Insights

Updates to the Fed's Main Street Lending Program

April 30, 2020

By: Robert A. Greising and Corben A. Lee

On April 29, 2020, the Federal Reserve Board (the "Fed") announced that it was expanding the Main Street Lending Program due to public feedback to expand its scope and eligibility and to create a new loan option. Unfortunately while the program has expanded, the Fed has still not announced an official start date for the program. For more information on the initial terms of the program please **click here**.

The changes to the program include creating a third loan option, with increased risk sharing by lenders for borrowers with greater leverage; lowering the minimum loan size for New and Priority loans to $500,000; and expanding eligibility criteria to increase the pool of businesses eligible to borrow.

Under the third loan option, lenders may retain a 15% share of the loan. Also, the loan plus existing debt cannot exceed six times the borrower's adjusted income. This differs from the current loan options where lenders retain a 5% share on loans.

In addition, the size standards for businesses were increased to allow businesses with up to 15,000 employees and $5 billion in annual revenue to be eligible. This change is up from the prior loan terms which only allowed business with less than $10 billion in annual revenue and 10,000 employees. The minimum loan value was also reduced to $500,000 from the previous mark of $1 million for New and Priority loans, which leads towards the goal of the program being available to a larger set of small and medium-sized businesses.

Finally, the Fed also acknowledged the critical role that nonprofits play throughout the economy and will be evaluating a separate approach to meet their needs. As we receive further guidance from the Fed, we will provide further updates.

For an overview of the three loan programs please see this table from the Fed's announcement:

	New Loans	Priority Loans	Expanded Loans
Term	4 years	4 years	4 years
Minimum Loan Size	$500,000	$500,000	$10,000,000

Maximum Loan Size	The lesser of $25M or an amount that, when added to outstanding and undrawn available debt, does not exceed 4x adjusted 2019 EBITDA.	The lesser of $25M or an amount that, when added to outstanding and undrawn available debt, does not exceed 6x adjusted 2019 EBITDA.	The lesser of $200M, 35% existing outstanding undra available debt, or an amou when added to outstandin undrawn available debt, d exceed 6x adjusted 2019 E
Risk Retention	5%	15%	5%
Payment	Years 2-4: 33.33% each year	Years 2-4: 15%, 15%, 70%	Years 2-4: 15%, 15%, 70%
Rate	LIBOR + 3%	LIBOR + 3%	LIBOR + 3%

If you have any further questions, comments or concerns, please feel free to contact **Robert A. Greising**, **Corben A. Lee** or a member of our **Business, Acquisitions & Securities team**.

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