

## **Federal Reserve rolls out Main Street New Loan Facility, part of \$2.3 trillion COVID-19 relief program**

The Federal Reserve today announced that, as part of a \$2.3 trillion loan program, it was rolling out its much-anticipated Main Street New Loan Facility. This emergency loan program provides up to \$600 billion in financing to lenders that make direct, unsecured loans to Main Street businesses impacted by COVID-19. The new loan facility is intended to support medium-sized businesses that have not yet been helped by the \$2 trillion economic stimulus package signed into law late last month.

Treasury Secretary Steven Mnuchin has stated that 40,000 mid-sized companies employing 35 million Americans could benefit from this program.

## **ELIGIBILITY**

### **Borrowers**

Eligible businesses can have up to 10,000 employees or up to \$2.5 billion in 2019 annual revenues. Each must be a business created or organized in the U.S. or under the U.S. laws; must maintain “significant operations” in the U.S.; and must have most of its employees based in the U.S. Participating borrowers may not participate in other facilities such as the Main Street Expanded Loan Facility (MSELF) or the Primary Market Corporate Credit Facility.

### **Loans**

An eligible loan is “an unsecured term loan made by an eligible lender(s) to an eligible borrower that was originated on or after April 8, 2020.” According to a Federal Reserve release, eligible loans will have the following features:

- **Maximum loan size:** The lesser of \$25 million or an amount that, when added to the borrower’s existing outstanding and committed but undrawn debt, does not exceed four times the borrower’s 2019 earnings before interest, taxes, depreciation, and amortization (EBITDA)
- **Minimum loan size:** \$1 million
- **Maturity:** 4 years
- **Interest rate:** Adjustable rate of SOFR + 250-400 basis points
- **Amortization of principal and interest:** Deferred for one year
- **Prepayment:** Permitted without penalty
- **Loan Origination and Servicing:** “An eligible borrower will pay an eligible lender an origination fee of 100 basis points of the principal amount of the eligible loan,” the release says.

### **Lenders**

U.S. insured depository institutions, U.S. bank holding companies, and U.S. savings and loan holding companies are eligible to be lenders.

### **Additional requirements**

Several other requirements for both the eligible borrower and the eligible lender include a variety of mandatory certifications and attestations.

To learn more about the Main Street New Loan Facility and other government lending programs for coronavirus-impacted businesses, please contact us.