fed purchasing 95% of eligible loans. Eligible lenders are federally insured depository institutions (banks, savings associations or credit unions) that choose and register to participate in the program. Eligible loans are described in Program Details on page 3.

**Target Audience or Geography:** Nationwide.

## Brief Program Description

Loans of \$250,000 up to \$300,000,000 for small and medium-sized businesses that were in sound financial condition before COVID-19 but now need loans to help maintain their operations until they have recovered from or adapted to the impacts of the pandemic. The program seeks to achieve this by offering a 5-year loan, with a variable interest rate and deferred principal and interest payments.

**How It Works:** Interested businesses work with an eligible lender to determine if they meet the program requirements as well as the lender's own underwriting standards. The lender determines whether a business is approved for a loan. The Fed will participate by purchasing a 95% interest in the loan. There are three different loan facilities (New Loan Facility, Priority Loan Facility, and Expanded Loan Facility — described in Program Details on page 3).

**Program Launch:** The program is fully operational as of July 6, 2020. The Federal Reserve Bank of Boston has announced its intention to publish a state-by-state listing of lenders accepting new business customers under the Main Street program and electing to be listed.

**Facility End Date:** The Fed will cease purchasing participations from eligible lenders on September 30, 2020, unless the program is extended by the Federal Reserve System and the Department of the Treasury.

## Eligibility Requirements

An Eligible Borrower is a Business that:

1. Was established prior to March 13, 2020.
2. Is not an Ineligible Business (most businesses eligible for PPP, including tribal business concerns, are eligible). For a detailed definition of ineligible businesses refer to 13 CFR 120.110(b)-(j) and (m)-(s).
3. Meets at least one of the following two conditions: (i) has 15,000 employees or fewer, or (ii) had 2019 annual revenues of \$5 billion or less (these include employees and revenues of affiliated entities).
4. Is created or organized in the United States or under the laws of the United States (one of the states, the District of Columbia, or an Indian Tribal Government) with significant operations in and a majority of its employees based in the United States.
5. May only participate in one of the Main Street facilities and must not also participate in the Primary Market Corporate Credit Facility (although they may have more than one loan under a facility provided that the total of the loans does not exceed the applicable maximum loan amount for that facility).
6. Has not received specific support pursuant to the Coronavirus Economic Stabilization Act of 2020 (Subtitle A of Title IV of the CARES Act). NOTE: Businesses that have received PPP loans are permitted to borrow under the Facility, provided that they are eligible borrowers.
7. For purposes of the Facility, a business is 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 more than 49 percent participation by foreign business entities; or a tribal business concern as defined in 15 U.S.C.
8. Borrowers must be able to make all of the certifications and covenants required under the program. See Borrower Certifications and Covenants on page 4.

## Ineligibility Restrictions

Nonprofits are currently not eligible, however, the Fed is currently evaluating and taking public comments on a Nonprofit Organization New Loan Facility.

## Use of Funds

Use of proceeds is somewhat vague. Borrowers are expected to make commercially reasonable efforts to retain employees during the term of the Main Street loan. An eligible borrower should undertake good-faith efforts to maintain payroll and retain employees in light of its capacities, the economic environment and its resources. Businesses who have already laid-off or furloughed workers as a result of COVID-19 are eligible to apply for these loans.

## Program Details

	New Loan Facility (MSNLF)	Priority Loan Facility (MSPLF)	Expanded Loan Facility (MSELF)
Loan Term	5 years		
Principal Payments	Principal deferred for two years Years 3 & 4: 15% of principal is due at the end of each year Year 5: 70% balloon payment at maturity		
Interest Payments	Deferred for one year (unpaid interest will be capitalized) Interest will be paid in year two		
Interest Rate	Adjustable rate of LIBOR (1 or 3 mo.) plus 300 basis points		
Loan Size	\$250,000 to \$35 million	\$250,000 to \$50 million	\$10 million to \$300 million
Maximum Combined Debt to Adjusted 2019 EBITDA	4 times	6 times	6 times
Lender Participation Rate	5%		
Fed Participation Rate	95%		
Prepayment Allowed	Yes, without penalty		
Business Size Limits	15,000 employees or fewer, or 2019 revenues of \$5 billion or less		
Fees	Origination and transaction fees may apply		

**Collateral Requirements:** Loans may be secured or unsecured, the lender will determine which. However, the eligible loan cannot be contractually subordinated in terms of priority to any of the eligible borrower's other loans or debt instruments.

**Personal Guarantee:** The Fed does not require, however the lender may require guarantees.

**Forgiveness Terms:** Not applicable.

## Fee

MSNLF and MSPLF lenders will pay the Main Street Special Purpose Vehicle (SPV) a transaction fee of 100 basis points of the principal amount at origination AND may pass this fee on to the borrower. In addition, the borrower will pay the lender an origination fee of up to 100 basis points of the principal amount at origination. Lenders have discretion over whether or not to charge borrowers this fee.

MSELF lenders will pay the Main Street SPV a transaction fee of 75 basis points of the principal amount AND may pass this fee on to the borrower. In addition, MSELF borrowers will pay the lender an origination fee of up to 75 basis points of the principal amount. Lenders have discretion over whether or not to charge borrowers this fee.

**Application Submittal Process:** Contact an eligible lender.

**Required forms and Documentation:** Lender will provide a list of requirements and documents.

## Program Contact Information

Contact an eligible lender. General questions about the program may be sent to: [mslp@bos.frb.org](mailto:mslp@bos.frb.org)

## Borrower Certifications and Covenants

The CEO and CFO (or officers performing similar functions) of the eligible borrower must sign - borrower certifications and covenants or each loan secured through the Main Street SPV. The eligible lender must submit this document at the time a loan participation in the eligible borrower's loan is sold to the Main Street SPV. These documents vary by Main Street Facility. Follow the link below and scroll down to Facility Borrower Certifications and Covenants:

<https://www.bostonfed.org/supervision-and-regulation/supervision/special-facilities/main-street-lending-program/information-for-lenders/docs.aspx>

## Frequently Asked Questions

<https://www.bostonfed.org/supervision-and-regulation/supervision/special-facilities/main-street-lending-program/information-for-borrowers.aspx>

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